



Hera Group 2011 annual results

10th financial report since establishment

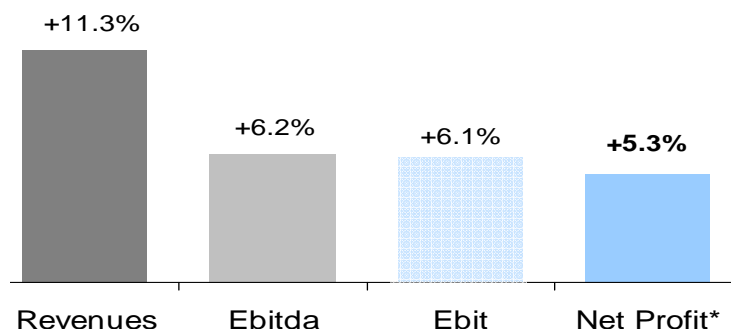
Analyst presentation, 22nd March 2012



2011 results at a Glance

2011 annual growth rates

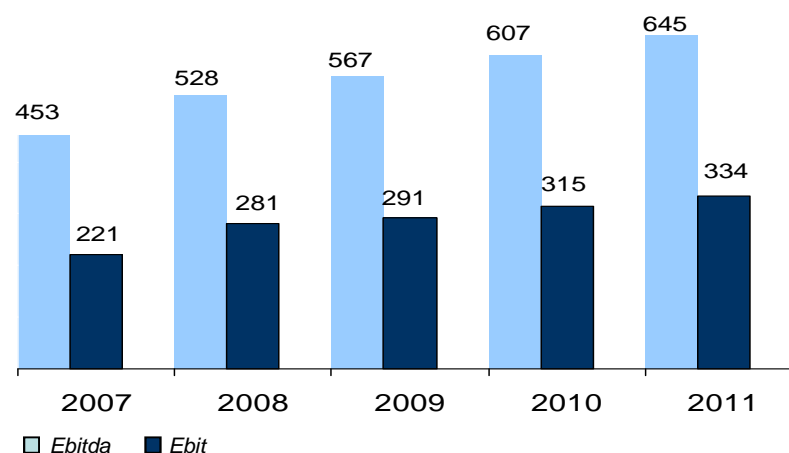
(%)



* Adjusted for extraordinary benefits related to advanced payments of deferred tax

Growing Ebitda and Ebit throughout the crisis

(m€)



Strong set of achievements in 2011

Growth underpinned by all businesses, and particularly by Energy activities with commercial development and procurement position posting net growth.

M&A included Sadori Gas and 50% JV Enomondo (+9m€).

Positive free cash flows* accounting 317m€ capex. Debt at 1.987m€ enhanced in Q4 (by ~68m€).

Positive results in all businesses driving **Ebitda up by +37.5m€** in line with business plan target.

Limited impact of additional Robin tax and IRAP.

Proposed dividend per share at 9c€.

Confirming resilience in each year of crisis period.

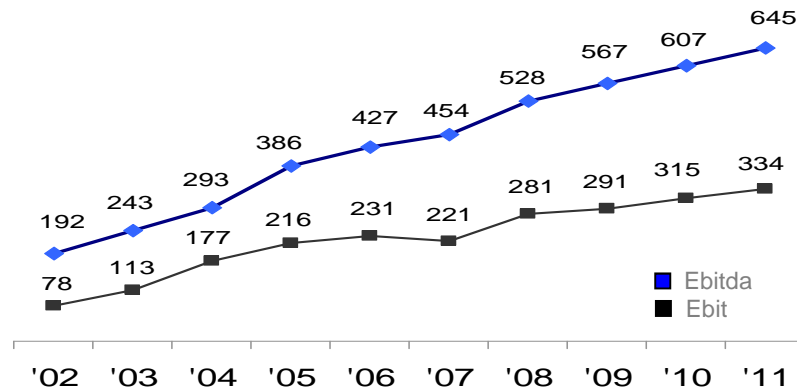
*Before M&A and Dividends

2011 Financial report: 10th since establishment

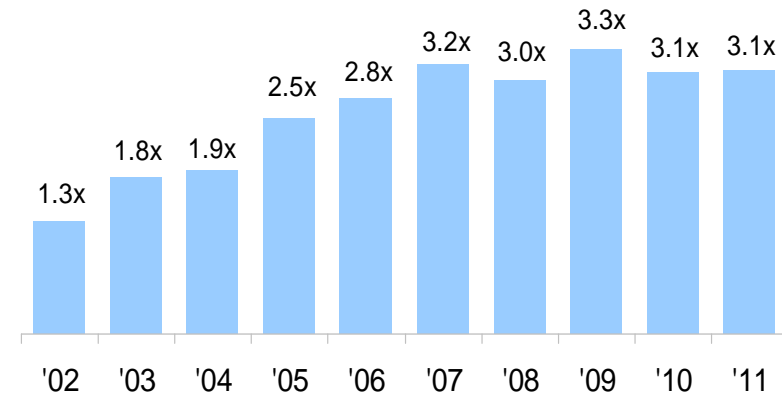


Ever growing operating results

(m€)

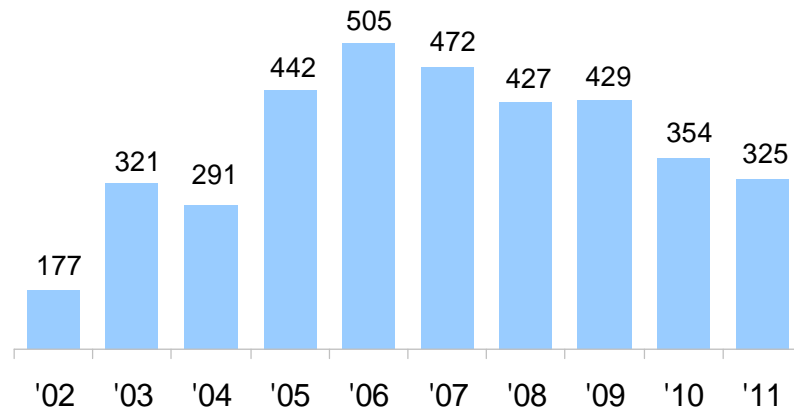


Maintaining sustainable Debt/Ebitda



Overcoming peak in capex*

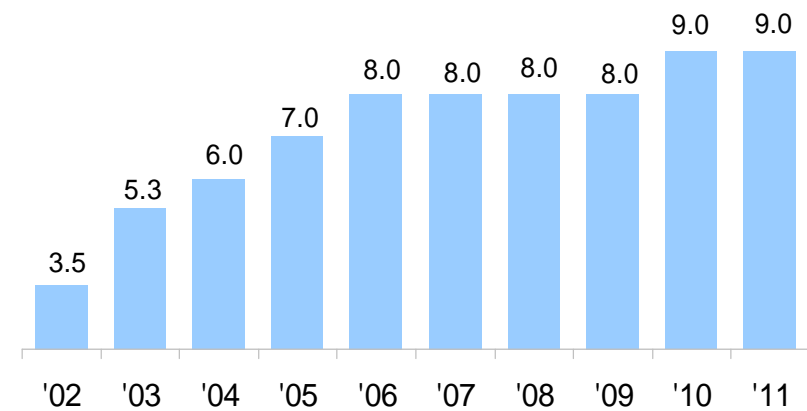
(m€)



*Gross capex

Progressing dividend per share

(€c)



2011 results in line with planning and track records



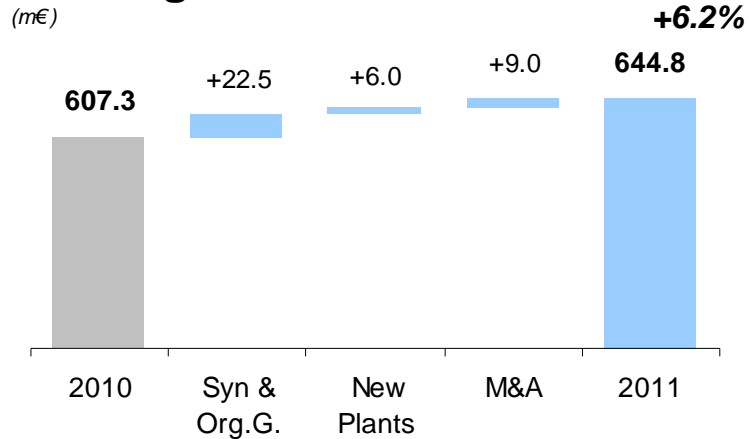
	2010	2011	Ch.%	
Contribution from all businesses and drivers.				Enhancement of tariffs, energy prices and volumes sold/traded.
Revenues	3,877.3	4,315.9	+11.3%	
Ebitda	607.3	644.8	+6.2%	
<i>Depreciation</i>	<i>(223.2)</i>	<i>(233.8)</i>	<i>+4.7%</i>	
<i>Provisions</i>	<i>(68.7)</i>	<i>(76.6)</i>	<i>+11.4%</i>	Conservative accruals to bad debts (49.7 m€) in difficult scenario and includes 7.3m€ for "salvaguardia service".
Ebit	315.4	334.5	+6.1%	
Net financial Interests	(102.0)	(106.4)	+4.3%	
IAS figurative interest*	(13.6)	(13.1)	(3.1%)	
Results from associates	5.8	6.3	+8.9%	
Pre tax Profit	205.6	221.2	+7.6%	
Tax adjusted	(88.6)	(102.0)	+15.1%	
Net Profit adj.	117.0	119.2	+1.9%	
Minorities	(24.8)	(22.2)	(10.8%)	
Hera Net Profit adj.	92.2	97.1	+5.3%	
‘10 taxes affected by extraord. benefits from advanced payments of deferred taxes (~25m€).				2011 taxes include increased Robin tax and IRAP (by 4.9m€) and extraord. benefits from advanced payments of deferred taxes (by 7.6m€).
Net profit reported	117.2	104.6	(10.8%)	

* IAS figurative interests ("non cash out") related to provisions

All value drivers contributed to growth



Ebitda growth drivers



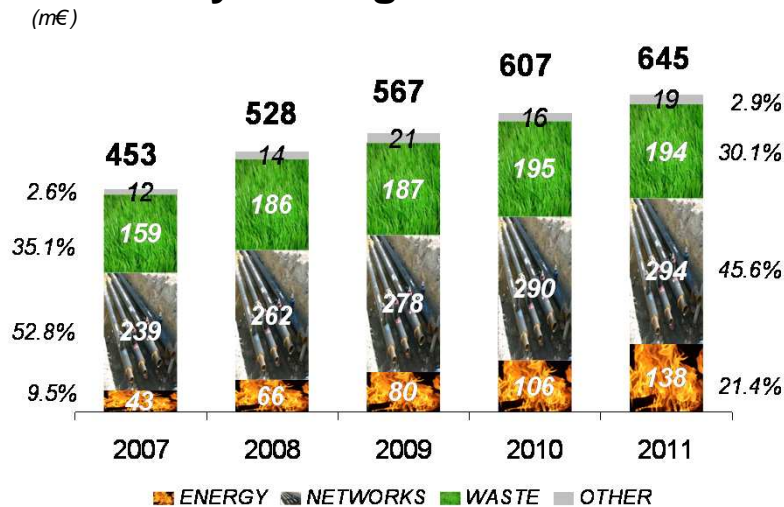
Organic Growth fuelled by Energy activities (Ebitda from 107m€ to 138m€).

Increase in tariffs, customers, cross selling and synergies.

New plants: WTE Rimini reached full capacity with power gen. turbine.

M&A relates to JV Enomondo (50% pro quota consolidation) and Sadori Gas merger (accounted for from 1 July '11).

Ebitda by strategic areas



Portfolio activities show increasing Ebitda during last 4 years (+9.2% cagr).

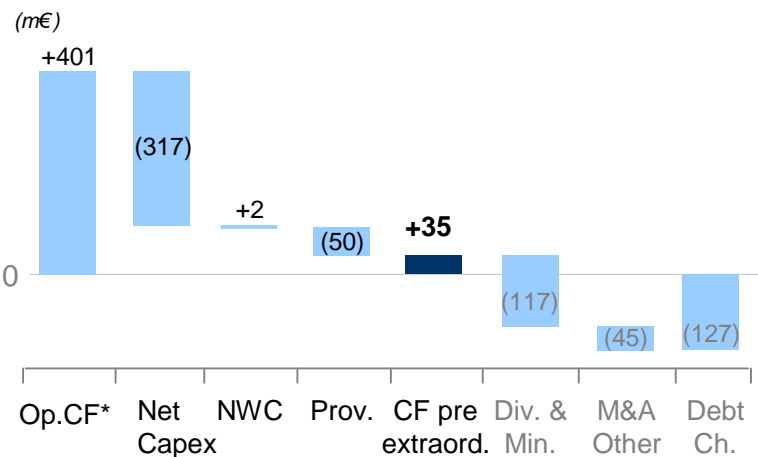
Both regulated and liberalised activities confirmed positive growth.

Energy activities outperformed in last 4 years (+33.8% cagr).

Positive cash flows before M&A and dividends



2011 cash flows



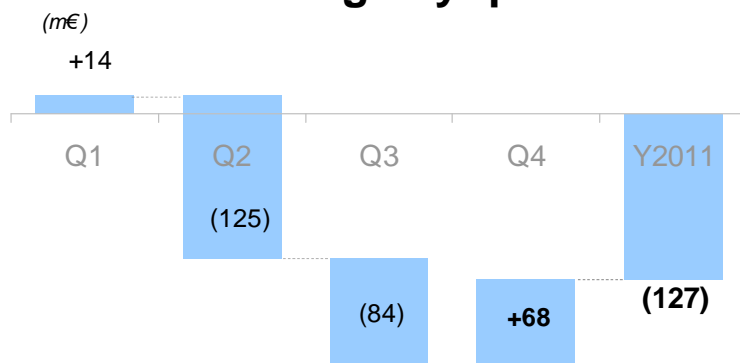
* Operating cash flows = Net profit + D&A + IAS interests

2011 free cash generation fully funded net capex by 317 m€. Working Capital in line with 2010 despite significant turnover increase.

Financial debt reduced in Q4 from 2.055 b€ to 1.987 b€ thanks to better working capital management and cash flow generation.

No refinancing issues (available committed credit lines reached ~400m€ as at today).

Net debt change by quarters



Financial soundness confirmed:

D/Ebitda: Stable at 3.1x

D/Equity: 1.06x

Duration: over 9 years on avg.

Capital expenditure commitments confirmed



Capital exp. & investments

(m€)

	2010	2011
Waste	98.7	70.1
Water	94.2	100.6
Gas	48.8	52.2
Electricity	39.0	33.8
Other	13.3	14.0
Holding	51.8	54.2
Capex	345.8	324.9
Investments	8.1	0.0
(Dismissions)	(12.0)	(7.5)
Net Capex & Inv.	341.9	317.4

Capex further decreased in 2011 mainly due to the completion of WTE plants.

56% capex on regulated asset base.

Electricity “smart meters” roll out program completed.

District Heating network expanded also in 2011 to optimize stream from generation assets.

WASTE: Tackling with a tough scenario

Financial highlights (m€)

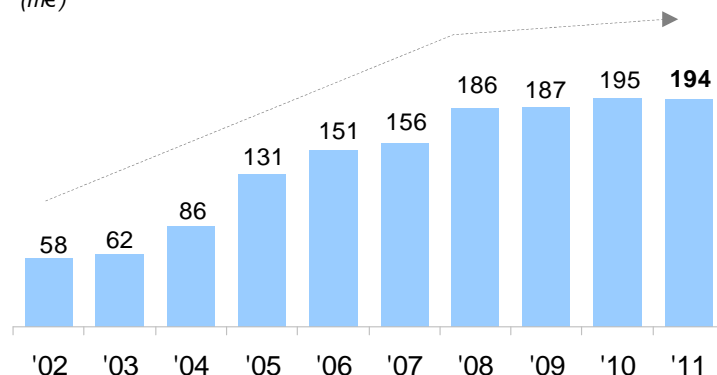
	2010	2011	Ch. %
Revenues	703.1	740.1	+5.3%
Ebitda	195.1	194.2	(0.5%)

Volumes

	2010	2011	Ch.%
Urban W. Volumes	1,864.1	1,808.7	(3.0%)
Special W. Volumes	1,608.5	1,573.3	(2.2%)
Total from 3rd parties	3,472.6	3,382.0	(2.6%)
<i>Of which:</i>			
Landfill disposals	1,429.7	1,268.3	(11.3%)
WTE treatment	800.6	923.0	+15.3%
Composting treatment	463.8	574.7	+23.9%

Ebitda track record since 2002

(m€)



Revenues up +5.3% driven by electricity production revenues (+18%) and regulated activities (+4%). **Urban waste tariffs up by +3.3%.**

Economic slow down impact on Ebitda almost fully compensated by Rimini WTE results (at full regime with electric turbine) and by Enomondo consolidation (pro-quota by 50%;+7.5m€ effect).

Treatment mix managed to exploit green power generation capacity (0.7 TWh generated up by +31%), of WTE and biomass plants. Enhancement to 50.5% of sorted urban w. collection.

The tender for industrial partner, aimed at construct and manage a **new WTE in Florence** province, was assigned to Hera in November 2011.

Tackling with tough economic scenario (since 2008), **focusing on high value added activities** ('11 Ebitda margin 26.2%).

WATER: Committed to reach proper returns



Financial highlights (m€)

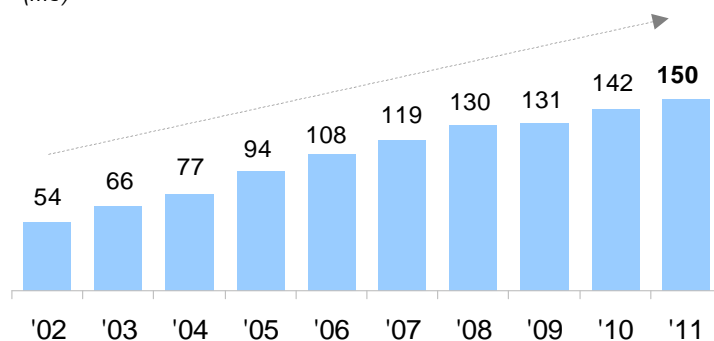
	2010	2011	Ch. %
Revenues	579.2	596.7	+3.0%
Ebitda	142.0	150.2	+5.8%

Volumes

Data	2010	2011	Ch. %
Aqueduct (mm³)	250.8	253.7	+1.2%
Sewerage (mm ³)	220.0	222.6	+1.2%
Purification (mm ³)	220.0	221.4	+0.6%

Ebitda track record since 2002

(m€)



Tariffs increase of +3.4% slightly offset by persistent slow down in works for third parties.

Ebitda reflects also efficiency improvements partially compensating higher electricity costs (pumping plants of soil water).

Real estate industry still affecting new connection activity.

Confirmed original concession length (up to 2022 on avg).

2012 tariff increases safeguarded by Ato agreements (still in force) to progress toward proper returns (agreements in Bologna and Modena expire in 2015 and 2014 respectively).

Uninterrupted resilient track record in 10 financial reports in a row.

Gas: still benefitting from commercial activities



Financial highlights (m€)

	2010	2011	Ch. %
Revenues	1,237.1	1,490.2	+20.5%
Ebitda	193.9	208.7	+7.6%

Revenues growth mainly driven by higher commodity prices, larger trading volumes (+73.5%) offsetting mild winter season.

Volumes and customers

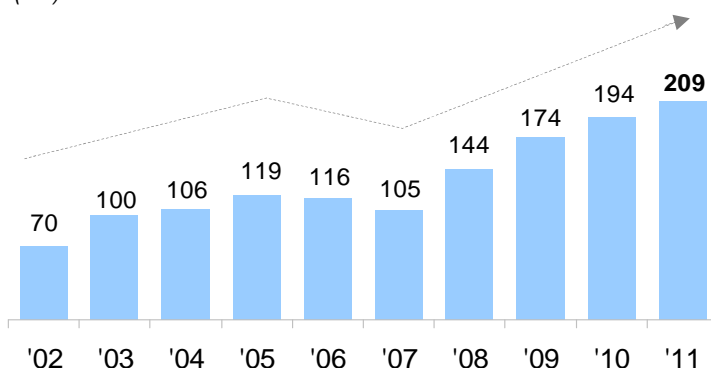
Data	2010	2011	Ch.%
Volumes sold (mm^3)	2,914.0	3,321.0	+14.0%
of which trading (mm^3)	721.8	1,252.6	+73.5%
District Heating (GWh)	534.5	499.3	(6.6%)
Customers ('000)	1072.5	1114.5	+3.9%

Ebitda increase mainly driven by supply and trading activities. Slow down in District Heating activities due to mild winter (-5m€).

Net growth in customer base through commercial expansion and M&A (Sadori Gas).

Ebitda track record since 2002

(m€)



Purchase portfolio for 2012/2013 ongoing.

Sharp Ebitda increase record year by year **during crisis** thanks to flexible procurement policies.

Electricity: fast market expansion still progressing



Financial highlights (m€)

	2010	2011	Ch. %
Revenues	1,468.3	1,585.2	+8.0%
Ebitda	59.8	73.2	+22.5%

Revenues growth mainly driven by higher **volumes** (+29.1%) related to “salvaguardia” services and market expansion (+25k and +75k customers respectively).

Volumes and customers

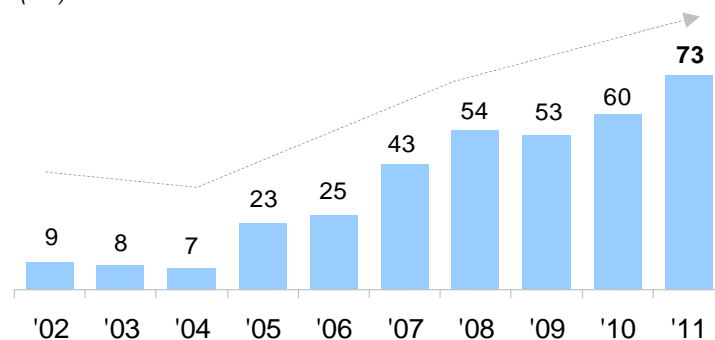
Data	2010	2011	Ch. %
Volumes sold (GWh)	7,744.0	9,996.1	+29.1%
Volumes distrib. (GWh)	2,237.8	2,303.9	+3.0%
Customers ('000)	382.5	482.1	+26.0%

Commercial margins and power purchases offset negative performance of power generation assets.

Performance of distribution activities confirmed stable (+1m€).

Ebitda track record since 2002

(m€)



Ebitda margin up by 50 bp.

Ebitda positive trend reflects short position in power generation.

Closing remarks



'11 results in line with plan target

	Business plan	2011
Ebitda avg. growth (%)	+5.7%	+6.2% ✓
Capex reduction (m€/Y)	345	317 ✓
Cash flows	increase	+35 ✓
Dividend policy	no decrease	Stable ✓
Financial structure soundness	enhance	Stable ✓
Market development :		
Electricity	+60k	+100k ✓
Gas	+20k	+42k ✓

Market multiples*

	2010	2011
MKT Cap/Book value	1.0x	0.69x
EV/Ebitda	5.9x	4.9x
P/E	14.8x	11.4x
Dividend Yield	5.8%	8.4%

*Calculated on 31/12/2010 and 21/03/2012 market prices respectively.

Strong competitiveness on energy market and positive developments on related activities underpinned positive performance.

Business portfolio resilience shown also during long crisis period.

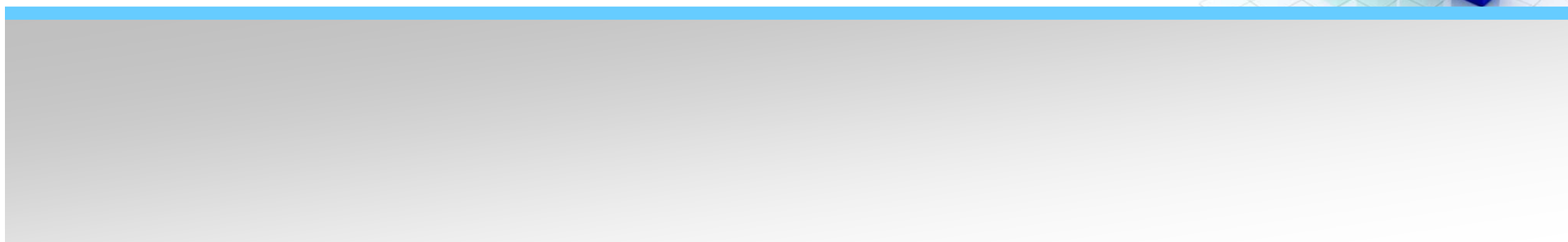
All business plan targets achieved.

M&A strengthened Waste asset base with a new biomass plant. Sadori Gas (accounted for from 1 July) merged.

Solid financial structure (3.1x D/Ebitda confirmed), no refinancing issues and D/E at 1.1x

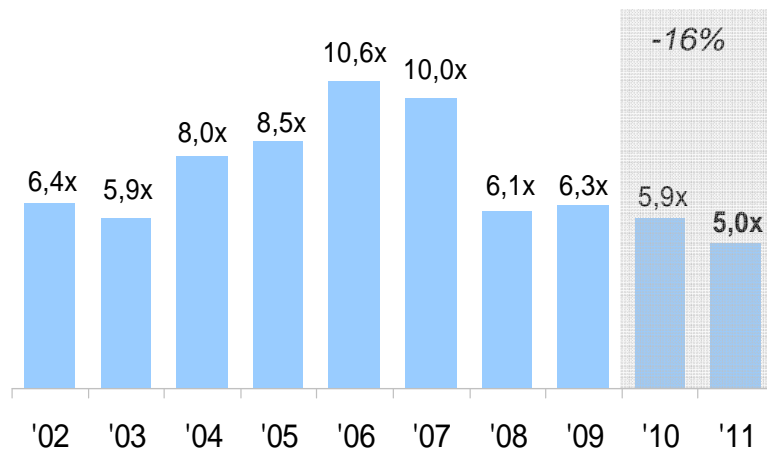
DPS of 9 €c confirmed.

10Y Hera market multiples

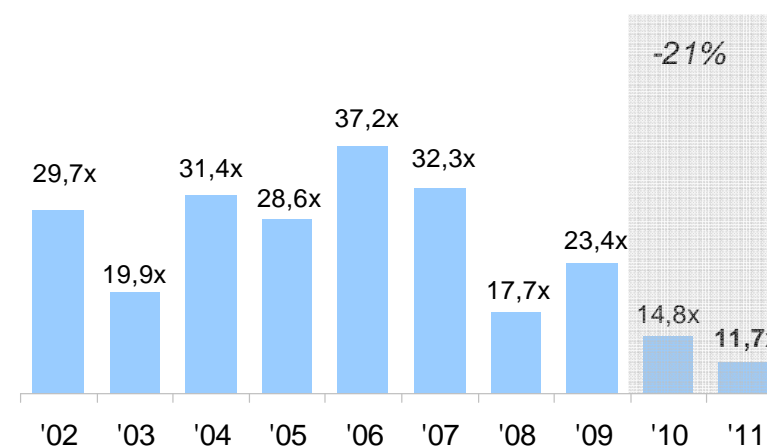


10Y market valuation Multiples*

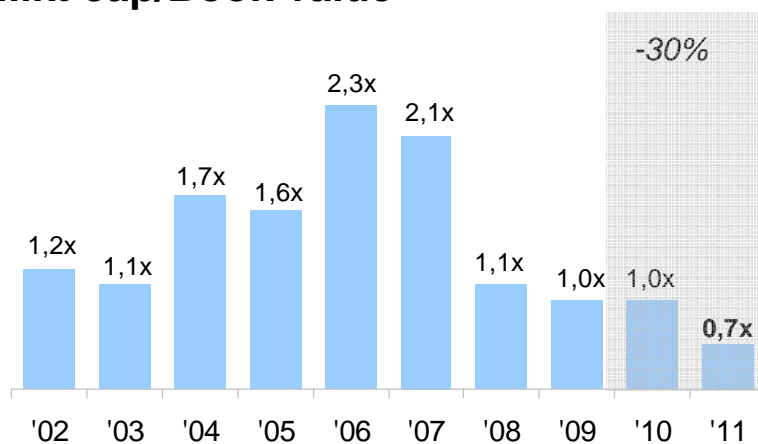
EV/Ebitda



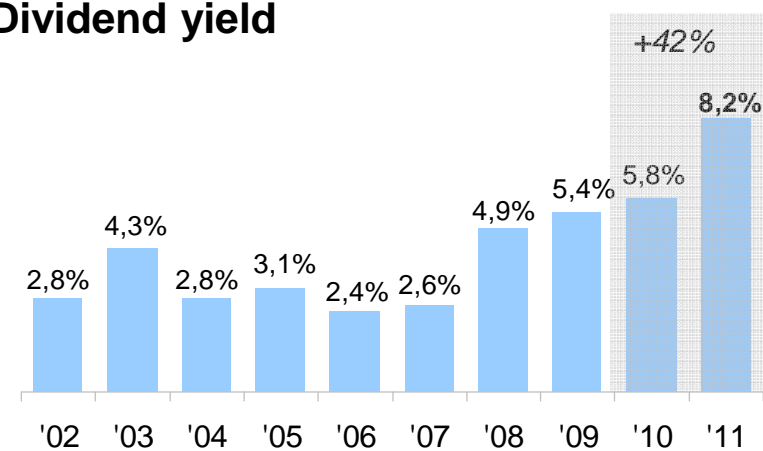
P/E



Mkt cap/Book value



Dividend yield



*multiples calculated on year end market prices of each year (in 2002 IPO price is the reference).