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## Investor Relations

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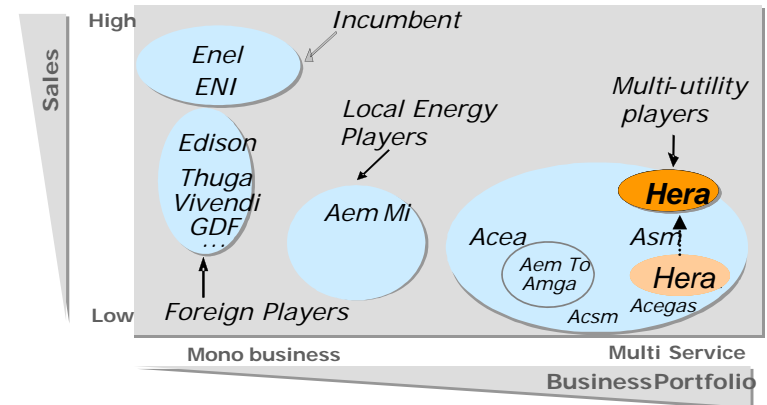


# Hera Group positioning in the Italian marketplace

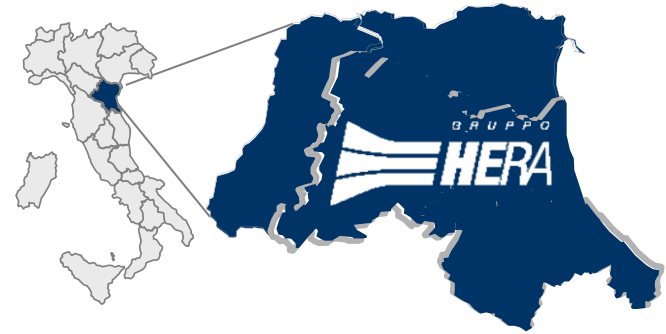
## Hera is a leading and fast mover in an evolving market

- > Italian utility sector: mostly small local publicly-owned multi-utilities which have only recently begun to react to higher competition through the search of larger dimensions.
- > In the last 3 years, Hera has quickly moved promoting the consolidation process by merging 14 local multi-utilities, so reaching a 70% coverage of the rich Emilia Romagna region.
- > This process has brought Hera to a leading position in all core businesses, achieving a strong and defensible market position, strengthening perspectives to be a leading player in the future consolidation game.

## Hera growth in the utility sector



## Hera reference territory

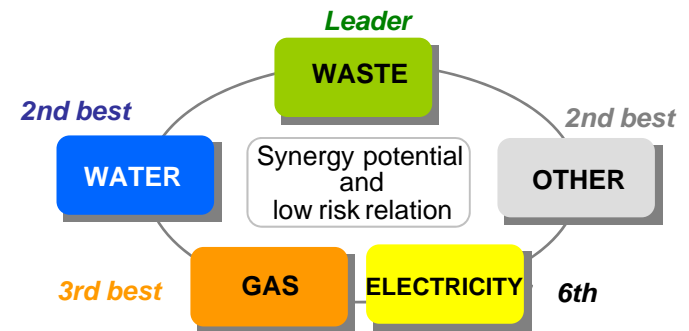


# Hera balanced business portfolio of primary utility services

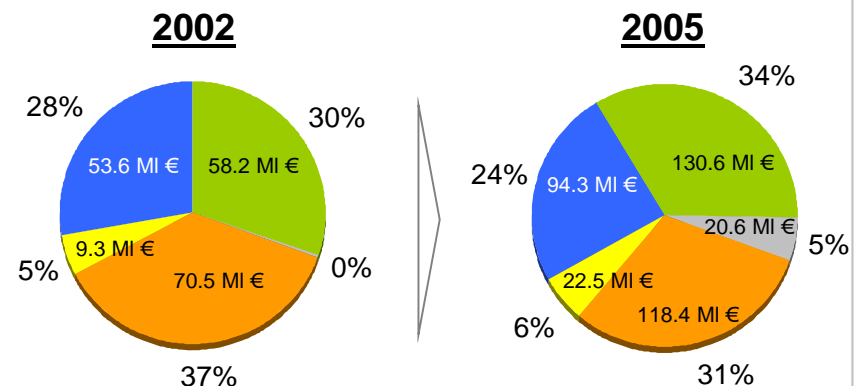
Hera delivers primary utility services to over 2.3 million people

- > Hera is the Italian leader in **waste management** (collection, transport and treatment) with over 72 plants treating about 3.8 million ton waste/year and producing energy from waste (electricity and heat).
- > Hera guarantees the integrated **water services** (fresh water, sewerage and depuration) through over 13k km of efficient network (24% leakage vs 39% national average)
- > Hera **energy business** (distribution and sales of Gas and electricity) records 2.8 bl mc gas and 2.3 Tw/h sold.
- > **Other businesses** refer mainly to district heating and public lighting

## Business portfolio & Market positioning



## Ebitda Breakdown by Business

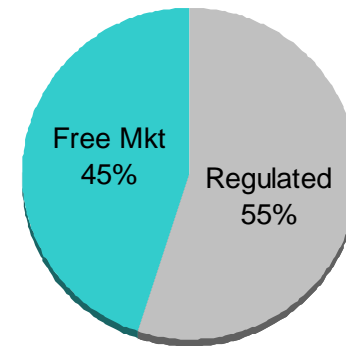


# Hera portfolio low risk profile

## Hera have different regulated activities

- > Hera **urban waste management** (collection, transport and treatment) and **Water integrated service** are run under long term concessions (2012 and 2022 respectively).
- > Hera **gas and electricity distribution activities** are run under long term concessions (2010 and 2030 respectively) whereas sales activities are almost already liberalised.
- > Different Authorities rule the services:
  - >National Authority (AEEG) for energy services
  - >6 different Local Authorities (ATO) for waste and water services (one for each reference province)

## Weight of regulated activities on Ebitda



Reg. Business	Waste	Water	Gas dist.	Ele. dist.
<b>Authority</b>	6 different ATO		AEEG	
<b>Next tariff rev.</b>	2008		2008	
<b>Concession</b>	2012	2022	2010	2030

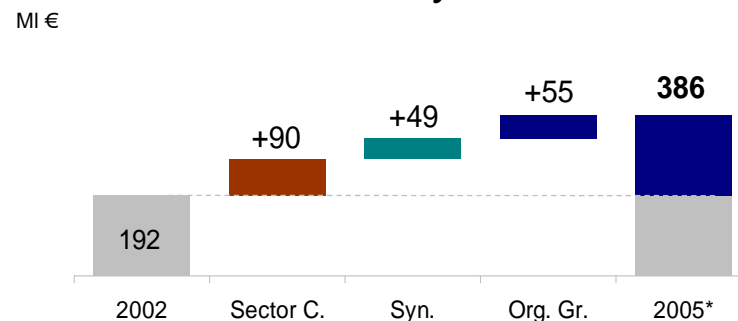
# Economics highlight an outstanding growth

## In the last 3 years, Hera has been the fastest growing company in its sector

- > Hera records sector highest growth rates achieved with the contribution of all main business (Waste, Water, Energy and Others).
- > The 3Y Ebitda growth (+194 MI€ equal to a 26% cagr) was achieved through synergies and organic growth (54%) as well as sector consolidation (46%)
- > ROI and dividends increased significantly while D/E was maintained at comfortable levels (A+ and A1 from S&P and Moody's respectively)

MI €	2002*	2003*	2004	2005**	Cagr.
Revenues	1099	1,241	1.529	2,148	25.1%
<b>Ebitda</b>	<b>192</b>	<b>242</b>	<b>292</b>	<b>386</b>	<b>26.3%</b>
EBIT	78	113	177	216	40.5%
Net profit	33	50	81	101	45.2%
Gross Value Added	372	412	552	763	27.0%
Net Invested Capital	1119	1339	1626	2464	30.0%
D/E	29%	50%	53%	65%	
ROI	6.9%	8.4%	10.9%	8.8%	
DPS (€)	0.035	0.053	0.060	0.070	

## 3Y Ebitda Growth by Value Drivers



\* Figures stated following Italian accounting principles

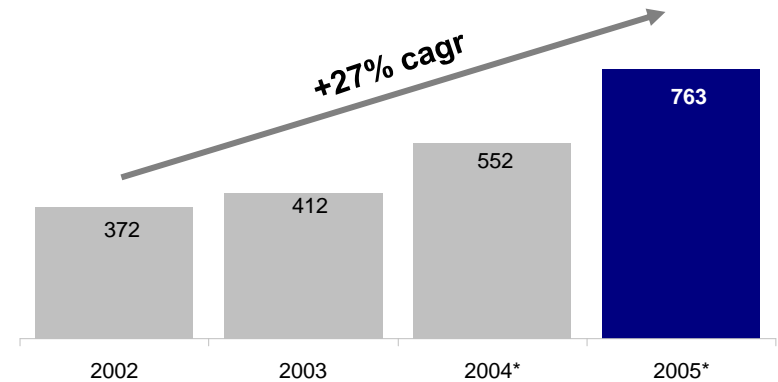
\*\* Proforma figures; Meta accounted since January 1st, 2005

# Enhanced visibility of sustainability approach in last 3 years

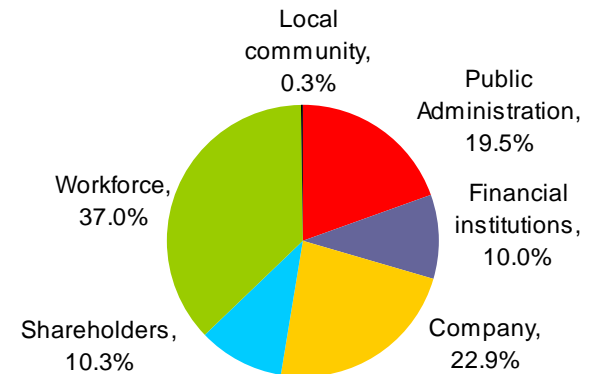
## Concrete sustainable actions

- > Hera has reported increasing results with a multi-stakeholder approach replacing the “Environmental report” with the “Sustainability report”
- > Certification procedures have been set in place (ISO 9001, 14000, EMAS) to assure proper management of activities and of plants
- > Recurrent road shows to meet shareholders, general meetings with employees, Customer satisfaction surveys are samples of a continuous dialog with stakeholders to verify a Hera progress in meeting expectations.
- > A wide range of social, environmental, customer satisfaction KPIs has been identified and controlled in order to enhance Hera commitments
- > A balance score card remuneration system tied to KPI assures effective improvements of financial, social and environm. performances.

## Gross Value Added for stakeholders



## 2005 Gross Value Added breakdown



# Our Mission, Ethics & Strategy are focused on Sustainability

## Hera sustainable nature

- > Hera main shareholders are public entities which promoted since beginning a sustainable approach towards all stakeholders, which is the core of the **Group Mission**.
- > Hera **strategy** is focused on exploiting all growth opportunities (internal and external) enhancing financial as well as social and environmental performances to continue past “sustainable” growth path.
- > The Mission and the strategy are pursued applying the **ethical code** binding all stakeholders to respect Hera fundamental principles. Communication and controlling procedures and/or contractual clauses are set in place in order to avoid actions not compliant with the code by stakeholders.

## Group Strategy focus on Sustainability



## Creating Value communicating values

- > Ethical code guarantees transparency, equal opportunities and respect of ethical values in the management of all activities. Hera Core Values:
  - > **Integrity**
  - > **Transparency**
  - > **Individual responsibility**

# Citizenship

- > Hera acts as an relevant economic and social entity with the responsibility of managing significant environmental and social sources of its reference territory.
- > Hera is committed to use natural sources (earth, water, air) in a proper manner: delivering services to people reducing negative environmental effects (CO2 emissions, water and soil pollution) through efficiency gains, R&D on innovative processes and real time control systems.
- > Hera is as well committed to promote social enhancement through promotion of values, respect of people, listening and speaking to all stakeholders
- > This citizenship has a significant impact on how Hera people effectively think, organize, act and manage relations with personnel, customers, suppliers shareholders, the environment and the other stakeholders.

## 3Y positive trend of all main KPI

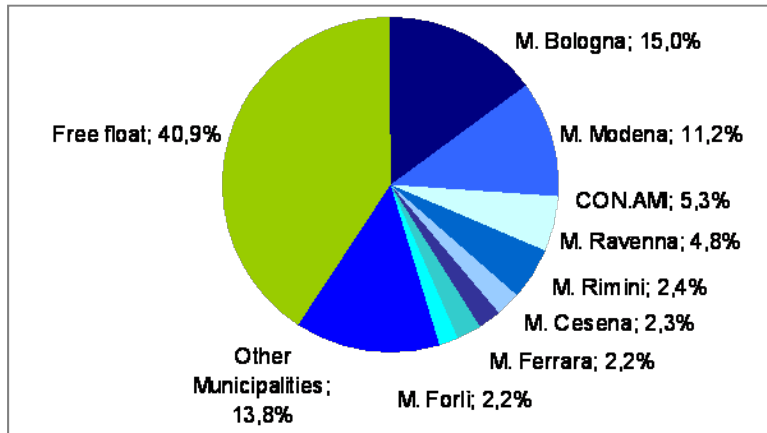
	2003	2004	2005
<b>Economic responsibility</b>			
Value added (ml €)	412.0	552.4	762.9 ↑
Ebitda per employee (K€)	54.7	58.2	65.4 ↑
<b>Social responsibility</b>			
Hiring on an indefinite basis (no.)	63	93	115 ↑
Training for employee (per capita h/year)	13.5	17.2	18.5 ↑
Workforce attending at least 1 training c.	-	79.2%	82.2% ↑
Accident frequency index (number of accidents/hours worked x 1,000,000)	67.6	56.8	50.1 ↑
Internal climate index (score 0-100)	-	-	50
Customer satisfaction index (score 0-100)	-	-	67
Avg call center response time (sec)	-	102.9	70.2 ↑
Avg branch operator waiting time (min)	-	33.8	39.5 ↓
Total return for shareholders since IPO	-	79.8%	89.6% ↑
ISO9001 certified suppliers (%)	-	-	61%
<b>Environmental Responsibility</b>			
% Energy produced from renewables	34.0%	39.6%	44.1% ↑
Compliance of treated water with legal limits (optimal value 0%)	-	32.7%	30.0% ↑
Compliance with Kyoto Protocol	-	-	93%
Water grid loss (real and procedural)*	22%	23%	24.9% ↓
Separate waste collection	29.3%	30.4%	31% ↑
% low env. impact road vehicles	13.3%	13.9%	14.2%
Solid waste collected disposed in landfill with pre-treatment (% total waste)	57.3%	58.5%	59.1% ↑

\* Related to networks of merged companies in 2004-2005



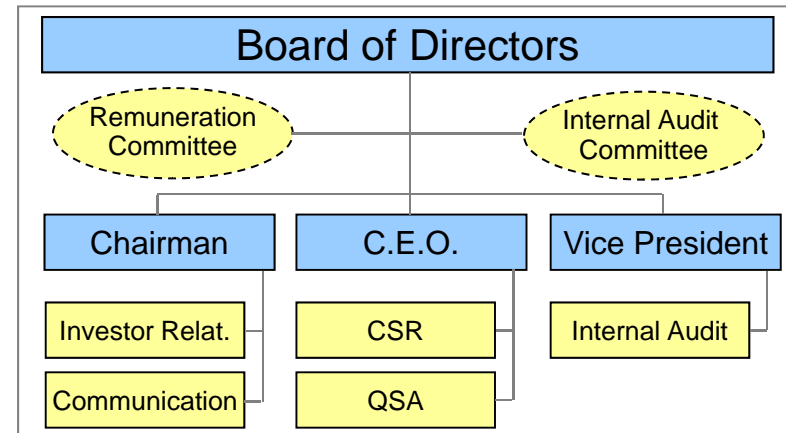
# Hera Governance reflects an integrated multi-stakeholder approach

## Shareholding



- > 59% shareholdings is build up by public entities (tied in a pact 51% of shares)
- > Each private shareholder has max. 2% voting rights
- > Since flotation (2003) the Group has changed governance in order to guarantee minority shareholders' interests

## Organizational structure



- > BoD include 16 non-executive members of which 4 representatives of minority shareholders (22.2%).
- > Internal BoD Committees in place
- > CSR and QSA and IR functions directly in line to Top management guaranteeing continuous feed back from stakeholders

# Personnel

## Hera's most relevant stakeholder

- > A continuous internal communications system is having success (meetings, House organ, intra-net site, television screens)
- > At Hera all relevant matters are shared with employees starting from the discussion on the new mission, new business plan etc.
- > In 2005 the first survey on personnel satisfaction yielded positive results
- > A Balance score Card system was introduced to guarantee a fair valuation of results and bonuses (414 people received a bonus in '05)
- > Hera is implementing a "Student program" to hire and educate 70 people coming out from university.
- > Hera commitment is to improve education and know how sharing. Training activities performed obtained positive feed back from personnel (1.3 ml€ spent in training in 2005)

## Personnel Breakdown

	2003	2004	2005
Senior Manager	67	84	93
Manager	150	192	245
Clerks	1,664	1,987	2,458
worker	2,547	2,760	3,108
<b>Total head count</b>	<b>4,428</b>	<b>5,023</b>	<b>5,904</b>
Avg Age (years)			43.8
Seniority in Hera (years)			13.7
Female on total (%)	21%	21%	21%
Female on executives	40%	41%	40%
Protected categories (unit)	26	36	41
Litigations		33	21
Strikes (hours pro capite)	4.3	4.0	4.3
Persons awarded with bonus			441

## Personnel (2)

### Hera actions and commitments on social responsibility

- > Hera commitments to improve its social responsibility are stated in the business plan 2005-E2008
- > Hera will invest in training employed people to share best practices and promote internal carriers replacing natural retirement
- > Above 3 M€ investments are planned to improve training courses to employees in next 3 years.
- > Safe and security on work place will be enhanced with Ohsas 18001 certification planned within 2007
- > Balance Score Card system will be extended to 100% of managers within 2007
- > Facilities will be built in order to meet family needs of workers (e.g. Kinder garden within 2006)

### Commitments 2005-2008

	2005	E2008	Increase
N. employees	5,904	5,560	(5.8%) ↑
Avg Personnel cost (K€)	42	45	+2.3% ↑
Training (h. per capita)	19.1	23.3	+7.0% ↑
Incidents on Job*	67.6	45.0	(33.0%) ↑
Gravity of damage**	1.6	1.0	(37.5%) ↑

### Social Responsibility KPI 2002-2005

	2003	2004	2005
Hiring on an indefinite basis (no.)	63	93	115 ↑
Training for employee (per capita h/year)	13.5	17.2	18.5 ↑
Workforce attending at least 1 training c.	-	79.2%	82.2% ↑
Accident frequency index (number of accidents/hours worked x 1,000,000)	67.6	56.8	50.1 ↑
Internal climate index (score 0-100)	-	-	50

# Customer

## Customers represent Hera focus

- > Customer satisfaction survey in 2005 highlighted a significant degree of satisfaction (67 points achieved on a max of 100)
- > Loyalty of customers is highlighted by low churn rates in liberalized activities (such as gas sale: 0.8% churn rate)
- > In order to meet the commitment to improve the customer care Hera is implementing:
  - >An integrated SAP IT system (CRM and one invoice for different services)
  - >Working out a quality standard card for all provinces
  - >Several projects aiming at enhancing customer care activity (in 3 years dedicated personnel increased by above +100%)

## 2005-2008 Commitments to better

- > Develop web-site potentials to favour customers
- > Reduce response time on claims
- > Work out a welcome kit for new customers

	2005	E2008	Increase
Interruptions in electricity service	98 min	80 min	+18% ↑
Avg waiting time shops	45 min.	25 min	+44% ↑
Avg waiting time teleph	30 sec.	20 sec.	+33% ↑

## 2004-2005 KPI

	2004	2005
Customer satisfaction index (score 0-100)	-	67
Avg call center response time (sec)	102.9	70.2 ↑
Avg branch operator waiting time (min)	33.8	39.5 ↓
Total return for shareholders since IPO	79.8%	89.6% ↑
Personnel (customer care)		

# Suppliers

## Suppliers considered partners

- > Hera deals with 15.8k suppliers
- > 65% in reference territory
- > A qualification system introduced ISO 9001 (61% qualified), SOA (33% qualified)
- > Ethical Code etico in contract clauses

## Commitments for the future

- > Improve ethical code knowledge among suppliers
- > Increase share of supplier certified Ohsas 18001, SINAL, SIT and SA 8000
- > Improve web-site information dedicated to suppliers

## Suppliers data

	2005
Materials	9,143
Services	9,387
Workes	1,080
<b>Total suppliers</b>	<b>15,815</b>
Resident in reference territory	65%
Resident in other regions	34%
Resident outside Italy	1%
<b>Total</b>	<b>100%</b>
<b>Value of supplies certified</b>	
ISO 9001	61.2%
SOA	32.7%
ISO 14001 - EMAS	1.5%
SINAL	0.3%
Non certified	4.3%

# Environment

- > Hera waste management, water services and energy production activities have an intense use of environmental sources.
- > The commitments regarding low environmental impact of these activities highlights positive results in past 3 years in term of CO2, exploitation of waste recycling, water leakage.
- > In electricity production, Hera is active mainly with WTE plants, district Heating and biogas (100% renewable sources) which have low environmental impact and benefit from incentive schemes (CIP6 tariff and Green certificates).
- > Hera is respecting all national and Kyoto protocol standards regarding CO2 emissions and laws on pollution in general.
- > 12% of 2005 Ebitda was related to benefits coming from Hera environmental low impact.

## Electricity Production

GWh	2003	2004	2005
<b>WTE</b>	125.7	158.4	260.5 ↑
Cogeneration	119.9	124.6	102.2 ↑
Biogas (landfill)	14.2	20.4	22.6 ↑
Turbo expansion plants	10.1	11.1	16.6 ↑
Biogas from depuration plants	3.1	2.6	2.6 ↓
Hydro	1.3	1.2	1.5 ↑
<b>Total</b>	<b>274.4</b>	<b>318.3</b>	<b>406.0</b>

## KPI

	2003	2004	2005
<b>Environmental Responsibility</b>			
% Energy produced from renewables	34.0%	39.6%	44.1% ↑
Compliance of treated water with legal limits (optimal value 0%)	-	32.7%	30.0% ↑
Compliance with Kyoto Protocol	-	-	93%
Water grid loss (real and procedural)*	22%	23%	24.9% ↓
Separate waste collection	29.3%	30.4%	31% ↑
% low envir. impact road vehicles	13.3%	13.9%	14.2% ↑
Solid waste collected disposed in landfill with pre-treatment (% total waste)	57.3%	58.5%	59.1% ↑

## Environment (2)

- > Hera is committed to enhance the outstanding position in WTE (building 4 new plants).
- > Waste management will focus on recycling in order to reduce landfill treatments.
- > Investments in Water services aims to reduce leakages.
- > CO2 emissions will have a positive balance in 2008.
- > Increase Cogeneration (district heating) plants
- > R&D will focus on alternative energy sources (fuelcell, solar) and on solving CO2 emission issues through innovative technologies
- > Hera is committed to increase up to 20% the portion of E2008 Ebitda coming from benefits of low environmental impact\*.

\*See appendix

### Electricity Production

	2005	E2008	Increase
<b>Energy from renewable (TWh)</b>			
Cogeneration	0.324	0.808	+149% ↑
WTE	0.261	0.709	+172% ↑
Geothermic	0.084	0.090	+7% ↑
Biogas	0.028	0.062	+121% ↑

### KPI expected enhancement in 2008

	2005	E2008	Increase
<b>Environment</b>			
Sorting Waste	30.9%	35.0%	+410 bp ↑
Waste sent to Landfill	34.9%	15.0%	+1,910 bp ↑
Water net work leakage	24.9%	20.0%	+490 bp ↑
Kyoto Standards (Co2)	93%	118%	+2,500 bp ↑

# Closing remarks



# Outstanding economic perspectives in line with track record

## > Value of production **+6.9% Cagr**

Mainly related to Dual Fuel commercial proposal, tariff increase (Water and Waste) and Waste business development.

## > Ebitda **+15.6% Cagr**

Balanced contribution from all strategic pillars\*

## > Investment plan **1.0 bln €**

Mainly funded by cash flows that assures comfortable financial gearing (500 ml€ bond at 10 years fixed rate of 4.125% issued in 2006 rated A+ and A1 from S&P and Moody's).

## > Returns and Dividends

Expected increase in all ratios

Commitment to increase dividends by +15% per year through out 2008.

P&L	2005*		E2008		Cagr %
Revenues	2,148	100%	2,625	100%	+6.9%
Oper. c.	(1,636)	76%	(1,861)	71%	+4.4%
Person. c.	(270)	13%	(276)	11%	+0.7%
Capitalis.	144	7%	109	4%	(8.9)%
<b>Ebitda</b>	<b>386</b>	<b>18%</b>	<b>597</b>	<b>23%</b>	<b>+15.6%</b>
<b>Capex plan E2006-E2008</b>					0.8 bln €
<b>Financial Investments E2006-E2008</b>					0.2 bln €
Ratios	2005*		E2008		
D/E	~ 0.7		~0.6		
ROI	9%		15%		
ROE	7%		12%		
Dividend increase per year	+17%		+15% avg		

## Expected a nd past growth of Ebitda

MI €	2002-2005	E2006-2008
Sector cons.	+90	+12
Synergy	+49	+59
Org. Growth	+29	+57
New Plants	+26	+83
<b>Total</b>	<b>+194</b>	<b>+211</b>

\*See appendix

\* IAS adjusted – Meta accounted since January 1st, 2005

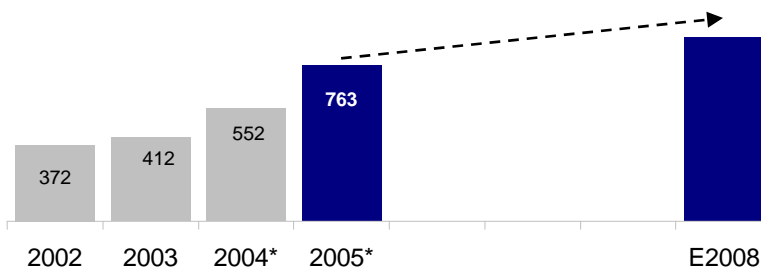
# Key 2005-E2008 Commitment with Stakeholders

## Continuing sustainable growth

- > Hera sustainable approach is expected to yield higher performances together with an outstanding financial growth.
- > Commitments on all main KPI are set and pursued effectively by an organisation focused on these targets.
- > Ethical principles of transparency are and will continue to be applied also toward investors (next business plan disclosed in September)

## Expected Gross Value Added

Mi€



Main Commitments	2005	E2008	Increase
<b>Environment</b>			
Sorting Waste	30.9%	35.0%	+410 bp ↑
Waste sent to Landfill	34.9%	15.0%	+1,910 bp ↑
Water net work leakage	24.9%	20.0%	+490 bp ↑
Kyoto Standards (Co2)	93%	118%	+2,500 bp ↑
<b>Customer care</b>			
Interruptions in electricity service	98 min	80 min	+18% ↑
Avg waiting time shops	45 min.	25 min	+44% ↑
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Cogeneration	0.324	0.808	+149% ↑
WTE	0.261	0.709	+172% ↑
Geothermic	0.084	0.090	+7% ↑
Biogas	0.028	0.062	+121% ↑
<b>Social responsibility</b>			
N. employees	5,904	5,560	(5.8%)
New Employments	115	-	-
Avg Personnel cost (€)	42.005	45,000	+2.3% ↑
Training (h. per capita)	19.1	23.3	+7.0% ↑
Women (% of tot.)	20.9%	-	-
Protected cat. of empl.	0.7%	-	-
Incidents on Job*	67.6	45.0	(33.0%) ↑
Gravity of damage**	1.6	1.0	(37.5%) ↑

\* Number of incidents/ number of working hours x 1,000,000

\*\* Days absence from Job/ number employee x 1,000

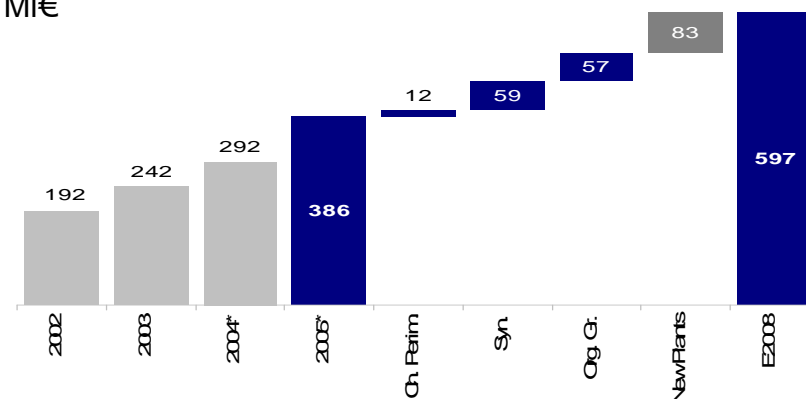
# Q&A Session

## 2005-E2008 growth based on efficiency use of sources and development of environmental friendly plants

- > 2005-2008 expected Ebitda growth from **change in perimeter** is due to Enel electricity network acquisition in Modena province (signed preliminary agreement).
- > **Synergies** driven by cost cutting, efficiency improvement (expected avg. of +13 ml€/y vs. 16 ml€/y actual avg.) further enhanced by Meta merger (expected avg. of +6 ml€/y).
- > **Organic Growth** mainly relates to “WW” tariff increase already agreed with ATOs (contribution of about +50 MI€).
- > **Plant development** contribution is based on 4 WTE (tied to district heating pipes) and 2 CCGT fully authorised new plants, plus a new WTE in Rimini in final stage of approval process.

### 2005 – E2008 Ebitda Build up

MI€



### Future growth vs. past growth

MI€

MI €	2002-2005	E2006-2008
Sector cons.	+90	+12
Synergy	+49	+59
Org. Growth	+29	+57
New Plants	+26	+83
<b>Total</b>	<b>+194</b>	<b>+211</b>

\*Restated in accordance with IAS principle

## Hera “Sustainable” approach contribute to the expected growth

- > Hera WTE plants contribute significantly to Group Ebitda thanks to **Green Certificates**. Currently G.C. are traded at ~180 €/GWh (G.C. value plus market price of electricity equal to ~3 time electricity market price). Plan 2005-2008 is underpinned by conservative assumptions.
- > Existing WTE plants benefit from **CIP6 long term contracts** which allow Hera to sell the electricity at a price ~203 €/MWh. Plan 2005-2008 include conservative assumptions.
- > Hera expects a positive balance in **CO2 emissions** in accordance to Kyoto protocol.
- > Energy savings are pursued in all business guaranteeing benefits from **White certificates**. New authority guidelines are underway on basis of which Hera will program further actions to obtain a positive White certificate balance also in 2008.

<b>P&amp;L</b>	<b>2005</b>	<b>E2008</b>	<b>Incr.</b>
<b>GREEN CERTIFICATES</b>			
<i>WTE elect. (GWh)</i>	-	527	-
<i>Green Cert (€/Gwh)</i>	~180	140	-
<b>Ebitda Green C.</b>	-	<b>73.8</b>	-
<b>CIP6 CONTRACTS</b>			
<i>WTE elect. (GWh)</i>	237	182	(123%)
<i>CIP6 tariff (€/Gwh)</i>	203	185	(9%)
<b>Ebitda CIP6</b>	<b>48.1</b>	<b>33.7</b>	<b>(130%)</b>
<b>EMISSION TRADING (Ton)</b>			
<i>CO2 permitted</i>	116,018	350,313	+202%
<i>CO2 produced</i>	124,089	297,736	+140%
<i>CO2 certif.</i>	(8,071)	52,600	-
<i>Value Cert.(€/ton)</i>	17	-	-
<b>Ebitda CO2</b>	<b>(0.2)</b>	-	-
<b>Total Ebitda from Incentives</b>	<b>47.9</b>	<b>107.5</b>	<b>+124%</b>
<b>% of Group Ebitda</b>	<b>12.4%</b>	<b>18.0%</b>	

- > Potential upside thanks to District Heating Green certificates (not included in business plan) at values higher than assumptions.