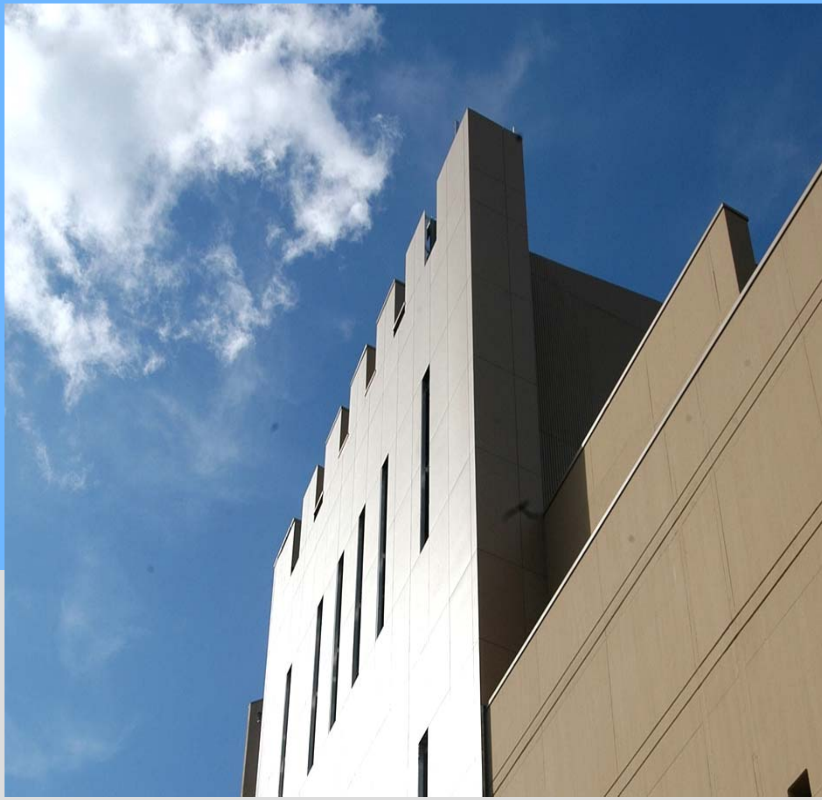
Hera Group Q1 results

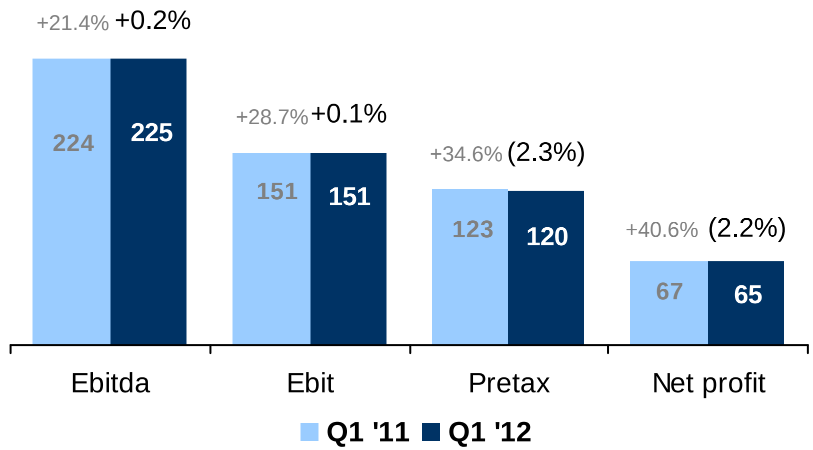
Analyst presentation

15th May 2012

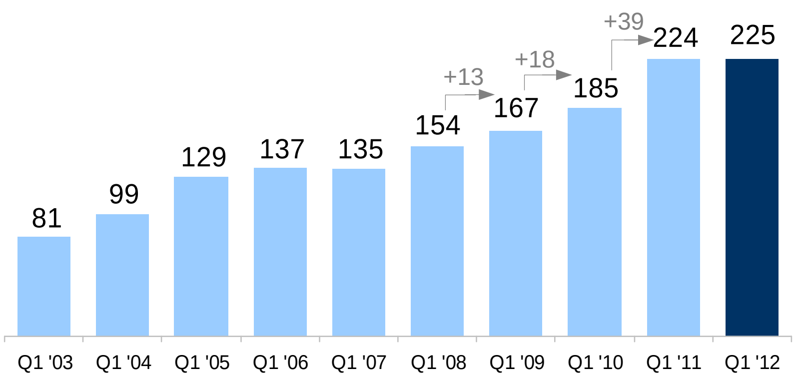


Q1 2012: in line with last year results despite all

Q1 Result Highlights



10Y Q1 EBITDA track record



Hera unique business mix proven to effectively tackle with Italian recession confirming last year results.

Performance in operations helped compensate higher taxes. Net profits affected by extraordinary negative factors *(~12.7m€ Cip6 incentives, expired in Nov. 2011 and changed in fair value).*

Energy commercial expansion and procurement strategies confirmed positive contribution also in Q1 2012.

Capex in line with Q1 ’11 at ~60m€. Cash generation fully funded capex and seasonal change in working capital.

Net debt stable at 2,006m€ in line with 2011 year end level (1,987 m€).

Q1 '12: solid bottom line results

Tariffs, energy prices and market expansion

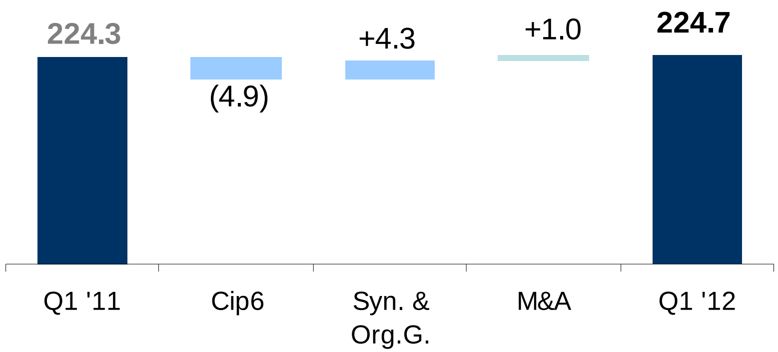
	Q1 '11	Q1 '12	Ch. %
Revenues	1,168.4	1,414.8	+21.1%
Ebitda	224.3	224.7	+0.2%
D&A	(73.0)	(73.4)	+0.5%
Ebit	151.3	151.4	+0.1%
Financial charges	(25.9)	(29.3)	+13.1%
IAS (figurative)	(3.8)	(3.1)	(18.4%)
Financial income	1.5	1.4	(6.7%)
Pre tax Profit	123.1	120.3	(2.3%)
Tax	(48.6)	(50.5)	+4.1%
Net income	74.5	69.8	(6.4%)
Minorities	(7.7)	(4.5)	(42.0%)
Net profit post min.	66.8	65.3	(2.2%)

Higher financial charges mainly due to increase in debt and credit spreads

Tax increased due to higher profits of energy activities and additional Robin tax and IRAP (+2.5m€).

Ebitda growth offsets end of Cip6 incentives

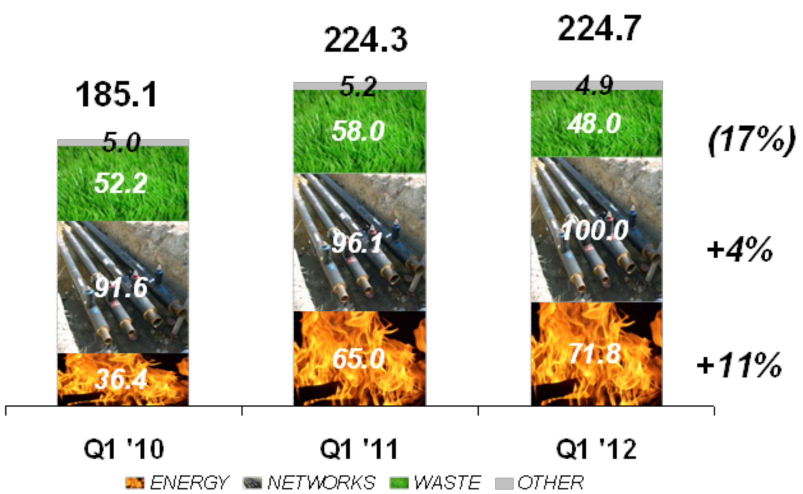
Ebitda growth Drivers



Ebitda slightly ahead of ’11 outstanding results

- **Growth** fuelled by gas supply.
- **Market expansion progressing** reaching 500k costumers in electricity at the end of March.
- **M&A** relates to Sadori Gas (July ’11) and 4MW solar plants (Feb. 2012).

Ebitda by strategic area

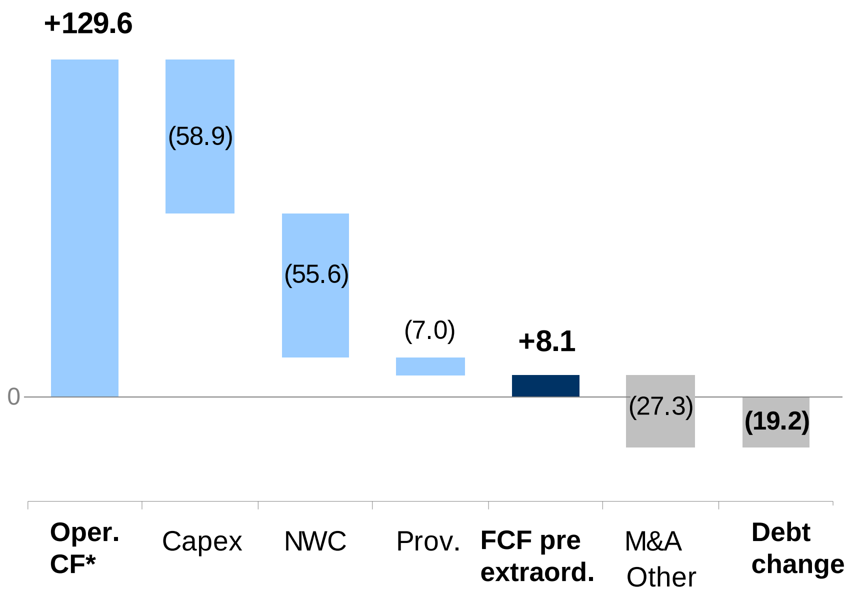


Hera Mix, helped to absorb recession impact

- **Energy** increased contribution offsets mild winter and change in fair value.
- **Network** increased Ebitda thanks to tariffs enhancement.
- **Waste** affected by recession impact on Italian consumptions/production levels and negative one offs derived from Cip6 expiry.

Positive operating cash flows and stable net debt

Q1 2012 cash flows



Q1 '12 cash generation fully funded seasonal effects on working capital and capex.

M&A mainly relates to acquisition of 4 solar plants and the majority stake in a landfill in Modena (Feronia).

Stable net debts at 2b€.

Financial debt profile:

Fixed Rate: 69%

Maturities by the end of 2014: 326.4m€

Committed credit lines: 330.0m€

** Net profit+Depreciations*

Waste: tackling with recession and extraordinary factors

Financial highlights

M €	Q1 '11	Q1 '12	Ch. %
Revenues	180.1	172.5	*(4.2%)*
operat. costs	(88.3)	(87.6)	*(0.8%)*
personnel	(37.4)	(37.8)	*+1.1%*
capitaliz.	3.5	0.9	*(74.1%)*
Ebitda	58.0	48.0	*(17.2%)*

Industrial figures

Waste volume	Q1 '11	Q1 '12	Ch. %
Urban Waste	413.6	392.4	(5.1%)
Special Waste	404.6	334.3	(17.4%)
Waste from market	**818.2**	**726.7**	**(11.2%)**
Internal W. Volumes	535.8	374.4	(30.1%)
Total Volume Treated	**1,354.0**	**1,101.1**	**(18.7%)**
of which:			
Landfill treatments	287.6	245.7	(14.6%)
WTE treatments	249.4	234.5	(6.0%)
Sorting plant treatments	74.0	72.3	+0.3%
Energy production	171.5	169.7	(1.0%)

Revenues mainly affected by recession impacts on volumes.

EBITDA negatively affected by extraordinary factors:

- **Expired Cip6 incentive** on FEA plant (~5m€).
- **Intensive snow falls** in February reduced plant availability, collection activities and increased logistic costs.
- **Lower capitalisations** due to end of Rmini WTE plant construction.

Actions to tackle with recession:

- **Market expansion** in new segments and markets.
- **Two new dry fermentation plants** under construction
- **Cost reduction initiatives**

Water: tariff progression and volume increase underpinned results

Financial highlights

M €	Q1 '11	Q1 '12	Ch. %
Revenues	127.5	138.4	+8.6%
Ebitda	33.4	36.1	+8.1%

Volumes

Volumes	Q1 '11	Q1 '12	Ch. %
Aqueduct (mm^3)	**56.4**	**58.3**	**+3.4%**
Sewerage (mm^3)	*48.8*	*49.7*	*+1.8%*
Purification (mm^3)	*48.9*	*49.7*	*+1.6%*

Revenues growth, mainly driven by **tariffs increase.**

Volume change affected by **unusual weather conditions** in Q1 '12.

ATO contracts in force until the end of the year on ~50% of areas served and until 2014/2015 on the remaining part (Bologna and Modena provinces).

EBITDA increase, mainly driven by revenue growth**, accounts higher costs** of **electricity** (+2.2m€)**,** of **fresh water** (+0.9m€) and **lower** revenues from **new connections** related to poor real estate activity (-0.6m€).

Gas: strong growth in spite of mild March

Financial highlights

M €	Q1 '11	Q1 '12	Ch. %
Revenues	510.8	706.9	*+38.4%*
Ebitda	99.1	114.4	*+15.4%*

Volumes

Volumes	Q1 '11	Q1 '12	Ch. %
Distribution (mm^3)	1,115.8	1,132.0	+1.5%
Sales (mm^3)	1,219.5	1,410.2	+15.6%
Trading	*242.5*	*414.5*	*+70.9%*
sales to final customers	*977.0*	*995.7*	*+1.9%*
District Heating (Gwht)	253.1	266.7	+5.4%
Costumers (k unit)	1,070.0	1,116.6	+4.4%

Revenues growth mainly driven by higher commodity prices and additional volumes traded.

Volumes sold to final clients increased thanks to increase in costumer base, more than offsetting mild winter season in March.

Trading activities expanded in Q1 partly because of the activity in the *"mercato di bilanciamento"*. District heating also contributed to growth with sizeble growth in volumes delivered.

Ebitda increase mainly driven by margins in commercial activities, enhanced margins in distribution activities and Sadori Gas merger in July '11 (~0.7m€).

Q1 '12 accounted a negative impact from change in fair value.

Electricity: market expansion continues

Financial highlights

M €	Q1 '11	Q1 '12	Ch. %
Revenues	375.1	433.7	+15.6%
Ebitda	28.5	21.4	(25.1%)

Volumes

Volumes	Q1 '11	Q1 '12	Ch. %
Volume sold (GWh)	2,542.9	2,612.3	+2.7%
Volume distrib. (GWh)	583.2	561.4	(3.7)%
Costumers (k unit)	433.9	500.8	+15.4%

Revenues growth mainly driven by higher commodity prices and **volumes** (related to further market expansion) more than compensating recession effects on demand (-3.7% electricity distributed).

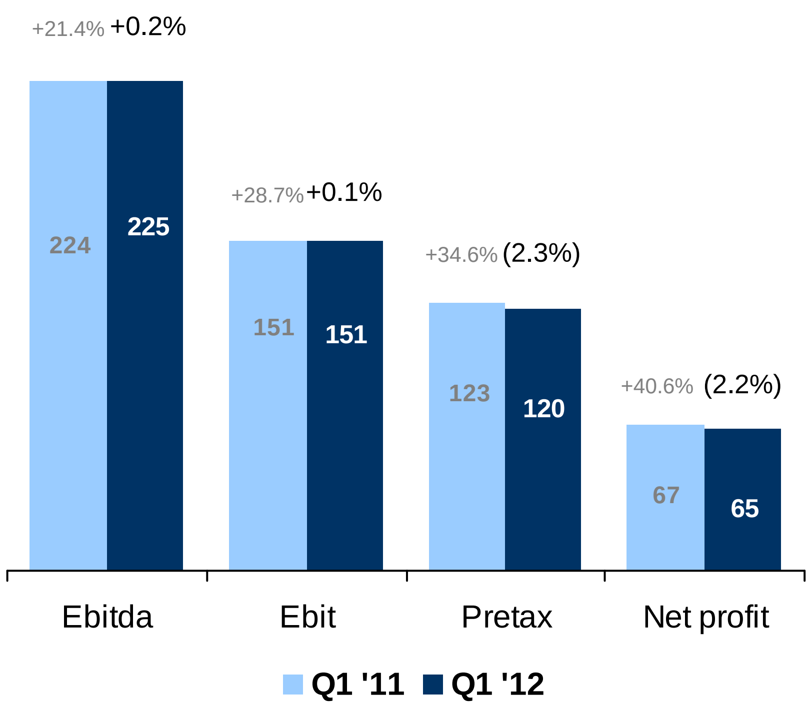
Good commercial performance also in **Marche region.**

Group customer base slightly exceed 500k units (+19k costumers in first 3 months '12).

Positive impact of higher volumes on **EBITDA was more than offset** by negative change in **fair values**, decreased contribution from **distribution** activities (-0.5m€) and lower margins and MSD contribution from own plants.

Closing remarks

Q1 Results Highlights



A "complicate" quarter turn out with confirming results compared with outstanding Q1 2011 despite one offs impact and enhanced taxes.

Performance in April show a recovery of low March gas sales and further **trading opportunities.**

Progress in dry fermentation plants (bio-digesters) will progress the model *"treatment-recovery-recycling"* in all reference territories.

Innovative commercial offer "Prezzo netto" launched in April.

DPS of 9 €c approved by AGM and will be paid at the 7th of June.

Q&A session