

# HERA GROUP Q1 RESULTS

## Analyst Presentation

14<sup>th</sup> May 2014

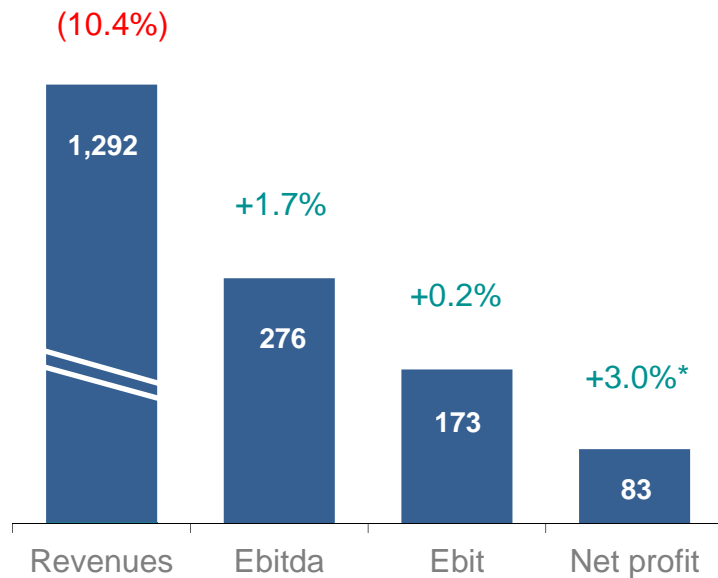
What premium does growth with low risk exposure deserve?



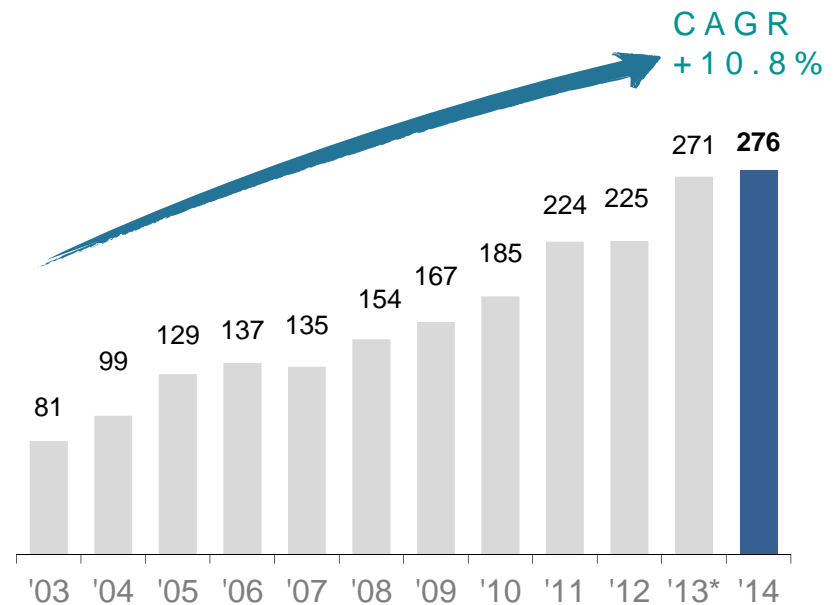
## Ever improving Ebitda of last 12 years once again confirmed in Q1 '14



**Positive Q1 growth despite all**  
(M€)



**Q1 Ebitda growth track record**  
(M€)



**Hera persistently highlights low risk exposure to negative scenarios**

\*Compared to Net Profit before extraordinary income of Q1 2013.

## Q1 '14 figures in a snapshot



### Q1 RESULT HIGHLIGHTS (M€)

	Q1 '13*	Q1 '14	
<b>REVENUES</b>	<b>1,441.8</b>	<b>1,292.4</b>	<b>(10.4%)</b>
EBITDA	271.1	275.6	+1.7%
Depreciation and provisions	(98.5)	(102.7)	
EBIT	172.6	172.9	+0.2%
<i>Ebit margin</i>	<i>12.0%</i>	<i>13.4%</i>	
Cost of Debt	(31.7)	(31.4)	
Figurative interests (IAS)	(3.2)	(3.2)	
<b>Income from Associates &amp; J.V.</b>	<b>6.3</b>	<b>2.2</b>	
PRETAX PROFIT	144.0	140.5	
Tax	(57.3)	(51.3)	
Minorities	(5.9)	(5.9)	
<b>NET PROFIT POST MINORITIES</b>	<b>80.8</b>	<b>83.2</b>	<b>+3.0%</b>
Extraordinary income	42.7	-	
Net profit & extraordinary income	123.5	83.2	



#### Revenues affected by mild winter.

Q1 highest seasonality of gas sales,



#### Better margins underpinned by market

expansion, enhanced efficiencies and regulated revenues.



**Income from associates & J.V.** affected by mild winter (-3.2m€).

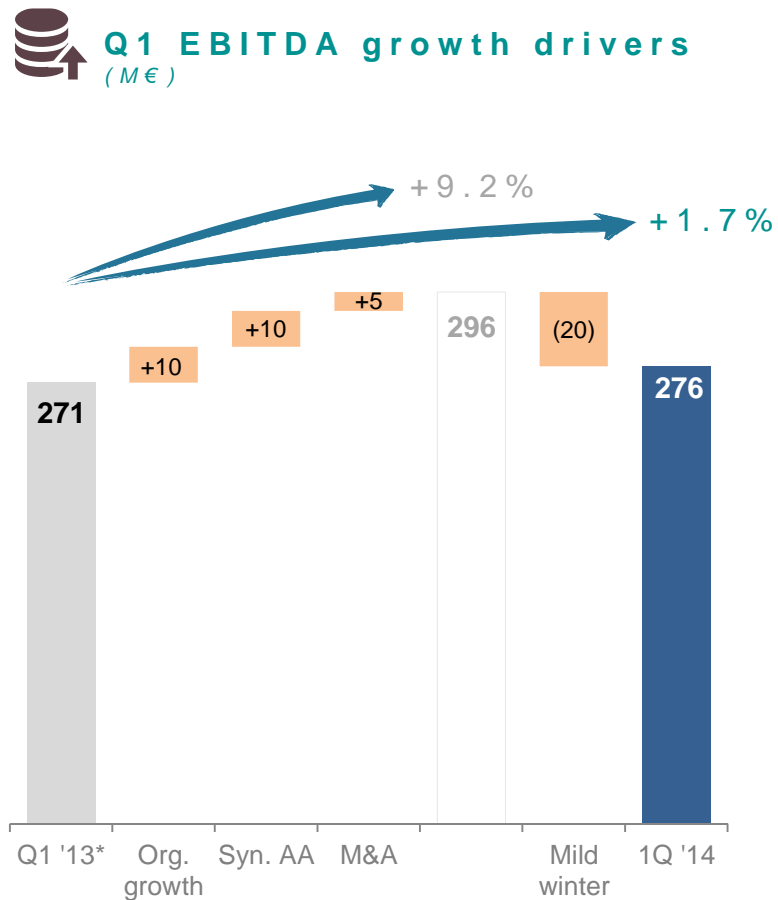


**Taxes** benefit from lower Robin tax.

**Mild winter effect was fully offset down to bottom line**

\*Restated accounting IFRS 11. Details set out in appendix

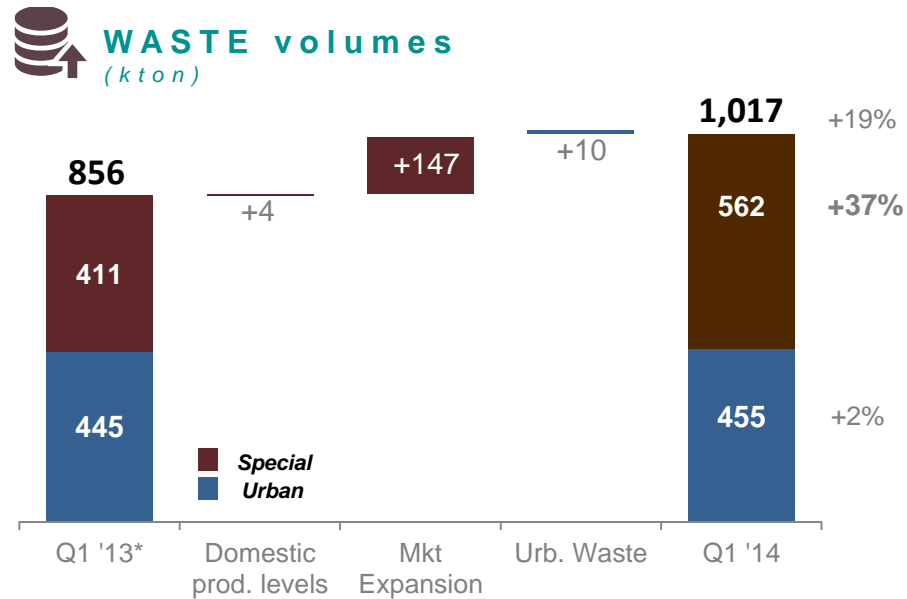
## All drivers “at work” to assure Ebitda growth



-  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.
-  M&A and well proven integration model continues to contribute to growth.

**Consistent strategy pursued built distinctive peculiarities  
to sustain growth “despite all”**

## Ebitda growth underpinned by an effective expansion strategy in Waste



Commercial expansion leveraging upon the pursued widespread asset base.

Existing capacity exploited in all main plant categories.

52% urban waste recycled

>0,25 TWh electricity produced\*

+6.9% waste to WTE



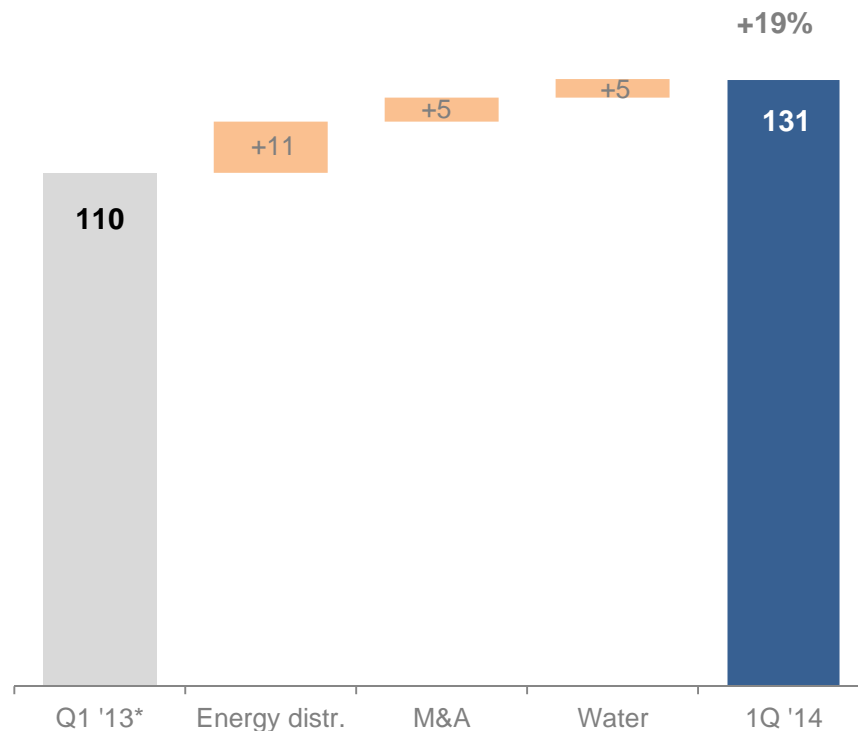
Ebitda up by +5.1m€ (+7.9%) with stable margins (31.4%).

### Ebitda growth in line with year end targets

*Deconsolidating Enomondo (IFRS 11), Q1 '13 electricity reduces by 18.37 GWh and waste treat. reduces by 22k ton.*

## Good infrastructures in Networks and new tariffs contribute to growth

 **NETWORKS Ebitda**  
(M€)



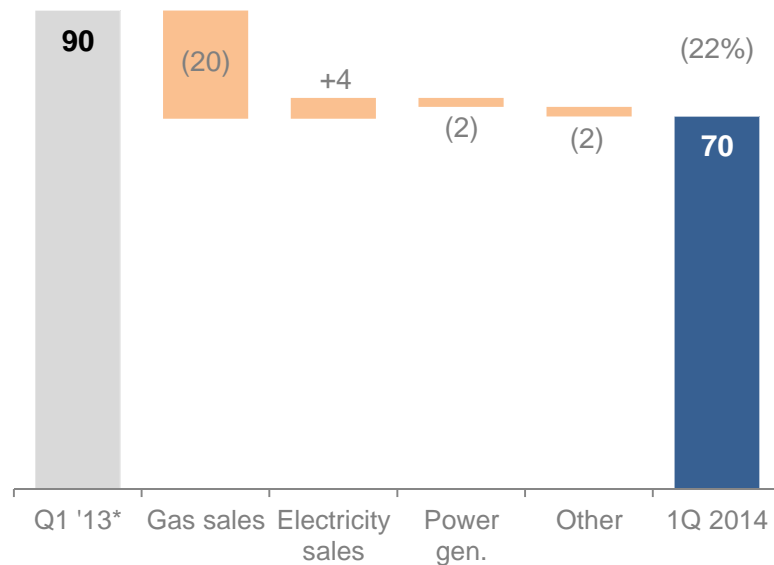
- Visible growth underpinned by new tariffs and efficiency improvement.
- 2012 capex in water help tariff increase (about 93.5m€).
- Energy regulatory framework underpin sizable increase of results (White certif., “*perequazione specifica*”).
- M&A relates to Isontina and Est Reti.

**Portfolio's activities fully protected by volume fluctuation risks**

## Mild winter and market share expansion underpin Energy Q1 results



### ENERGY Ebitda (M€)



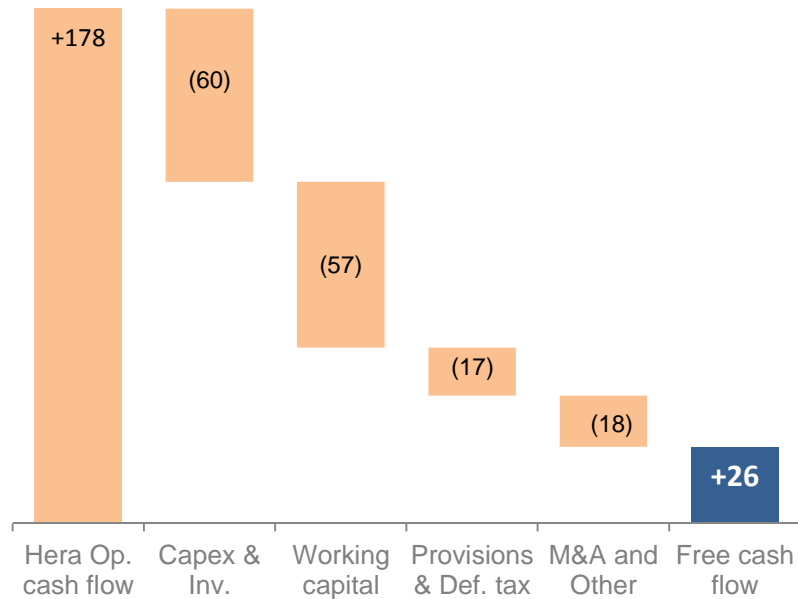
- Mild winter impact in line with domestic market.
- Tariff review on gas fully deployed its effect.
- HERACOMM expansion continues highlighting solid competitive advantages.
- +20k electricity customers mainly retail (65k in 12 months).
- Won new tender to serve “Safeguarded” customers (+22m€ Ebitda to year end).
- Additional volumes on trading activities and asset management.

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

## Positive cash flows despite impact of working capital



### Q1 cash flows (M€)



- Working capital affected by anticipated payment of “Accise” and change in waste regulated activities.
- Positive cash generation decreased Debt from 2,567\* to 2,540m€.
- Balanced exposure to interest rates (53% fixed and 47% variable).





## Further strengthening outstanding financial soundness

\*Restated accounting IFRS 11. Debt related to J.V. amount to 28.6m€ as of 31/12/2013



## Closing remarks

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-  Results highlight effectiveness of strategy on mix and growth perspectives
-  Dividend confirmed by AGM
-  Renewed governance in Hera
-  Approved Amga Udine merger




**PURSuing TRACK RECORD GROWTH DESPITE ALL**

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# Q & A SESSION

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## Appendix


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

# Q1 2013 restatement on “like for like” basis accounting IFRS 11

## Q1 Profit and Loss restatement ( m € )

	Q1 '13	IFRS 11 & 3	Q1 '13*
Revenues	1,499.4	(57.6)	<b>1,441.8</b>
operat. costs	(1,096.9)	+46.2	(1,050.7)
personnel	(124.1)	+1.0	(123.0)
capitaliz.	3.1	+0.0	3.1
Ebitda	281.5	(10.4)	<b>271.1</b>
<i>Ebitda Margin</i>	18.8%	18.1%	18.8%
D&A	(99.7)	+1.2	(98.5)
Depreciations	(73.1)	+0.7	(72.4)
Provisions	(26.6)	+16.0	(10.6)
			(15.5)
Ebit	181.8	(9.2)	<b>172.6</b>
<i>Financial charges</i>	(32.7)	+1.0	(31.7)
<i>IAS (figurative)</i>	(3.4)	+0.2	(3.2)
<i>Financial income</i>	1.8	+4.5	6.3
Pre tax Profit	147.5	(3.5)	<b>144.0</b>
Tax	(60.9)	+3.5	(57.3)
<i>Tax rate</i>	-41.3%		-39.8%
Net income	86.6	-	<b>86.7</b>
<i>Minorities</i>	(5.9)	-	(5.9)
<b>Net profit post min.</b>	<b>80.7</b>	-	<b>80.8</b>
<i>Extraordinary income</i>	73.8	(31.1)	42.7
Net profit post min.^	154.5	(31.1)	123.5

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

 IFRS 3 affects only Extraordinary income.

## Q1 2013 EBITDA with overheads new allocation criteria and IFRS 11 impact



### Q1 2013 EBITDA by DIVISION ( m € )

	Q1 '13 Group Report	IFRS 11 2013	Allocat. Overheads	Q1 '13 Restated
Networks	123.1	(0.4)	(12.5)	110.3
Waste	65.7	(1.1)	0.1	64.7
Energy	88.5	(9.2)	11.0	90.3
Other	4.1	0.2	1.4	5.8
<b>Total Group</b>	<b>281.5</b>	<b>(10.4)</b>	<b>0.0</b>	<b>271.1</b>



### Q1 2013 EBITDA by BUSINESS ( m € )

	Q1 '13 Group Report	IFRS 11 2013	Allocat. Overheads	Q1 '13 Restated
Gas	134.5	(9.5)	5.0	130.0
Waste	65.7	(1.1)	0.1	64.7
Energy	24.9	(0.1)	1.7	26.6
Water	52.2	0.0	(8.1)	44.1
Other	4.1	0.2	1.4	5.8
<b>Total Group</b>	<b>281.5</b>	<b>(10.4)</b>	<b>0.0</b>	<b>271.1</b>

# Financial highlights breakdown



## Strong market Expansion

M €	Q1 '13*	Q1 '14	Ch. %
<b>Revenues</b>	<b>205,7</b>	<b>222,7</b>	<b>+8,3%</b>
<b>Group Ebitda</b>	<b>64,7</b>	<b>69,8</b>	<b>+7,9%</b>
<i>Ebitda margin</i>	<i>+31,5%</i>	<i>+31,4%</i>	<i>(0,4%)</i>

Volumes	Q1 '13*	Q1 '14	Ch. %
Urban Waste	445,3	454,9	+2,2%
Special Waste	410,8	561,9	+36,8%
Waste from market	856,1	1.016,8	+18,8%
<i>Internal W. Volumes</i>	<i>654,9</i>	<i>671,9</i>	<i>+2,6%</i>
<b>Total Volume Treated</b>	<b>1.511,1</b>	<b>1.688,7</b>	<b>+11,8%</b>



## Tariffs underpinned a solid growth

M €	Q1 '13*	Q1 '14	Ch. %
<b>Revenues</b>	<b>165,0</b>	<b>170,4</b>	<b>+3,3%</b>
<b>Group Ebitda</b>	<b>44,1</b>	<b>48,5</b>	<b>+10,0%</b>
<i>Ebitda margin</i>	<i>+26,7%</i>	<i>+28,5%</i>	<i>+6,5%</i>

Volumes	Q1 '13*	Q1 '14	Ch. %
Aqueduct (mm <sup>3</sup> )	69,2	68,3	(1,3%)
Sewerage (mm <sup>3</sup> )	57,1	56,5	(1,1%)
Purification (mm <sup>3</sup> )	56,3	56,1	(0,4%)

# Financial highlights breakdown



## Climate impact offset by Networks

M €	Q1 '13*	Q1 '14	Ch. %
<b>Revenues</b>	<b>688,3</b>	<b>561,9</b>	<b>(18,4%)</b>
<b>Ebitda</b>	<b>130,0</b>	<b>116,6</b>	<b>(10,3%)</b>
<i>Ebitda margin</i>	<i>+18,9%</i>	<i>+20,7%</i>	<i>+9,9%</i>

Volumes	Q1 '13*	Q1 '14	Ch. %
Distribution (mm <sup>3</sup> )	1.368,1	1.059,9	(22,5%)
Sales (mm <sup>3</sup> )	1.219,8	1.050,8	(13,9%)
Trading	235,0	311,7	+32,6%
sales to final customers	984,8	739,1	(24,9%)
District Heating (Gwht)	269,1	219,4	(18,5%)



## Commercial expansion and Networks

M €	Q1 '13*	Q1 '14	Ch. %
<b>Revenues</b>	<b>422,1</b>	<b>372,0</b>	<b>(11,9%)</b>
<b>Ebitda</b>	<b>26,6</b>	<b>36,2</b>	<b>+36,2%</b>
<i>Ebitda margin</i>	<i>+6,3%</i>	<i>+9,7%</i>	<i>+54,6%</i>

Volumes	Q1 '13*	Q1 '14	Ch. %
Volume sold (GWh)	2.371,3	2.264,4	(4,5%)
Volume distrib. (GWh)	740,9	744,9	+0,5%