



# First Half 2003 results

September, 2003



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# First Half 2003 Results



## Overview

# First Half 2003 Results Overview



- The result of a unique integration process
- Well positioned to win market share with ongoing sector liberalisation and consolidation process
- Strategy two main guidelines:
  - Substantial scope for synergies from the recent integration
  - Cross selling, new concessions and acquisitions to create growth potential
- 2003 first half results fully reflect such potential

# First Half 2003 Results Income Statement



- 1st Half Group results show increase both in top line and profitability

	1H2002*	%	1H2003	%	Increase
<b>Turnover</b>	584,3	100,0%	659,4	100,0%	<b>+12,9%</b>
<b>EBITDA</b>	87,7	15,0%	122,1	18,5%	<b>+39,2%</b>
<b>EBIT</b>	33,4	5,7%	58,1	8,8%	<b>+73,8%</b>
<b>Pre Tax</b>	34,7	5,9%	45,3	6,9%	<b>+30,7%</b>

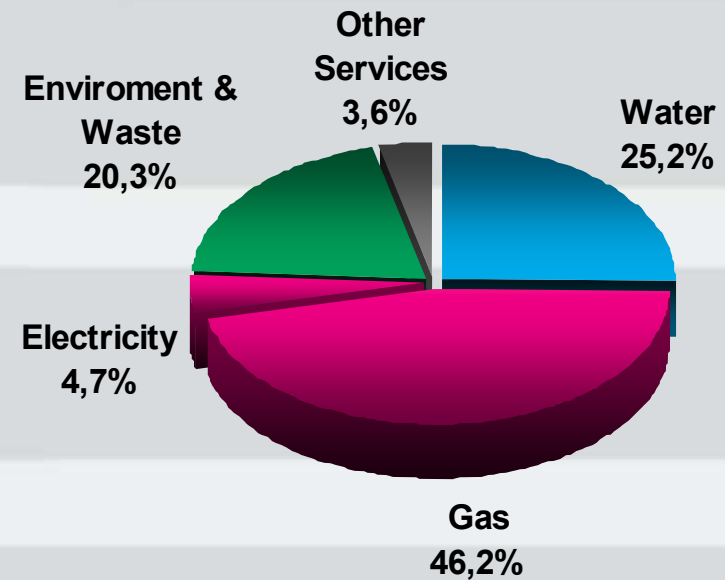
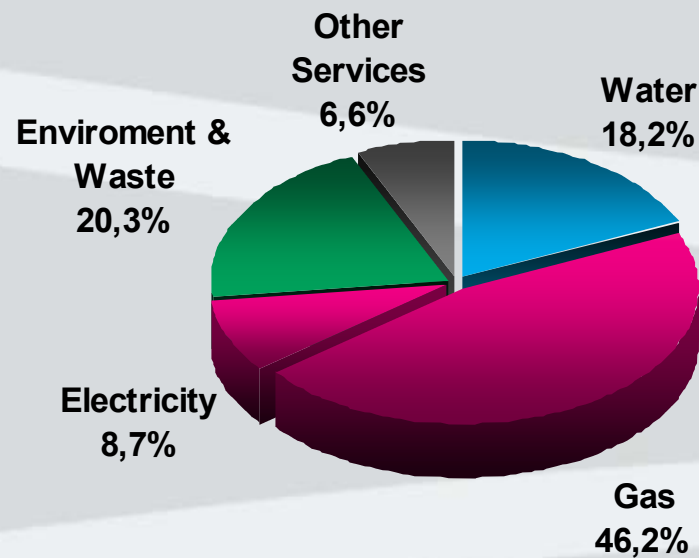
\*proforma

# First Half 2003 Results Business breakdown



**Turnover - 659,4 mln €**

**EBITDA – 122,1 mln €**



**Energy business benefit from seasonality factors in the first half**

# First Half 2003 Results



## Business breakdown

# First Half 2003 Results

## Waste: Confirmed expansion potentials



### Main drivers

- **Turnover increase of 6,0%**
  - Higher extra territory waste volumes treated leveraging on the group spare capacity
  - 31% of the clients served switched from tax to tariff
- **Ebitda increase of 25,3%**
  - Ongoing outsourcing of low value added activities
  - Rationalisation process set in place this year

### Financial Highlights

	1H2002*	%	1H2003	%	Increase
<b>Turnover**</b>	<b>124,4</b>	100,0%	<b>131,9</b>	100,0%	<b>+6,0%</b>
Operating cost	(65,8)	(52,9%)	(71,9)	(54,5%)	+9,3%
Personnel	(38,8)	(31,2%)	(35,3)	(26,7%)	-9,0%
<b>EBITDA</b>	<b>19,8</b>	15,9%	<b>24,8</b>	18,8%	<b>+25,3%</b>

*\*proforma*

*\*\*includes internal consumption and is net of capitalised cost*

- **2nd half will benefit from seasonality effect of tourism**
- **Potential for additional revenues exploiting spare capacity**
- **Waiting for WTE projects completion**

# First Half 2003 Results

## Water: Expansion at low marginal cost



### Main drivers

- **Turnover increase of 7,2%**
  - Higher number of clients (+4%) thanks to a further expansion within 4 ATOs
  - Slight tariff increase on the basis of CIPE authorisation
- **Ebitda increase of 20,8%**
  - Additional revenues at low marginal cost brings to a +2.9 percent in Ebitda margin

### Financial Highlights

	1H2002*	%	1H2003	%	Increase
<b>Turnover**</b>	<b>110,0</b>	100,0%	<b>117,9</b>	100,0%	<b>+7,2%</b>
Operating cost	(59,2)	(53,8%)	(61,2)	(51,9%)	+3,4%
Personnel	(25,3)	(23,0%)	(25,9)	(22,0%)	+2,4%
<b>EBITDA</b>	<b>25,5</b>	23,2%	<b>30,8</b>	26,1%	<b>+20,8%</b>

*\*proforma*

*\*\*includes internal consumption and is net of capitalised cost*

- **2nd half will benefit from seasonality effect of tourism**
- **ATOs completion drives further top line growth**
- **Waiting for a new tariff scheme**

# First Half 2003 Results

## Electricity: Positive start of Dual Fuel Policy



### Main drivers

- **Turnover increase of 62,2%**
  - Dual Fuel policy applied to a loyal customer base is the main factor of 66% increase in volume sold (from 470 to 781 GWh)
  
- **Ebitda increase of 50,0%**
  - A slight reduction of profitability margins as a consequence of higher volumes sold to eligible clients.

### Financial Highlights

	1H2002*	%	1H2003	%	Increase
<b>Turnover**</b>	<b>34,9</b>	100,0%	<b>56,6</b>	100,0%	<b>+62,2%</b>
Operating cost	(29,3)	(83,9%)	(48,9)	(86,4%)	+66,9%
Personnel	(1,8)	(5,2%)	(2,0)	(3,5%)	+11,1%
<b>EBITDA</b>	<b>3,8</b>	10,9%	<b>5,7</b>	10,1%	<b>+50,0%</b>

*\*proforma*

*\*\*includes internal consumption and is net of capitalised cost*

- **Significant potential growth opportunities from dual fuel policy**
- **Benefit from Atel and Tirreno Power still unexploited**

# First Half 2003 Results

## Gas: Benefit from Procurement savings




### Main drivers

- **Gas Sales** increased of **10,2%**
  - 3 new Municipalities (+5% clients)
  - More favorable weather conditions increased per-capita consumption
  - Slight decrease in tariffs
  
- **Turnover** increase of **4,0%**
  - as a consequence of the change in Heat management, Public Lighting and District Heating accounting since January 2003
  
- **Ebitda** increase of **44,6%**
  - Relevant savings in Procurement thank to the critical mass reached

### Financial Highlights

	1H2002*	%	1H2003	%	Increase
Gas, LPG	264,4	91,8%	291,5	97,4%	+10,2%
Other revenues	23,6	8,2%	7,9	2,6%	-66,5%
<b>Turnover **</b>	<b>288,0</b>	<b>100,0%</b>	<b>299,4</b>	<b>100,0%</b>	<b>+4,0%</b>
Operating cost	(235,2)	(81,7%)	(228,9)	(76,5%)	-2,7%
Personnel	(13,8)	(4,8%)	(14,1)	(4,7%)	+2,2%
<b>EBITDA</b>	<b>39,0</b>	<b>13,5%</b>	<b>56,4</b>	<b>18,8%</b>	<b>+44,6%</b>

\*proforma  
 \*\*includes internal consumption and is net of capitalised cost

  
 ■ **Further procurement cost savings expected**

# First Half 2003 Results

## Other business: Ongoing restructuring process



### Main drivers

- Turnover significant increase:
  - Heat management, Public Lighting and District Heating have been classified in “other Activities” in 2003
  - Bologna Funerary Service started in January 2003
  
- Ebitda becomes positive following:
  - Group rationalization mainly through divestments of approx. 15 non strategic companies

### Financial Highlights

	1H2002*	%	1H2003	%	Increase
<b>Turnover**</b>	<b>11,6</b>	100,0%	<b>42,5</b>	100,0%	<b>+266%</b>
Operating cost	(6,7)	(57,8%)	(28,9)	(68,0%)	+331%
Personnel	(5,3)	(45,7%)	(9,2)	(21,6%)	+74%
<b>EBITDA</b>	<b>-0,4</b>	-3,4%	<b>4,4</b>	10,4%	<b>na</b>

*\*proforma*

*\*\*includes internal consumption and is net of capitalised cost*

■ Low value added business will continue to be progressively outsourced

# First Half 2003 Results

## Balance Sheet



	FY2002		30-giu-03	
Fixed Asset	1.202,0	107%	1.264,6	104%
Working Capital	74,4	7%	122,9	
(Provisions)	( 157,3)	-14%	( 165,9)	-14%
<b>NET INVESTED CAPITAL</b>	<b>1.119,1</b>	<b>100%</b>	<b>1.221,6</b>	<b>100%</b>
<b>Net Equity</b>	<b>865,3</b>	<b>77,0%</b>	<b>882,2</b>	<b>72%</b>
Net Short Term financial debt	118,2	11%	112,5	9%
Long Term financial debt	135,6	12%	226,9	19%
<b>Net financial Position</b>	<b>253,8</b>	<b>23%</b>	<b>339,4</b>	<b>28%</b>
<b>NET INVESTED CAPITAL</b>	<b>1.119,1</b>	<b>100%</b>	<b>1.221,6</b>	<b>100%</b>

■ Investments and sales growth substantially financed by long term debt

# Achievements of Group Targets



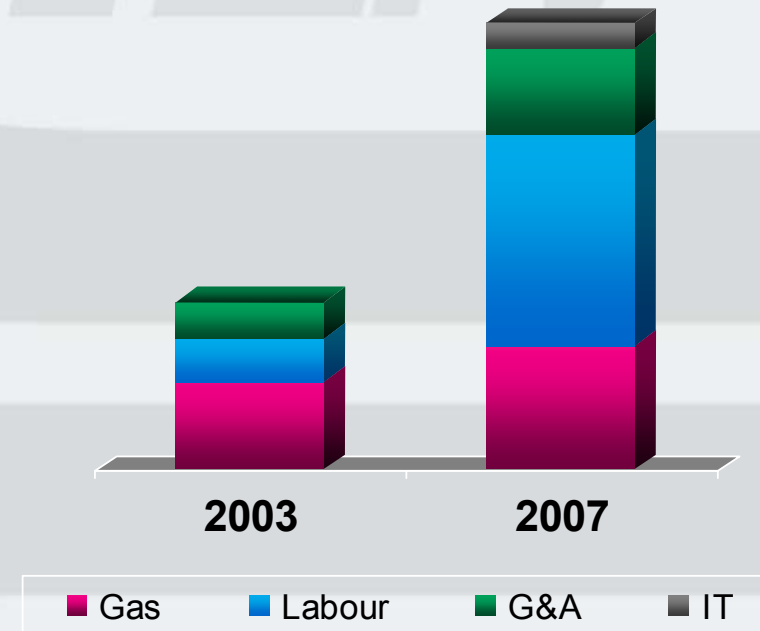
# Achievements of Group Targets

# Achievements of Group Targets Overview



## ■ 1H2003 results are in line with the main efficiency targets:

- Efficiency improvement:
  - Savings in Procurement and other operating costs
  - Re-organisation of human resources
- Implementing the investment plan ('03/'07)
  - Significant investments in CCGT and WTE plants
  - Maintenance capex amounts to approx. 90-100 mln €



# Achievements of Group Targets Efficiency Improvements



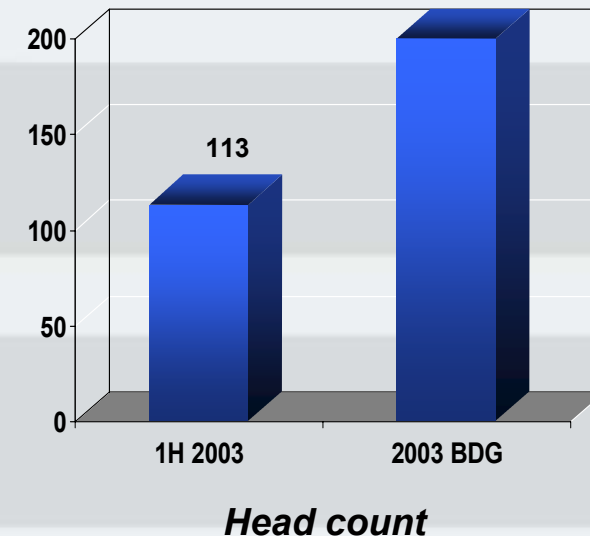
## ■ Human Resources:

- Personnel net outflow of 224 head count

### Human resources

<b>As at 31-12-2002</b>	<b>4.538</b>
Net Flow	(113)
Change in Group Perimeter	(111)
<b>As at 1H 2003</b>	<b>4.314</b>

56,5% of 2003 BDG



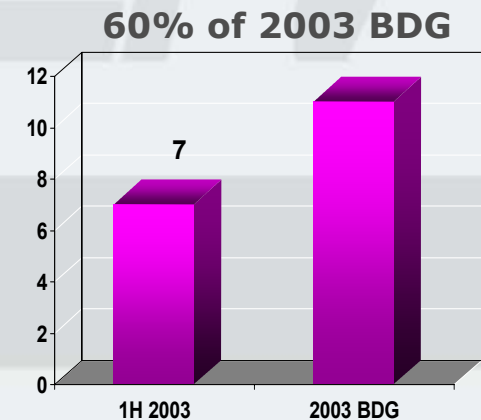
- Incentive cost sustained for the pre-retirement plan significantly below expectations

- Personnel cost incidence on turnover: 14,7%
- 1 percent contribution in 1H2003 Ebitda margin growth

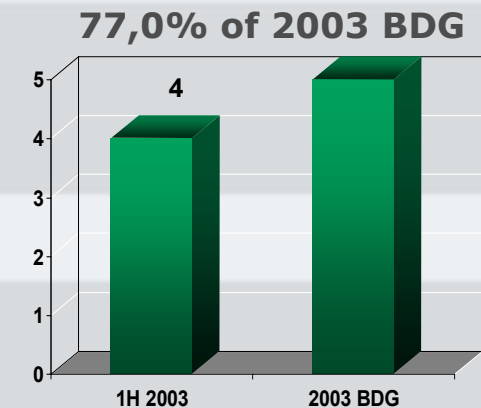
# Achievements of Group Targets Efficiency Improvements (2)



- **Gas procurement costs saving:**
  - The renewal of contracts will guarantee slightly more competitive procurement cost (- 2%)



- **G&A Savings recorded:**
  - Cost reduction and other synergies amount to 4 mln\* €



- Value Added incidence on turnover: 66,8%
- 2,5 percent of profitability margins improvement

*\*Savings calculated on annual basis*

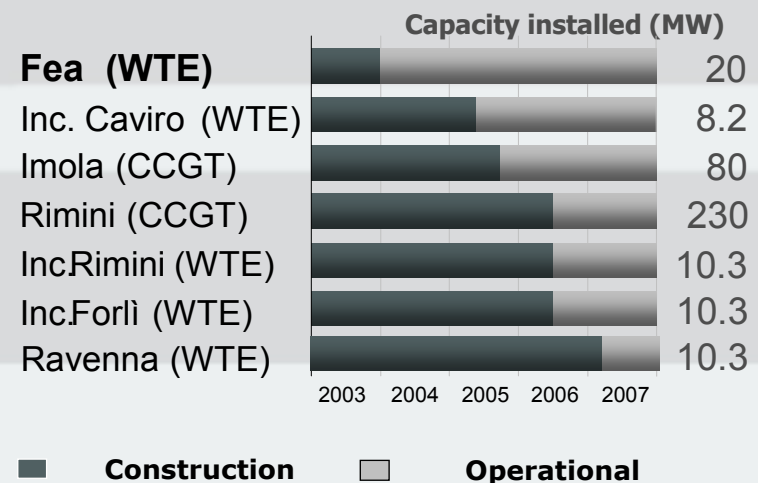
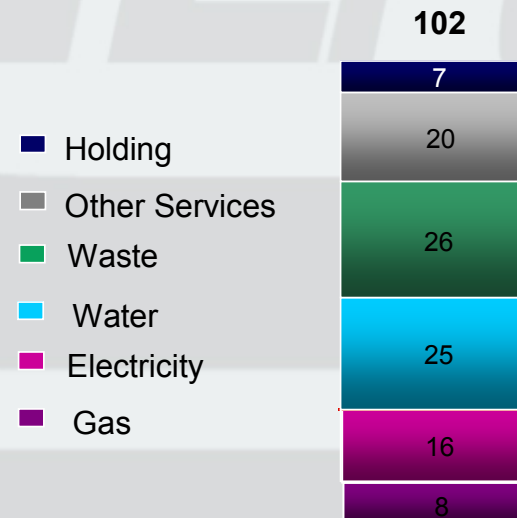
# Achievements of Group Targets

## Top Line Growth: Investment plan



### ■ Investment:

- In 1H 2003, over 102 mln € of budgeted investments have been realised
- Fea WTE plant is on track for completion within 1H 2004.
- Authorisation procedures for the construction of other plants are well underway
- Other WTE plant investment have been planned within year 2007



# Conclusions



- **1 Half 2003 results show top line and profitability increase in all business areas**
- **1 Half results give evidence to the significant synergy potential within Hera Group**
- **Positive results of Dual Fuel policy and of the ongoing expansion in further municipalities**
- **Hera is well on track to achieve the target announced at the time of the IPO**
- **Dividend policy and pay out ratios targets are confirmed**