



'08

H1 results
Analyst Presentation
August, 29th

First Half 2008 Results

Analyst Presentation, 29th August 2008



Oscar di Bilancio
Società
e Grandi Imprese

WINNER
2007

At a glance: All drivers supported H1 growth

- **Hera** achieved **double digit growth rates** in the first 2 quarters results (+22.2% Group Ebitda) factoring a business **portfolio mix marginally affected by the difficult macro-economic** environment.
 - **First half results** underpinned by internal growth drivers mainly related to **tariff progression** (in Water and Waste businesses), to successful **electricity** and to **energy trading** activities enhancement.
 - **Gas business results benefit from more favourable winter climate** (even though still not aligned with historical average).
 - Double digit growth reached in Net Profit in spite of extraordinary cost due to the “Moratoria fiscale” related to SAT operations and financing from CDP* in the '80s. (for both Hera appealed against the sentence).
- **2007 M&A activity** (SAT and Megas mergers) started contributing from January 1st 2008.
 - **New plants** contributed to H1 results: CCGT of Teverola (400MW), CCGT of Sparanise (800MW) contributed on a 6 months basis, WTE of Ferrara is fully operating and WTE of Forlì is fully entered into operations recently.
 - **Further 2 new plants** (80MW CCGT in Imola and a 19 MW WTE in Modena) are expected to be completed within year end.



*CDP: Cassa Depositi e Prestiti

H1 2008 achievements overview

Revenues **+30.7%**
 Growth mainly relates to Electricity trading and cross selling activities, gas sales increase due to normalised winter season and to improved tariffs in "WW"*.

Ebitda **+22.2%**
 Internal growth drivers, normalised climate conditions and M&A activities underpinned growth.

Netting trading activities on commodities
 Ebitda margin stands about 18.5%.

Ebit **+25.4%**
 Affected by D&A related to significant operating capex and change in perimeter.

Pretax Profit **+10.2%**
 Affected by one off effect of 11.2 m€ of "Moratoria Fiscale" related to SAT and financing from CDP (included in financial charges and in Other non operating expenses).

H1 2008 Group Results

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues*	1,364.8	100.0%	1,784.2	100.0%	+30.7%
Operat. Cost	(1,105.5)	(81.0%)	(1,471.7)	(82.5%)	+33.1%
Personnel	(150.6)	(11.0%)	(172.9)	(9.7%)	+14.8%
Capitaliz.	102.0	7.5%	118.0	6.6%	+15.7%
Ebitda	210.7	15.4%	257.6	14.4%	+22.2%
D&A	(96.9)	(7.1%)	(114.9)	(6.4%)	+18.5%
Ebit	113.8	8.3%	142.7	8.0%	+25.4%
Financials	(36.2)	(2.7%)	(51.6)	(2.9%)	+42.6%
Other non oper. exp.	0.0	0.0%	(5.6)	(0.3%)	-
Pre tax Profit	77.6	5.7%	85.5	4.8%	+10.2%
Tax	(33.6)	(2.5%)	(35.9)	(2.0%)	+6.9%
Net Profit	44.0	3.2%	49.6	2.8%	+12.7%

* Revenues include sales, change in stock and other operating revenues

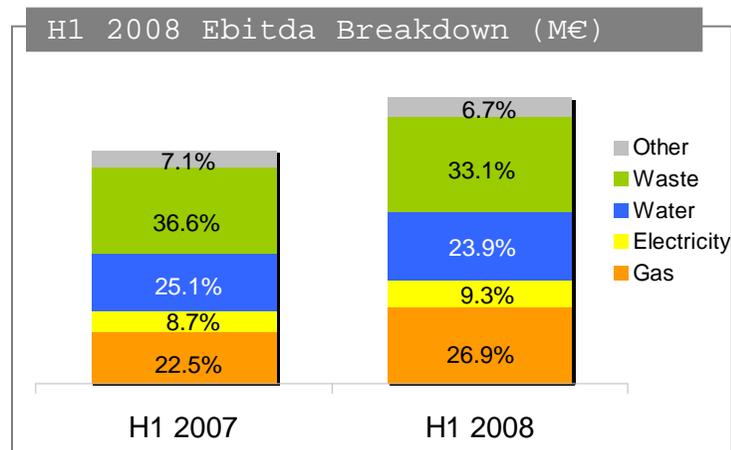
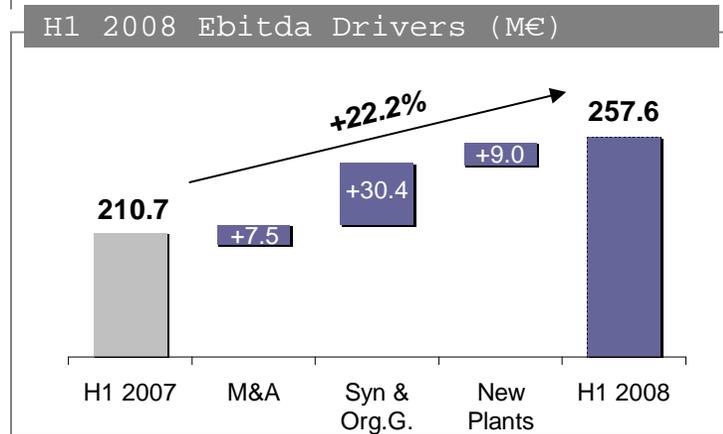
Net Profit **+12.7%**
 Lower corporate tax rate (42%) in spite of Robin tax (1.6 m€).

H1 2008 Capex **188 m€**
 Mainly related to development capex.

NFD **1,479.7 m€**
 Substantially in line with NFD end of Q1.

*"WW": Water and Waste

Ebitda drivers push growth up to above +22%



Ebitda by Drivers

- ✦ **M&A** (SAT and Megas) contributed to H1 results on a 6 months basis.
- ✦ **Organic Growth** mainly underpinned by “WW” tariff progression, market expansion and by “normalised winter climate” conditions (+15.5 m€).
- ✦ **New plants** contribution includes Teverola and Sparanise CCGT contribution on a 6 months basis, Ferrara WTE plant and Forlì WTE.

Ebitda breakdown by business

- ✦ **All businesses signed double digit growth rates.**
- ✦ **Gas** activities are back to “physiological” contribution to total Group performance thanks to normalised climate conditions.

**“WW”: Water and Waste

Waste business started benefiting from New WTE

H1 2008 Ebitda Waste

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues	274.3	100.0%	309.9	100.0%	+13.0%
Operat. cost	(137.2)	(50.0%)	(159.1)	(51.3%)	+16.0%
Personnel	(64.7)	(23.6%)	(73.6)	(23.8%)	+13.8%
Capitaliz.	4.8	1.7%	8.2	2.6%	+71.7%
Ebitda	77.2	28.1%	85.4	27.5%	+10.6%

H1 2008 Data

Data	H1 2007	H1 2008	Ch. %
Urban W. Volume (Kton)	822.0	859.4	+4.5%
Special W. Volume (Kton)	912.8	957.6	+4.9%
Internal W. Volumes (Kton)	471.3	600.1	+27.3%
Total Volume Treated	2,206.1	2,417.1	+9.6%

Revenues **+13.0%**

Urban Waste tariff increase (+~3%), improvement of Urban/Special waste treated (~+5%) and M&A pushed up sales.

2008 tariff increase agreements with ATOs are defined and tariff increases up to 2012 will be signed within year end.

Ebitda **+10.6%**

Tariff increase, new WTE plants contribution (~+5.4m€) and M&A (~+3m€) more than offset:

- CIP6 contracts expiry of WTE Rimini and C.E. Ambiente in Ravenna (~- 4m€);
- the shut down of old WTE;
- FEA anticipated stop in March (~- 2m€).

WTE in Ferrara plant has entered into commercial operations at full capacity whilst **WTE in Forlì** is progressively reaching full operations.



Water tariff increase underpin Ebitda growth

H1 2008 Ebitda Water

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues	195.4	100.0%	215.2	100.0%	+10.2%
Operat. Cost	(164.6)	(84.3%)	(169.1)	(78.6%)	+2.7%
Personnel	(44.4)	(22.7%)	(52.3)	(24.3%)	+17.9%
Capitaliz.	66.5	34.0%	67.9	31.5%	+2.0%
Ebitda	52.9	27.1%	61.6	28.6%	+16.6%

H1 2008 Data

Data	H1 2007	H1 2008	Ch. %
Aqueduct (mm³)	119.7	122.0	+2.0%
Sewerage (mm ³)	101.7	103.5	+1.8%
Purification (mm ³)	105.2	107.0	+1.8%

Revenues **+10.2%**

Tariffs average increased above +5% in accordance with ATO agreements for 2008. Tariff increases up to 2012 will be agreed within year end.

Revenues also affected by SAT merger (+13 m€) and by decrease of other revenues (-6 m€).

Ebitda **+16.6%**

Tariff increase, retro-effective to 1st January, mainly underpin growth more than offsetting a slight decrease in volume (on like for like basis).

Performance factored also a one off benefit (~3 m€) in Marche Multiservizi accounts.

Volume increased by +2% thanks to SAT and Megas merger (+ 6 mm³ contribution).



Gas business Ebitda almost doubled

H1 2008 Ebitda Gas

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues	470.1	100.0%	576.8	100.0%	+22.7%
Operat. Cost	(415.2)	(88.3%)	(502.9)	(87.2%)	+21.1%
Personnel	(20.8)	(4.4%)	(25.1)	(4.4%)	+20.8%
Capitaliz.	13.1	2.8%	20.4	3.5%	+55.1%
Ebitda	47.3	10.1%	69.2	12.0%	+46.2%

H1 2008 Data

Data	H1 2007	H1 2008	Ch. %
Volume distrib. (mm ³)	1,118.1	1,360.7	+21.7%
Volume sold (mm ³)	1,249.3	1,478.2	+18.3%
of which trading (mm ³)	157.1	182.1	+15.9%

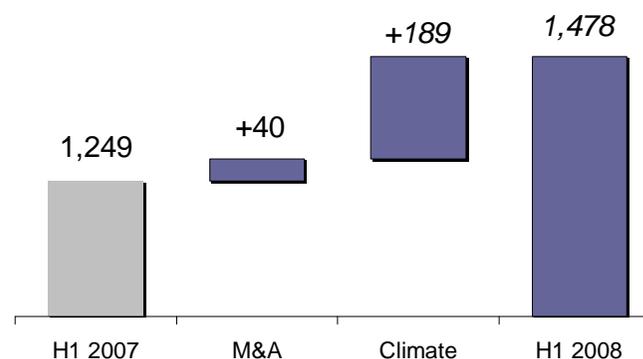
Sales **+22.7%**

H1 sales development underpinned by more normal climate conditions (about +189 mm³ sold vs H1 '07) and by the merger of SAT (only distribution activities) and Megas.

Ebitda **+46.2%**

Higher volumes sold/distrib. (~+14m€), contribution from Megas and SAT and positive position on fair value of commodity derivatives (~5 m€).

H1 Gas Volume sold (mm³)



Electricity business progressing

H1 2008 Ebitda Electricity

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues	401.0	100.0%	661.1	100.0%	+64.9%
Operat. Cost	(381.6)	(95.2%)	(637.5)	(96.4%)	+67.1%
Personnel	(9.3)	(2.3%)	(11.0)	(1.7%)	+18.3%
Capitaliz.	8.1	2.0%	11.4	1.7%	+39.6%
Ebitda	18.3	4.6%	24.0	3.6%	+31.3%

H1 2008 Data

Data	H1 2007	H1 2008	Ch. %
Volume sold (GWh)	2,080.8	2,438.3	+17.2%
Volume distrib. (GWh)	1,116.2	1,121.1	+0.4%

Revenues **+64.9%**

Sales increased mainly thanks to trading (+188m€), cross selling (+75m€) and distribution activities (-2.8 m€ mainly due to del. 348/'07 AEEG which reviewed the tariff system causing -6.4% tariff decrease).

Distribution tariff reduction (-2.8 m€) was partially recovered by sales prices increase.

Volume sold to final customers reached 2.44 Twh (+17.2%) partially backed by own production.

Ebitda **+31.3%**

Ebitda increase mainly due to own power generation (about +3.6m€ from Spanrise and Teverola CCGTs new plants) and enhanced trading performance.



Other core activities strengthened results

H1 2008 Ebitda Other Activities

M €	H1 2007	%	H1 2008	%	Ch. %
Revenues	81.1	100.0%	88.9	100.0%	+9.6%
Operat. Cost	(64.0)	(79.0%)	(70.9)	(79.7%)	+10.7%
Personnel	(11.5)	(14.1%)	(10.9)	(12.2%)	(5.2%)
Capitaliz.	9.4	11.6%	10.2	11.5%	+8.5%
Ebitda	15.0	18.5%	17.4	19.5%	+15.6%

H1 2008 Data

Data	H1 2007	H1 2008	Ch. %
District Heating (GWht)	210.9	255.0	+20.9%
Public Lighting (K unit)	306.8	326.5	+6.4%
<i>Municipality served</i>	58	62	

Revenues **+9.6%**

Revenues increase by despite divestment of non core activities. Normalised weather had a positive impact on District Heating.

Micro-cogeneration units have been completed and positively contributed to results.

Ebitda **+15.6%**

Positive effect from normalised climate conditions (about +1.5 m€) and market expansion in Microgeneration and Public Lighting more than offset divestment of non core activities effects.



Positive Free Cash Flows despite still high development capex

H1 2008 Operating Capex

M €	H1 2007	H1 2008
Waste	63.4	52.2
Water	64.8	64.1
Gas	11.6	18.0
Electricity	10.7	18.9
Other	12.1	11.2
Holding	18.7	20.6
Capex	181.3	185.0
Investments	3.6	3.1
Capex & Inv.	184.9	188.2

H1 2008 Financial Debt Change (m€)

H1 2007 Net Debt	(1,424.1)
Net Profit	+49.6
Depreciation & Amort.	+94.9
Ch. in Net Working Capital	+113.8
Provisions: accrual/(use)	+9.5
Net Capex & investments	(188.2)
Dividends & Minorities	(92.5)
SAT Net Financial Debts	(42.7)
Ch. Net Debt	(55.6)
H1 2008 Net Debt	(1,479.7)

Operating Capex

About **60%** of total capex relates to the **development** of new plants (mainly CCGT and WTE) and water network extraordinary maintenance and extensions.

Positive H1 Free Cash Flows

Net working capital went down mainly thanks to favourable “accise” balance and to seasonal positive effects on receivables.

Invoicing is 100% on SAP system implemented in all main Group companies.

Net Financial Debt (NFD) is about 90% long term and confirms Hera sound capital structure (A rating by S&P and Moody's).

Closing remarks

- ❖ **Q2 2008 is confirming the return on track of Group development**
- ❖ **New positive perspectives** are coming up to make 2010 targets more visible and support **long term development**:
 - ❖ **New cogeneration unit in Bologna (15 MW and 5 MWe** installed capacity) has been completed and Imola CCGT is at final assembling stage
 - ❖ Acquisition of about **40,000 gas customers** accomplished in July (Megagas Trade and activities in Modena province).
 - ❖ The **largest European network control** unit has been activated to “real time monitor” the gas, water and district heating networks.
 - ❖ **Capitalization on WTE construction and management know how** is progressing; Hera is **valuating** whether to participate to **3 new projects**.
 - ❖ **Strengthening of gas upstream** made a further step forward through the assignment of **120 mm³/annum** for next 20 years on TAG pipeline starting October 2009.
 - ❖ **20% stake in a new coal plant project (1,320 MW** installed capacity) has been acquired.