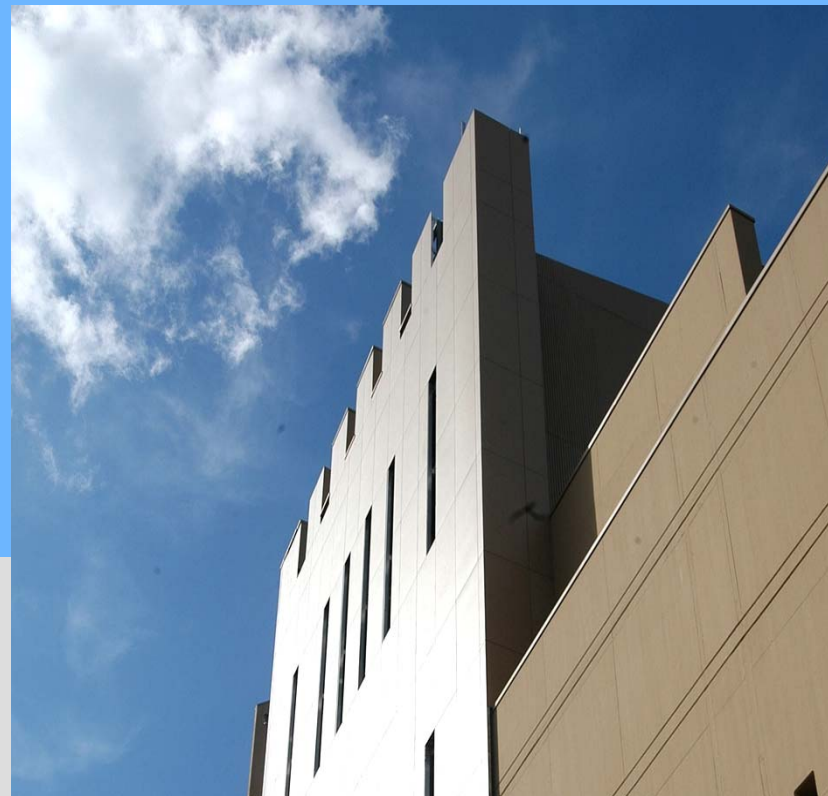




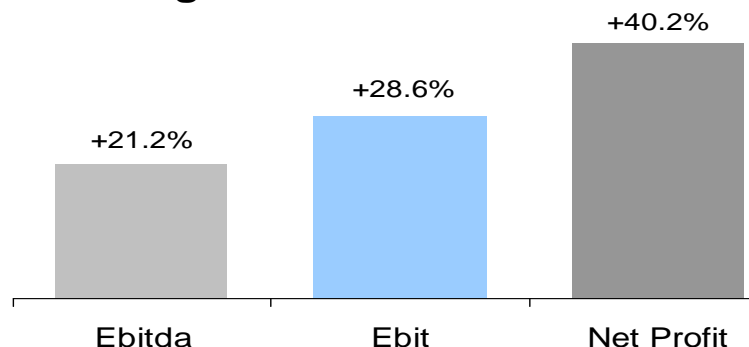
# Hera Group Q1 results

**Analyst presentation**  
12<sup>th</sup> May 2011



# Strong results outperforming track records

## Q1 '11 growth rates

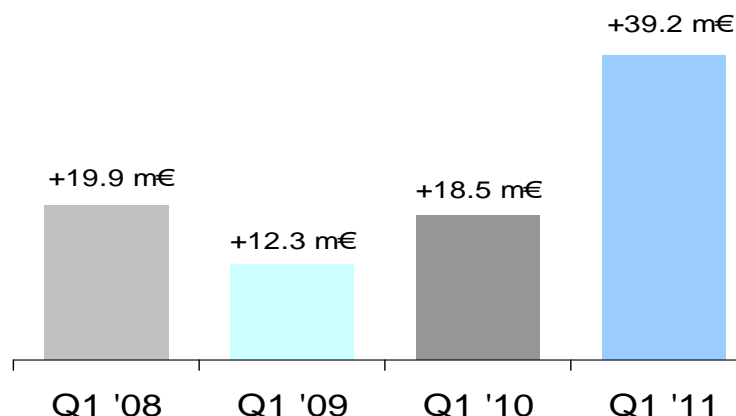


Strong set of achievements in Q1 down to bottom line.

Results underpinned by Energy activities outstanding performance driven by commercial development and procurement position.

M&A contributed to results (4.1% of Ebitda growth) through 50% JV Enomondo.

## Q1 track record



Cash generation further reduced net debt enhancing financial ratios thanks to better working capital mgmt and capex profile.

Positive results in all businesses driving Ebitda up by +39.2 m€ (+21% Q/Q), highest growth ever reached in Q1 since 2003.

# Q1 '11: bottom line grows +40%

## Q1 2011 posted a growth in line with full year 2010

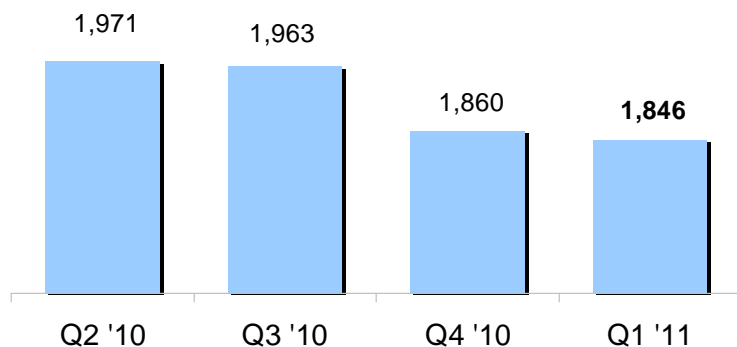
	Q1 '10	Q1 '11	Ch. %	
Tariffs, energy prices and market expansion	<b>Revenues</b>	1,098.6	1,168.4	+6.4%
	<b>Ebitda</b>	185.1	224.3	+21.2%
	D&A	(67.4)	(73.0)	+8.3%
	<b>Ebit</b>	117.6	151.3	+28.7%
	<i>Financial charges</i>	(26.9)	(25.9)	(3.7%)
	<i>IAS (figurative)</i>	(3.5)	(3.8)	+8.6%
	<i>Financial income</i>	4.3	1.5	(65.1%)
Lower incidence of IRAP	<b>Pre tax Profit</b>	91.5	123.1	+34.4%
	Tax	(39.0)	(48.6)	+24.7%
	<i>Tax rate</i>	-42.6%	-39.5%	
	<b>Net income</b>	52.6	74.5	+41.6%
	<i>Minorities</i>	(4.9)	(7.7)	+57.2%
	<b>Net profit</b>	47.7	66.8	+40.1%

Contribution from all businesses and drivers

Less dividend from associates by 2.8m€

# Growth offsets seasonal working capital increase

## Change in net financial debt

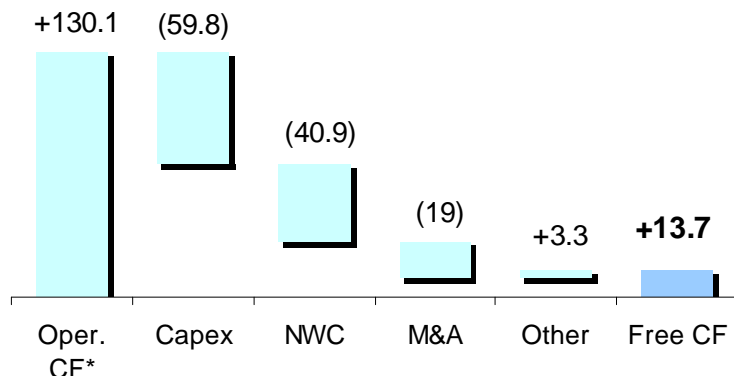


**Financial debt towards proper balancing.**

Positive free cash flows for the third quarter in a row.

**Q1 '11 cash generation** fully offset seasonal increase in working capital (up by 40.9 m€) and consolidation of 50% JV Enomondo.

## Cash Flows



**Further enhancement** of financial soundness:

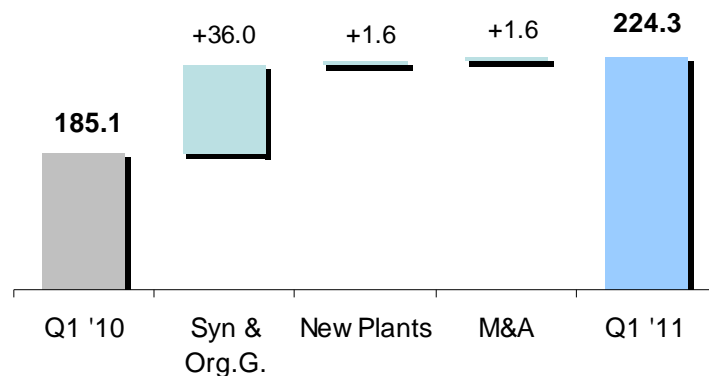
**D/E** from 0.99x to 0.94x

**D/Ebitda** enhanced by 20% (Q/Q).

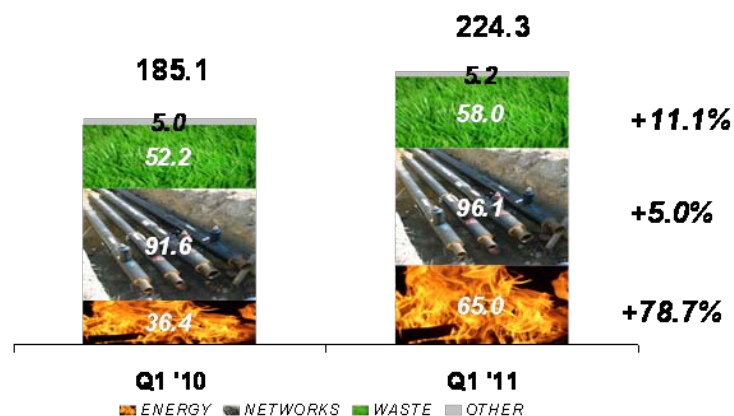
\* Net profit+Depreciations

# Strong Ebitda growth almost fully organic

## Ebitda growth Drivers



## Ebitda by strategic area



**Organic Growth** fuelled by gas supply (Ebitda from 26 to 41 m€) and by electricity supply (Ebitda from 9 to 20 m€).

**Increase** in tariffs, customers, cross selling and synergies.

**New plants:** WTE Rimini (started up new turbine in March) and Imola Cogen.

**M&A** relates to JV Enomondo and other marginal perimeter changes.

**Positive growth in all businesses.**

**Waste management** increased both material recovery and market positioning.

**Networks** in line with tariff and efficiency development achieved in 2010 (+4.1%).

**Energy** strongly increased contribution thanks to supply activities and commodities price development.

# Waste: harvesting from asset base

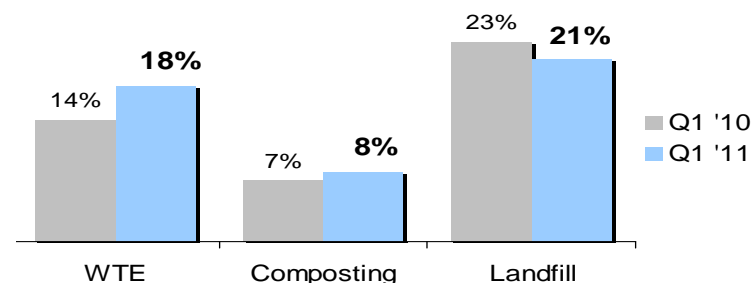
## Financial highlights

M €	Q1 '10	Q1 '11	Ch. %
Revenues	165.6	180.1	+8.8%
Ebitda	52.2	58.0	+11.1%

## Industrial figures

Waste volume	Q1 '10	Q1 '11	Ch. %
Special W. (Kton)	381.8	404.6	+6.0%
Urban W. (Kton)	421.0	413.6	(1.8%)
Energy production	129.3	171.5	+32.6%

## Waste treatments



**Sales** growth mainly driven by +6% in special waste volumes, in spite of slow recovery of manufacturing activities (+1.3%) and energy production.

**Ebitda** underpinned in WTE performance (mainly related to new WTE in Rimini).

Financials benefit from consolidation of 50% JV in biomass plant (Enomondo).

**Higher margins (+70bp)** reflect also the electricity price increase in Q1.

**Sorted collection reached 49.3% of total urban waste.**

## Financial highlights

M €	Q1 '10	Q1 '11	Ch. %
Revenues	125.8	127.5	+1.4%
Ebitda	31.7	33.4	+5.4%

Revenues growth mainly driven by **tariffs increase** partially offset by **lower volumes** related to weather conditions.

Ebitda increase driven by **synergies and tariff** that **offset** higher **electricity prices** and **lower volumes**.

**New connections** continue to highlight **negative** trend of **real estate industry**.

**Ebitda margin up by 100 bp.**

## Volumes

Data	Q1 '10	Q1 '11	Ch. %
Aqueduct (mm <sup>3</sup> )	58.8	56.4	(4.1%)
Sewerage (mm <sup>3</sup> )	51.3	48.8	(4.9%)
Purification (mm <sup>3</sup> )	51.4	48.9	(4.9%)

## Gas: better procurement offsets mild winter season effects

### Financial highlights

M €	Q1 '10	Q1 '11	Ch. %
Revenues	499.4	510.8	+2.3%
Ebitda	81.9	99.1	+21.0%

### Volumes

Volumes	Q1 '10	Q1 '11	Ch. %
Distribution (mm <sup>3</sup> )	1,186.4	1,115.8	(6.0%)
Sales (mm <sup>3</sup> )	1,074.5	977.0	(9.1%)
Trading	218.5	242.5	+11.0%
District Heating (Gwht)	260.7	253.1	(2.9%)

**Revenues** growth mainly driven by higher commodity prices partially offset by **lower volumes** (gas and district heating) related to mild winter season.

**Ebitda** increase mainly driven by enhanced margins in procurement and supply activities.

**Trading activities** continued to yield positive growth (+11% volumes).

**Ebitda margin up by 300 bp.**



## Electricity: performance led by market expansion

### Financial highlights

M €	Q1 '10	Q1 '11	Ch. %
Revenues	335.8	375.1	+11.7%
Ebitda	14.3	28.5	+99.4%

### Volumes

Volumes	Q1 '10	Q1 '11	Ch. %
Volume sold (GWh)	1,863.5	2,542.9	+36.5%
Volume distrib. (GWh)	550.5	583.2	+5.9%
Customers (k unit)	341.1	433.9	+27.2%
<i>Customers Y2010 (k unit)</i>	382.5		+13.4%

**Revenues** growth mainly driven by higher **volumes** related to “salvaguardia” services and market expansion (+51k customers in Q1).

**Trading activities** continued to yield positive growth.

Procurement and supply **portfolio benefit** from **commodity price development**.

**Ebitda margin up by 300 bp.**

## Capital expenditure under control

### Capital Exp. & Investments

M €	Q1 '10	Q1 '11
Waste	25.3	13.6
Water	19.2	18.4
Gas	10.6	10.0
Electricity	9.8	8.0
Other	1.6	3.1
Holding	9.5	6.7
<b>Capex</b>	<b>75.9</b>	<b>59.8</b>
Investments	1.0	0.0
<b>Capex &amp; Inv.</b>	<b>77.0</b>	<b>59.8</b>

**Capex further decrease in 2011 mainly due to the completion of WTE plants** while in line with schedule.

**Q1 '11 capex** mainly relates to **maintenance**.

**Waste** capex reduced due to completion of WTE plants (6.9 m€ relates to WTE in Rimini)

**Capex of other business** areas are substantially **in line with Q1 '10**.

## Closing remarks

### Financial highlights

	Q1 '10	Q1 '11	Ch. %
Ebitda	185.1	224.3	+21.2%
Ebit	117.6	151.3	+28.7%
Net profit post min.	47.7	66.8	+40.1%

**Market expansion and better margins** enhance profitability.

Waste mgmt **commercial approach is contributing in tackling with slow recovery in Italian economy.**

**Developed asset base** almost fully contributed to results.

**Energy** is benefitting from past strategic choices (market expansion and procurement approach)

**Cash generation** combined with lower capex reduce debt for the third quarter in a row.

**M&A** strengthened Waste asset base with a new biomass plant. Sadori Gas (signed in April) will start to contribute from Q2 results.

**DPS of 9 € approved by AGM** and will be paid on the 9<sup>th</sup> June.

## Q&A session

