Delivering on our targets

Analyst Presentation, ***24th March 2011***

Performance beyond commitments thanks to business position achieved

Confirmed Ebitda growth in all business areas (+40m€)
Energy strategic area lead growth with a contribution of +26m€ achieved by commercial & trading activities.

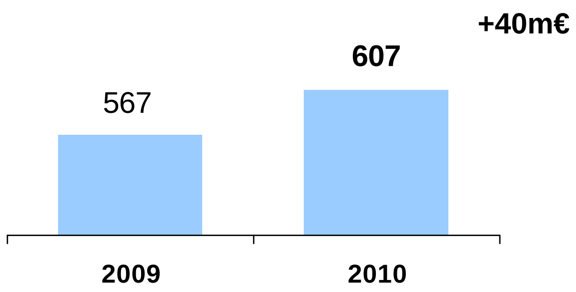
Ebit up by +24m€.

2010 Net profit pre-minorities up by 57.1m€ (+*67%*).

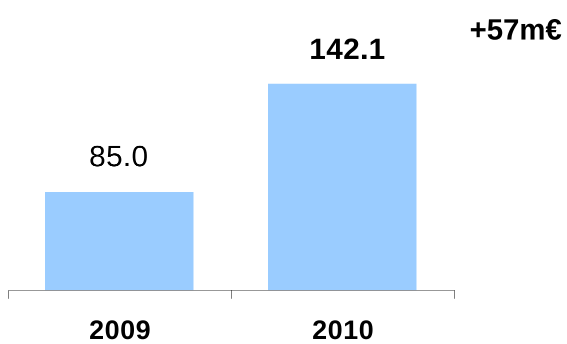
Continued reduction in capex
-87m€ vs 2009.

Consolidated NFP
Positive operating cash flows after capex with stable level of NFP.

2010 Ebitda from organic growth drivers
(m€)



2010 Net Profit pre-minorities
(m€)



2010 results positive

Profit and Loss

(m€)

	2009	2010	Ch.	Ch.%
Revenues	4,436.0	**3,877.3**	***(558.7)***	***(12.6%)***
Operat. costs	(3,580.6)	(2,990.0)	*+590.6*	*(16.5%)*
Personnel	(352.0)	(361.9)	*(9.9)*	*+2.8%*
Capitalizations	63.9	81.9	*+18.0*	*+28.2%*
Ebitda	567.3	**607.3**	***+40.0***	***+7.1%***
D&A & Provisions	(276.0)	(291.9)	*(15.9)*	*+5.8%*
Ebit	291.3	**315.4**	***+24.1***	***+8.3%***
Financial inc./(exp.)	(113.4)	(109.9)	*+3.5*	*(3.1%)*
Fiscal Moratoria	(15.3)	-	*+15.3*	
Pre tax Profit	162.6	**205.5**	***+42.9***	***+26.4%***
Tax	(77.6)	(63.6)	*+14.1*	*(18.1%)*
Tax rate	*-47.7%*	*-30.9%*	*+0.2*	*-35.2%*
Net Profit	85.0	**142.1**	***+57.1***	***+67.2%***
Minorities	(13.9)	(24.8)	*(10.9)*	*+78.5%*
Hera Net Profit	71.1	**117.2**	***+46.1***	***+65.0%***

2009 affected by one off provision release of *16m€* related to M&A

2009 include Fiscal Moratoria charges for *27m€* (*12m€* booked in financial charges)

Lower energy trading activities partially off set by market expansion and tariff increases.

Capitalizations reclassified in accordance to IFRIC 12

2010 includes *25m€* tax benefit related to deferred tax anticipated settlement

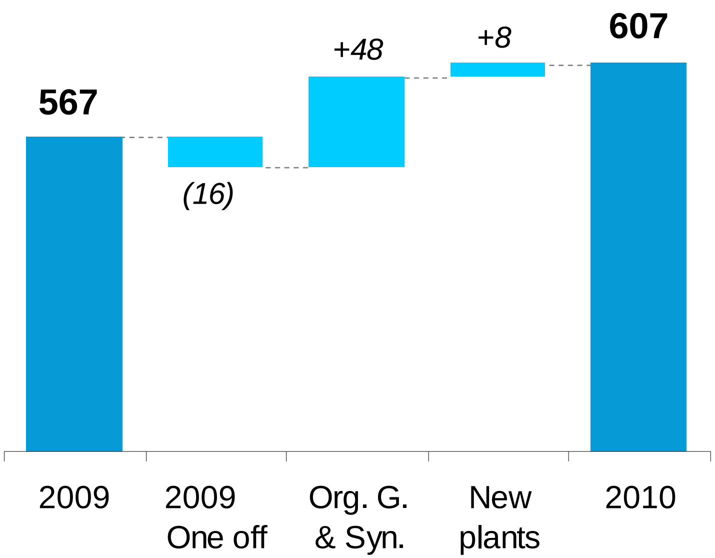
2010 includes *~8 m€* minorities related to Herambiente Eiser minority

2010 results represent the outcome of strategy pursued over years

Best organic growth ever driving 2010 results

Ebitda drivers

(m€)



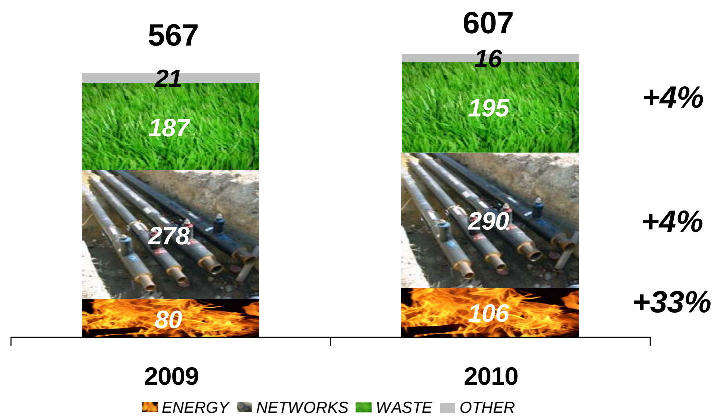
"one off" release of provisions accrued on 2009 network acquisition.

Full regime WTE MO.
Start up WTE RN.
Full regime Co-gen Imola.

Best performance ever reached with contribution of all businesses.

Ebitda by strategic areas

(m€)



Portfolio mix

50% REGULATED

Protected by inflation.

Anti-cyclical.

Gas distribution not exposed to volume fluctuation.

Diversified Authorities (national/local).

50% LIBERALISED

ENERGY
Short Power generation.
No extra cost related to "take or pay".
Short term procurem. contracts
Diversified customer base.

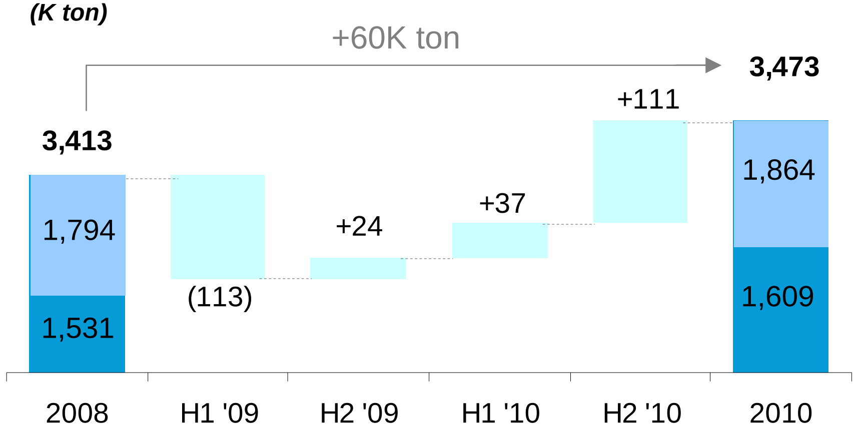
SPECIAL WASTE
Leadership.
Unique expertise.
Full set/wide treat. capacity.

Waste volumes back to pre-crisis levels

2010 results
(m€)

	2009	%	2010	%	Ch. %
Revenues	**642.1**	***100.0%***	**703.1**	***100.0%***	***+9.5%***
Operat. costs	(334.7)	*(52.1%)*	(386.0)	*(54.9%)*	*+15.3%*
Personnel	(142.4)	*(22.2%)*	(147.2)	*(20.9%)*	*+3.4%*
Capitaliz.	22.3	*3.5%*	25.3	*3.6%*	*+13.5%*
Ebitda	**187.3**	***29.2%***	**195.1**	***27.8%***	***+4.2%***

2010 volumes beyond pre-crisis level
(K ton)



Rimini WTE started June 2010
(Green Certificate incentive from March 2011)

+8.5% electricity produced
(up to 530 GWh)

Increase of regulated revenues by *+3.4%*

Increased sorted collection to *47.8%*
(up by +300 bp)

Waste treatment
(K ton)

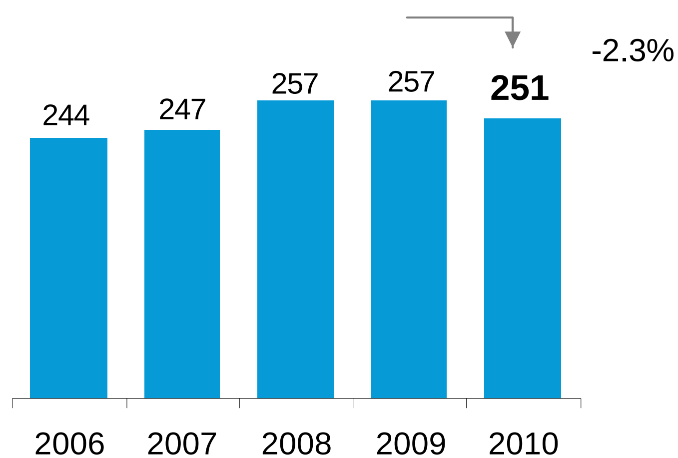
	2009	*2010*	*Ch.%*
Landfills	*1,400.4*	*1,429.7*	*+2.1%*
WTE	*734.5*	*800.6*	*+9.0%*
Sorting plants	290.6	322.2	+10.9%
Composting plants	402.0	463.8	+15.4%
Inhertisation & Chi-Fi.	1,084.6	1,218.6	+12.3%
Other plants	1,202.7	1,468.2	+22.1%
Total Volumes Treated	**5,114.8**	**5,703.1**	**+11.5%**

Water results driven by tariff increases and efficiency gains

2010 results
(m€)

	2009	%	2010	%	Ch. %
Revenues	583.7	100.0%	579.2	100.0%	(0.8%)
Operat. costs	(356.1)	(61.0%)	(344.7)	(59.5%)	(3.2%)
Personnel	(104.7)	(17.9%)	(105.2)	(18.2%)	+0.5%
Capitaliz.	8.6	1.5%	12.8	2.2%	+48.8%
Ebitda	131.4	22.5%	142.0	24.5%	+8.0%

Volumes
(m m^3)



Higher tariffs (+5%) partially offset by lower volumes affected by weather conditions in summer and fewer new connections.

Efficiency gains and tariff increases underpin Ebitda growth by 10.5m€
Higher efficiency and lower energy prices contributed to margins.

Ebitda margin up by 200bp.

Capex reduction by 10% vs 2009 (-10m€).

Gas business benefits from cold winter and procurement optimization

2010 results
(m€)

	2009	%	2010	%	Ch. %
Revenues	1,290.7	100.0%	1,237.1	100.0%	(4.2%)
Operat. costs	(1,067.8)	(82.7%)	(1,003.3)	(81.1%)	(6.0%)
Personnel	(63.5)	(4.9%)	(66.9)	(5.4%)	+5.4%
Capitaliz.	15.0	1.2%	27.0	2.2%	+79.9%
Ebitda	174.4	13.5%	193.9	15.7%	+11.2%

Volumes
(mm³)

Data	2009	2010	Ch.%
Volumes distrib. (mm^3)	2,334.4	2,504.1	+7.3%
Volumes sold (mm^3)	2,802.7	2,914.0	+4.0%
of which trading (mm^3)	627.9	721.8	+15.0%
District Heating (GWht)	476.4	534.5	+12.2%

Lower commodity prices affect sales

Volume distributed up by *+7.3%* in line with market whilst sale volumes benefited from thermal conditions and supply to large consumers (i.e. power plants).

Positive contribution of trading and sales

No take or pay contracts allowed to optimize procurement cost and enhance profitability by 35%.

Regulated revenues in distribution grow to 163m€ (+7.6m€) thanks to the adjustment on RAB (860m€ in 2010).

District heating benefit from cold climate

New 80 MW Imola cogeneration plant contributed to enhance profitability thanks to lower production costs.

Ebitda margin up to 15.7%

220 bp higher compared to 2009 (that accounted one off contribution by 16m€).

Electricity market expansion progressing well

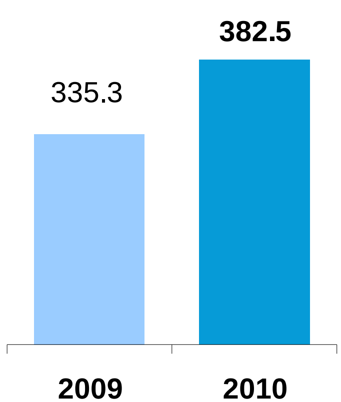
2010 results

(m€)

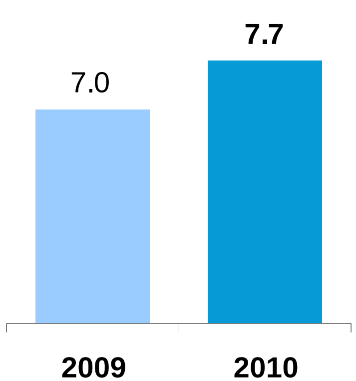
	2009	%	2010	%	Ch. %
Revenues	2,032.5	*100.0%*	**1,468.3**	*100.0%*	*(27.8%)*
Operat. costs	(1,969.6)	*(96.9%)*	(1,399.2)	*(95.3%)*	*(29.0%)*
Personnel	(24.1)	*(1.2%)*	(23.8)	*(1.6%)*	*(1.2%)*
Capitaliz.	14.2	*0.7%*	14.5	*1.0%*	*+2.1%*
Ebitda	53.0	*2.6%*	**59.8**	*4.1%*	*+12.8%*

Customer & Sales

(K unit)



(TWh)



Revenues affected by low energy prices and trading
Sales volume up by *+10%* to 7.7TWh
+47k growth *(+14.1%)* in customer base (supported by 6,500 new acquisition/month).

Fast market expansion
Acquisition of “salvaguardia” service in Lombardy, Tuscany, Molise, Lazio, Abruzzo and Apulia for the period 2011-2013 *(+30k* customers vs 2010).

Better sales and trading margins
Trading activities and asset mgmt more than compensate negative contribution of own plants determined by squeeze in spark spread.

Short position in production (*45%* of sales coverage) helped to optimize profitability.

Ebitda margin up by *+150* basis points.

Capex reduction trend confirmed

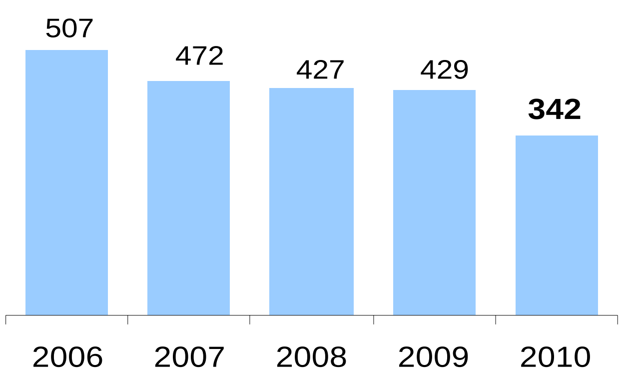
2010 Capex and Investments

(m€)

	2009	2010
Waste	119.1	98.7
Water	105.4	94.2
Gas	64.1	48.8
Electricity	37.9	39.0
Other	12.0	13.3
Holding	54.0	51.8
Capex	**392.5**	**345.8**
Investments	36.8	8.1
(Dismissions)	0.0	(12.0)
Net Capex & Inv.	**429.3**	**341.9**

Last 5Y Capex & Inv.

(m€)



Declining capex trend confirmed

87m€ decrease in line with business plan.

Development capex above *100m€*.

Waste: *€49m* related to development

WTE Rimini entered into operation in mid 2010.

Increased stake to *50%* in JV Biomass plant (*Enomondo*) in January 2011.

Capex in WTE in reference territory completed.

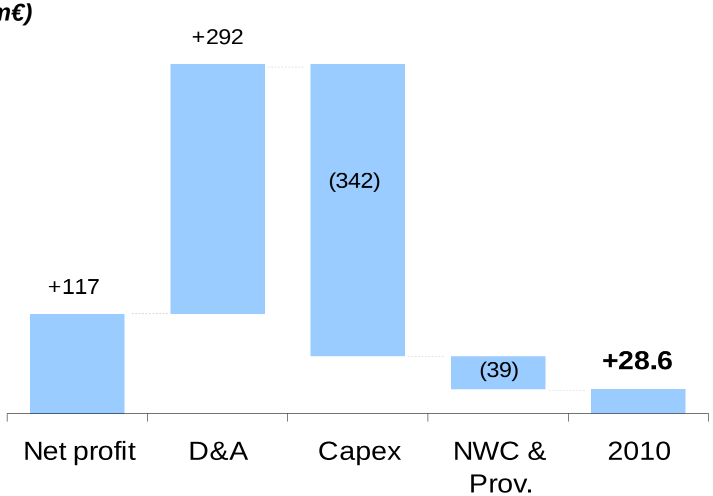
***52%* of 2010 capex invested in regulated activities.**

Positive operating cash flows

Net Financial Debts
(m€)

	31/12/09	31/12/10
As of Jan. 1	**(1,571.5)**	**(1,891.8)**
Operating CF	(169.5)	+28.6
Other debt changes	(150.7)	+3.1
As of Dec. 31	**(1,891.8)**	**(1,860.2)**
Short term Debt	*251.9*	*431.9*
Long term Debt	*(2,143.7)*	*(2,292.1)*

2010 OpCF and Debt change
(m€)



Net Debt improved by 31m€
In spite *97m€* dividend* and 2010 development capex

2010 Operating cash flows: +28.6m€
Cash generation in last 3 quarters in a row

Conservative debt structure
No impact of convert. bond issued on Net debts
~one third variable rated
~10 year avg. duration
~*128m€* maturity over next 36 months

Better financial ratios
D/Ebitda about 3.06x (vs 3.3x in 2009)
D/Equity below 1.0x (vs 1.1x in 2009)

** Includes dividends and minorities paid*

Delivering on our targets

5y Business plan targets	Achievements	
Ebitda growth by 36.6m€ avg. per year Enhancement of Net Profits	*+40m€* (607m€) *+46m€* (117m€)	✓
Capex reduction to an avg of 340m€ per year	342 m€ *(-87m€)*	✓
Positive operating cash flows from 2010	+28.6 m€	✓
Dividend increase	9€c (+*12.5%*)	✓
Enhance financial soundness and flexibility	D/Ebitda 3.06x (vs 3.34x) 140m€ convertible bond	✓
Development on key business area	+47k electricity customers +148k ton in Waste business	✓

Q&A