



HERA GROUP 1H RESULTS

Analyst Presentation

27th August 2014

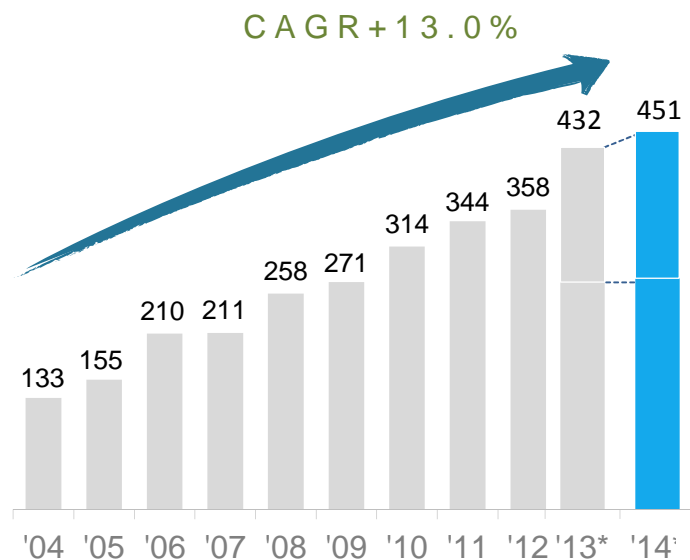
A photograph of three large, colorful snail sculptures (pink, green, and blue) moving from left to right across a paved area in front of a building. The sculptures are highly detailed, showing the texture of the shells and the body. The text "Back on growth track" is overlaid in large white letters across the middle of the image.

Back on growth track

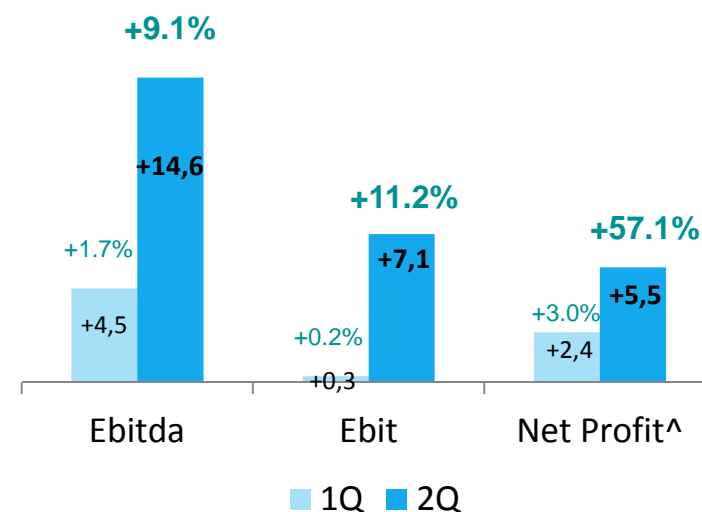
“Solid 2Q brings back 1H on consistent growth track”



1H Ebitda growth track record (M€)



Progressing growth in '14 (M€ and %)



Overcoming 1Q mild winter climate impact with a remarkable growth path

*Restated 2013 figures applying IFRS11 criteria in force starting from 1/1/2014

[^]Net Profit post minorities 2013 restated accounting IFRS 11 and adjusted by extraordinary income (AcegasAps merger). 2014 figure adj. by 2.1m€ write off of Energia Italiana.

“Mild winter impact visible only on top line”



+1H RESULT HIGHLIGHTS (M €)

	1H '13*	1H '14	
REVENUES	2,460	2,228	(9.4%)
EBITDA	431,8	450.9	+4.4%
<i>Ebitda margin</i>	<i>17.6%</i>	<i>20.2%</i>	
Depreciation and provisions	(196,3)	(208.1)	
EBIT	235.5	242.8	+3.1%
Cost of Debt	(64.4)	(63.4)	
Figurative interests (IAS)	(7.3)	(7.2)	
Income from Associates & J.V.	7.8	4.1	
PRETAX PROFIT	171.6	176.3	
Tax	(73.5)	(69.5)	
Minorities	(7.7)	(8.5)	
NET PROFIT POST MINORITIES ADJ.	90.4	98.3	+8.7%
Extraordinary income	43.7	(2.1)	
Net profit & Extraord. income	134.1	96.2	



Revenues affected by 1Q mild winter.



Better margins underpinned by market expansion, enhanced efficiencies and regulated revenues.



Income from associates & J.V. affected by mild winter (-3.7m€).



Taxes benefit from lower Robin tax and review of IRAP.

Positive bottom line highlighting a solid resilience

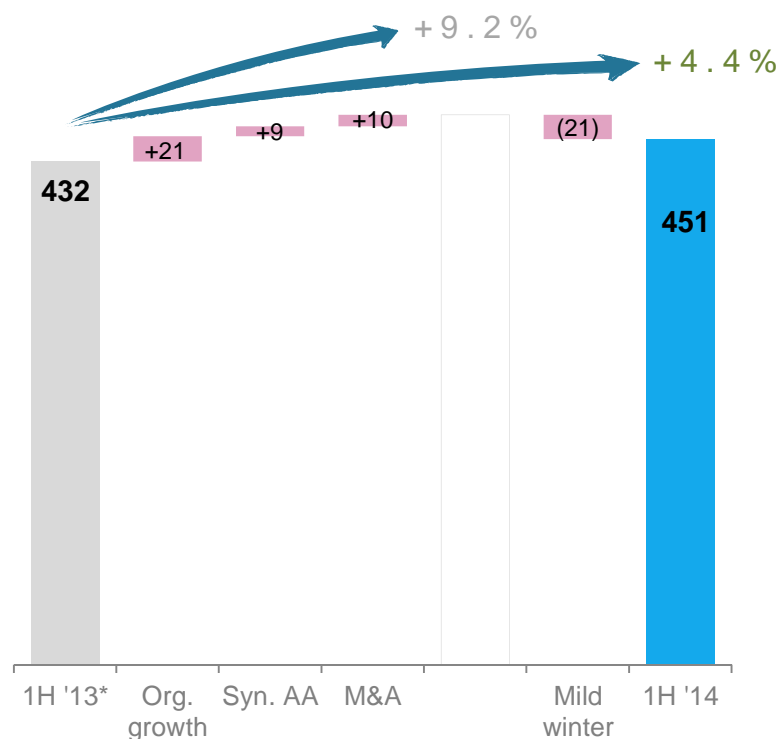
*Restated accounting IFRS 11. Details set out in appendix

All drivers at work assuring Ebitda growth



1H EBITDA growth drivers

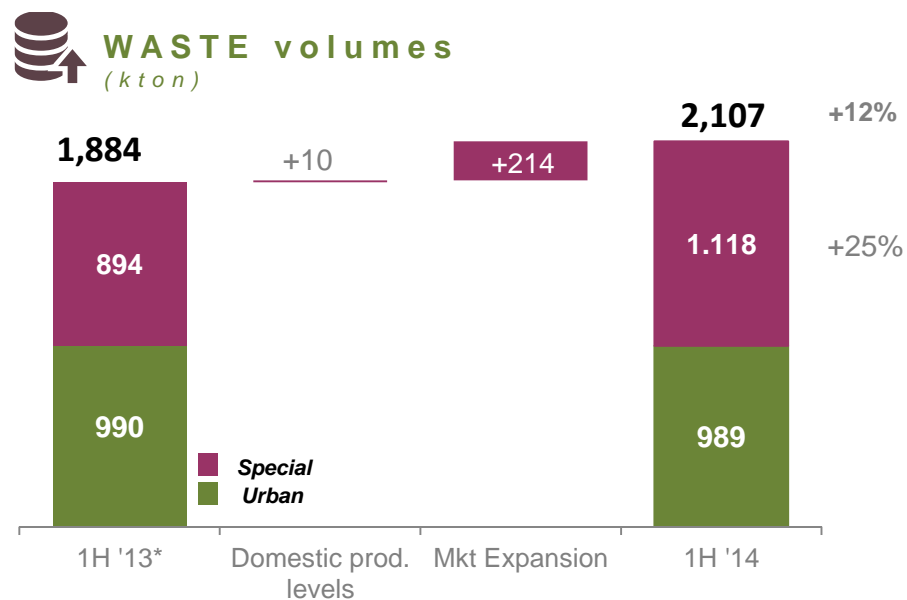
(M€)



- Mild winter impact fully offset mainly by organic growth.
- Growth mainly relates to market expansion in Waste and Electricity and positive performance in Network activities.
- Synergies with AcegasAps on track despite a weak waste of Acegas Aps mainly related to G.C.
- M&A relates to Gorizia energy activities (Amga Udine merger effective from 1/7/'14).

A balanced contribution from internal and external growth drivers

“Cleaner than ever”: expansion in Special Waste in all “green” technologies



Commercial expansion leveraging upon the achieved widespread asset base.

Existing capacity exploited in all main “Green” plants.

Recycled urban waste enhanced to 54%;

~0,5 TWh electricity produced;

Increased volumes in sorting, WTE, biodigestion and composting plants.

Ebitda up by +2.4%.

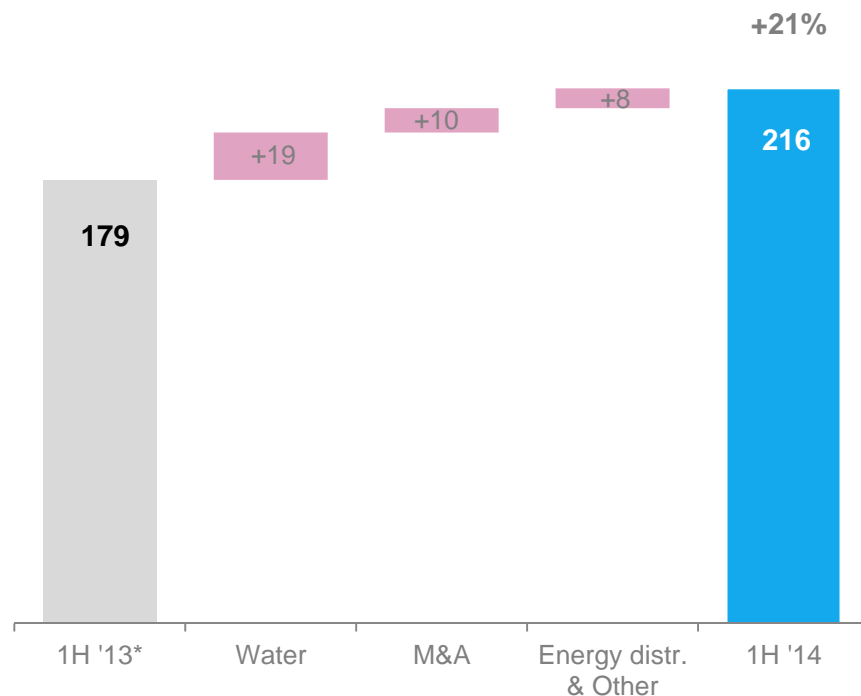
Effects of PUN decrease and extraord. income in 2013 (mainly 2.5m€ related to AcegasAps green certificates) were fully offset.



Ebitda growth in line with year end targets

“When the NET....works”: portfolio's best performer

NETWORKS Ebitda (M €)



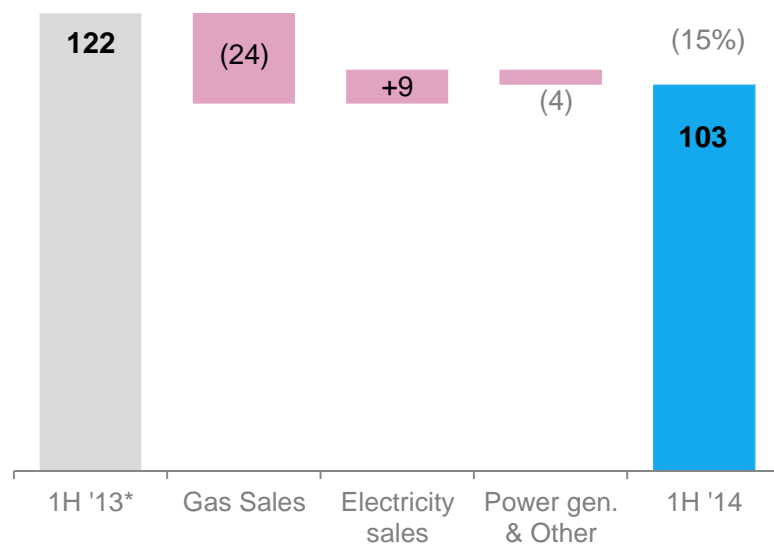
- Visible growth underpinned by new tariffs and efficiency improvement.
- Tariff increase benefit also from 2012 revenue recovery.
- M&A relates to Isontina and Est Reti.
- Energy distr. also benefit from one off events (as highlighted in 1Q).
- District Heating impacted by the mild winter.

Good infrastructures fully protected by volume fluctuation risks

“There’s a light”: expansion in Electricity



ENERGY Ebitda (M €)



Mild winter impact in line with domestic market.

Tariff review on gas fully deployed its effect.

HERACOMM expansion continues highlighting solid competitive advantages.

+68k electricity customers (in 12 months) reaching a customer base in electricity of 760k clients.

Won new tender to serve “Safeguarded” customers (~20m€ Ebitda expected to year end).

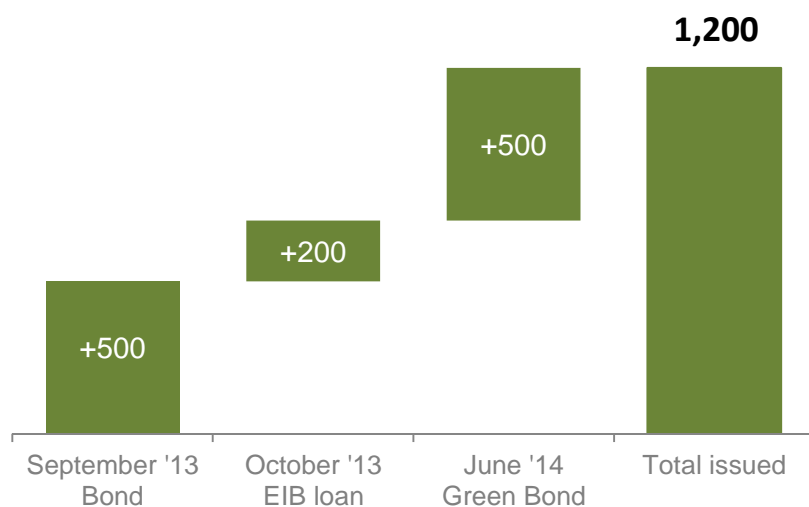
Volumes still affected by lower consumptions.

Energy division expected to substantially neutralise mild winter effect within year end

Active debt portfolio management provides contribution



Debt issued in last 12 months
(M €)

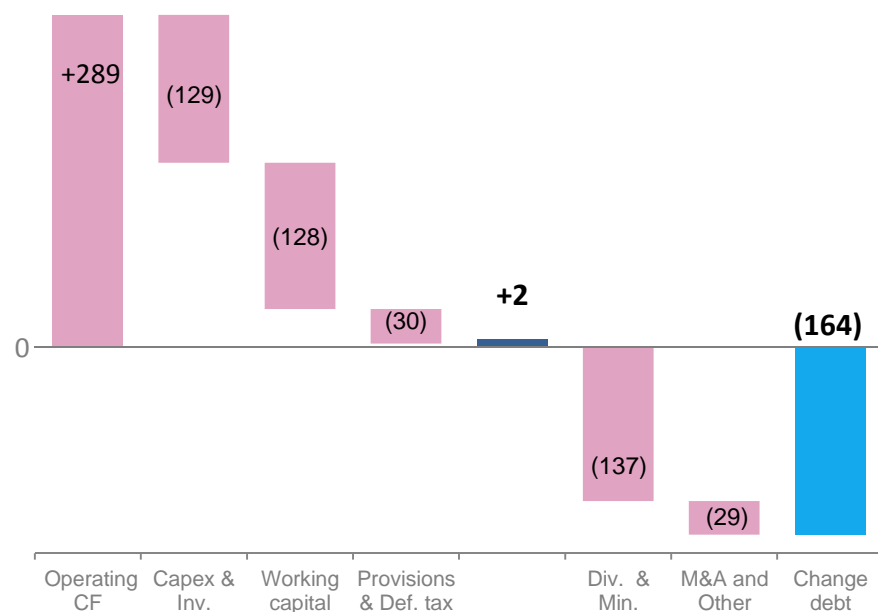


- About 1.2b€ (more than 1/3 of gross Debt) was raised in last 12 months taking advantage from favourable market conditions.
- Gross debt avg. cost lowered by 50 bps (from 4.6% to 4.1%).
- Refinancing old debt will provide lower interest charges in coming 2-3 years.
- Issued in June '14 first Italian Green bond.
 - 500m€, 10 years, 2,37% fixed rated.
 - 40 basis lower spread vs. Italy.


Outstanding financial soundness

Still positive FCF before M&A despite higher capex and Mild winter impacts

+ 1H cash flows (M€)



 Cash flows funded higher capex and extraordinary/seasonal working capital increase.

 **W.C. mainly affected by the mild winter.**
(anticipated payment of “*Accise*” and “*perequazione*” in energy distribution).

 **W.C. affected by market expansion.**
Safeguarded electricity customer segment expanded (since 1st Jan. 2014). Authority guarantees part of their receivables.
Special Waste market expansion also affects working capital.

 **1H '14 Net debt: 2.73b€.**

Working capital expected to normalise in next 12 months




“In the spotlight”: closing remarks

- Results highlight good 2Q performance leveraging upon all value drivers and the portfolio mix, offsetting 1Q extraordinary events.
- Financial and tax management provided benefits to bottom line.
- DPS paid of 9c€.
- Amga Udine merger effective starting from 1st July.
- 75% Ebitda growth targets set in the business plan to 2017 have been currently looked in (considering Amga Udine full contribution).
- New Business Plan to 2018 is in progress and will be disclosed this Autumn.

Well on track to confirm historical Ebitda growth

Q & A SESSION

Appendix


-  IFRS 11 restatement
-  IFRS 11 and overheads new allocation criteria by Division and by Business
-  Ebitda by Business


Catch up soon...

1H 2013 restatement on “like for like” basis accounting IFRS 11

1H Profit and Loss restatement (M €)

	1H '13 Reported	IFRS	1H '13 Restated
Revenues	2.536,9	(76,9)	2.460,0
Ebitda	445,3	(13,5)	431,8
D&A	(198,7)	2,4	(196,3)
Ebit	246,6	(11,2)	235,5
Financials	(69,8)	5,4	(64,4)
Figurative interests (IAS)	(6,9)	0,0	(6,9)
Leasings	(0,4)	0,0	(0,4)
Financial Inc./(Exp.)	(77,1)	5,4	(71,7)
Associates	3,1	4,7	7,8
Pre tax Profit	172,7	(1,1)	171,5
Tax	(77,7)	4,2	(73,6)
Group Net Profit	95,0	3,1	98,1
Minorities	(7,7)	0,0	(7,7)
Net Profit post min.	87,3	3,1	90,4
Other non oper. Inc./(Exp.)	77,9	(34,2)	43,7
Net profit post min.reported	165,2	(31,2)	134,1

 IFRS 11 relates to J.V. in **Enomondo** (biomass thermo-electric plant) and **EstEnergy**.

 IFRS 3 affects only Extraordinary income.

1H 2013 EBITDA with overheads new allocation criteria and IFRS 11 impact



1H 2013 EBITDA by DIVISION (M €)

	1H '13 Group Report	IFRS 11 2013	Allocat. Overheads	1H '13 Restated
Networks	203,6	(0,7)	(24,2)	178,7
Waste	121,1	(2,4)	0,9	119,6
Energy	116,7	(10,7)	15,2	121,2
Other	3,9	0,4	8,0	12,3
Total Group	445,3	(13,5)	-	431,8



1H 2013 EBITDA by BUSINESS (M €)

	1H '13 Group Report	IFRS 11 2013	Allocat. Overheads	1H '13 Restated
Gas	174,3	(10,9)	+3,3	166,7
Waste	121,1	(2,4)	+0,9	119,6
Electricity	43,6	(0,5)	+3,3	46,4
Water	102,4	0,0	(15,6)	86,8
Other	3,9	0,4	+8,0	12,3
Total Group	445,3	(13,5)	-	431,8

Financial highlights breakdown



Strong market Expansion

(m€)	1H '13 Restated	%	1H '14	%	Ch. %
Revenues	423,9	100,0%	440,0	100,0%	+3,8%
Ebitda	119,6	28,2%	122,4	27,8%	+2,4%

Data	1H '13 Restated	1H '14	Ch.%
Urban W. Volumes (Kton)	989,7	989,2	(0,1%)
Special W. Volumes (Kton)	894,0	1.118,0	+25,1%
Waste from third parties	1.883,6	2.107,3	+11,9%
Internal W. Volumes (Kton)	1.276,6	1.250,0	(2,1%)
Total Volumes Treated	3.160,3	3.357,3	+6,2%
<i>Treatments of which:</i>			
Landfills	574,5	651,1	+13,3%
WTE	705,6	711,4	+0,8%
Sorting plants	183,8	220,7	+20,1%
Composting plants	229,6	245,7	+7,0%



Tariffs underpinned a solid growth

(m€)	1H '13 Restated	%	1H '14	%	Ch. %
Revenues	340,3	100,0%	372,0	100,0%	+9,3%
Ebitda	86,8	25,5%	105,3	28,3%	+21,3%

Data	1H '13 Restated	1H '14	Ch.%
Aqueduct (mm³)	146,7	145,3	(0,9%)
Sewerage (mm ³)	118,8	119,0	+0,2%
Purification (mm ³)	118,0	118,0	(0,0%)

Financial highlights breakdown



Climate impact offset by Networks

(m€)	1H '13 Restated	%	1H '14	%	Ch. %
Revenues	955,0	100,0%	785,6	100,0%	(17,7%)
Ebitda	167,4	17,5%	151,1	19,2%	(9,7%)

Data	1H '13 Restated	1H '14	Ch.%
Volumes distrib. (mm ³)	1.727,2	1.375,7	(20,4%)
Volumes sold (mm ³)	1.800,6	1.379,2	(23,4%)
of which trading (mm ³)	431,9	377,4	(12,6%)
District Heating (GWht)	327,0	259,4	(20,7%)



Commercial expansion and Networks

(m€)	1H '13 Restated	%	1H '14	%	Ch. %
Revenues	762,0	100,0%	693,5	100,0%	(9,0%)
Ebitda	46,0	6,0%	62,7	9,0%	+36,4%

Data	1H '13 Restated	1H '14	Ch.%
Volumes sold (GWh)	4.673,7	4.464,4	(4,5%)
Volumes distrib. (GWh)	1.445,3	1.454,6	+0,6%