

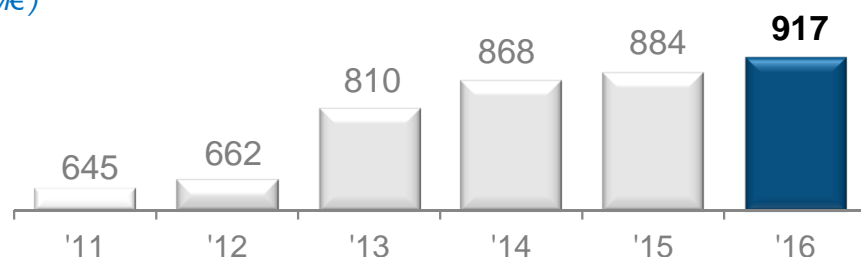
Approach evolution to business: from CSR to CSV

- Since **2002**, Hera has been the leading example in Italy of the **combination of public service companies** (11 of them operating in Emilia-Romagna) into a single multi-utility capable of creating a true "public service industry"
- After incorporating other companies active in the same areas Hera is one of Italy's **largest local utilities** highlighting a unique track record of un-interrupted growth (Ebitda was up by 4.5x in since establishment).
- The Group operates in **Environmental services** (waste collection and treatment), **Energy services** (distribution and sale of electricity and gas) and **Water services** (waterworks, sewerage and purification)
- Hera has over **8,500 employees** and more than **3.5 million clients** served in **4 regions** located in the Northern-East part of Italy.

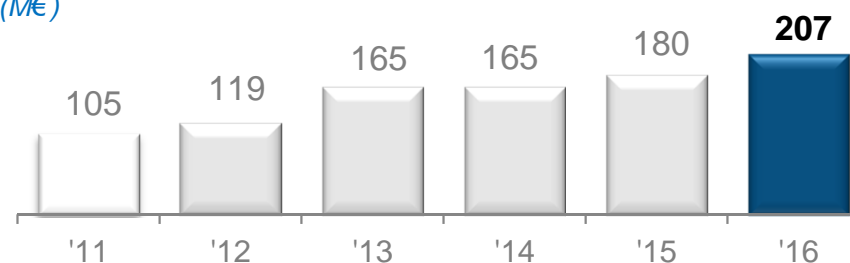


Hera at a glance (2): Our track record

EBITDA growth at +7.3% CAGR in last 5Y
(M€)



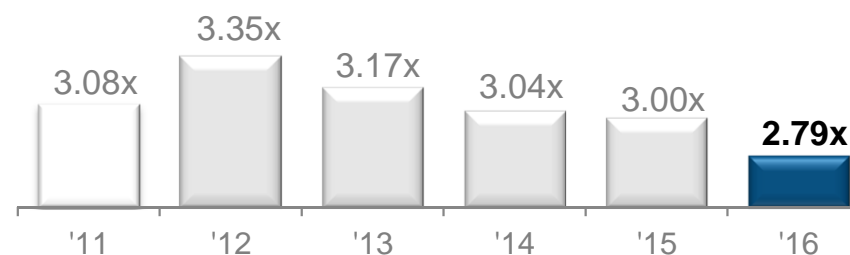
Net profit growth at +14.7% CAGR in last 5Y
(M€)



M&A track record: 13 deals in last 5Y

Multi-utility / Reg.	Energy sales	Waste treatm.
Acegas Aps ('13)	Sadori ('11)	Energonut ('12)
Est Reti Elettriche ('13)	Alento Gas ('15)	Geo Nova ('15)
Isontina Reti Gas ('14)	Julia Servizi ('16)	Waste Recycling ('15)
Amga ('14)	Gran Sasso ('16)	Aliplast + Teseco ('17)

DEBT/EBITDA enhanced in last 5Y
(x)



Achieving 8.6% ROE in 2016

GRUPPOHERA

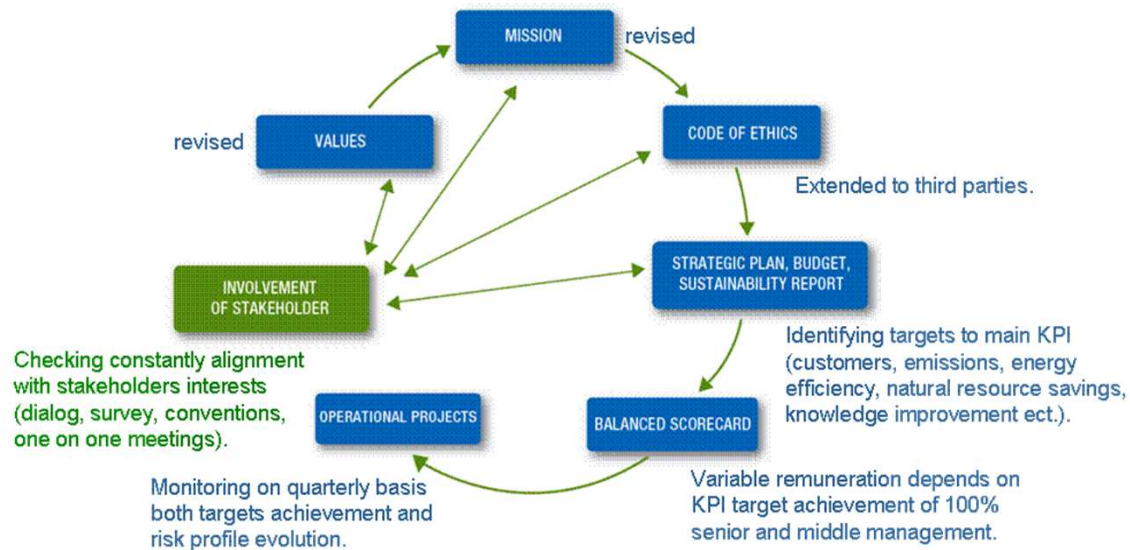
02

Learn more: http://eng.gruppohera.it/group/investor_relations/tool_financial_benchmark/

Learn more: http://eng.gruppohera.it/group/investor_relations/tool_benchmark_business/

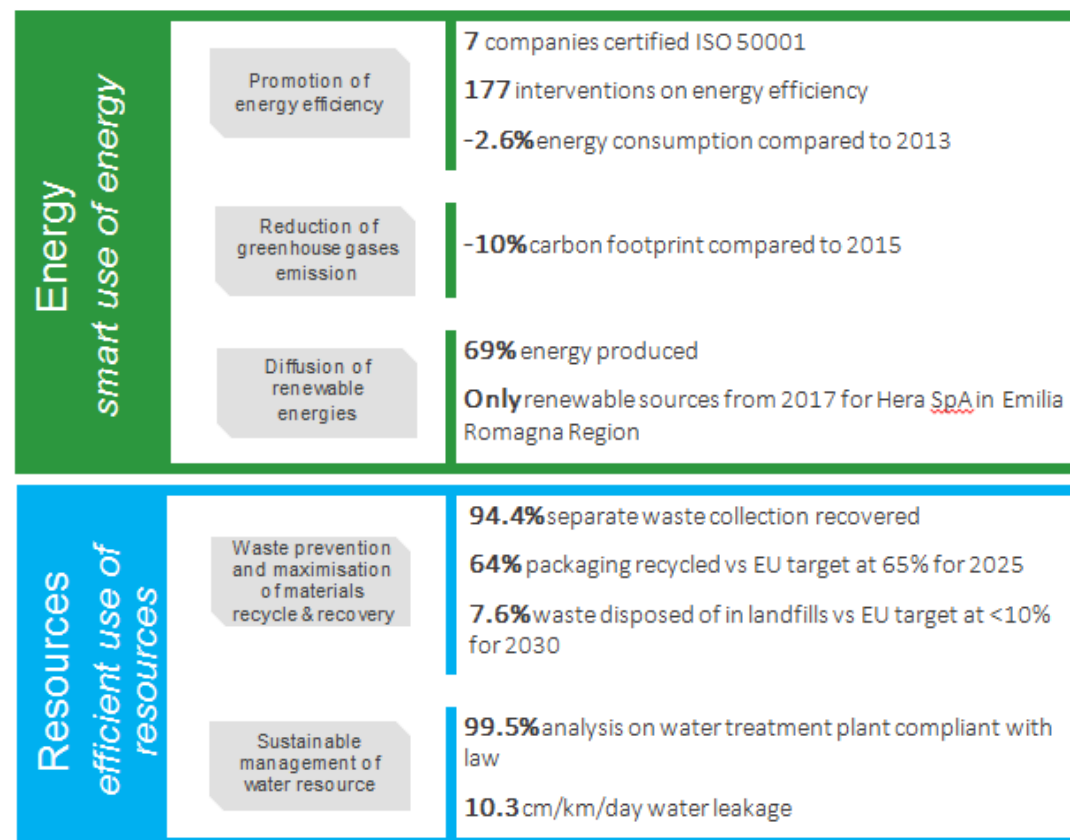
Hera at a glance (1): a very good match with ESG

- Sustainability is in Hera Group fully integrated in the mission, strategy, planning and controlling systems since establishment.
- In the last 15 years the sustainable approach, inherited from municipalities (the founders) have been developed constantly through out the years and, more and more, integrated in the governance.
- Annual Sustainability and Financial reports are approved by the Board together since 2007.



Hera at a glance (3): Our ESG

- **Environment** has been the **main focus** of all companies merged into Hera Group as evidenced by the “Environmental report” that used to be issued by the “Municipal companies”.
- This **sensitiveness** has remained one of the main **strategic priorities for Hera Group in the management of all the services** in portfolio that do have an impact on environment.
- Today Hera has a **full range of treatment plants** to properly manage about 7 million tons of waste per year.
- Our **water pipeline system is among largest in Italy** and distributes about 0.3bcm of fresh water and handles about 0.25bcm sewerage water .
- In **Energy**, Hera acts mainly through its commercial and trading unit having a negligible presence in power generation.
- **Focused investments** sustained through the years (since 2002 about 5.5b€) have permitted to **improve constantly** the **environmental performance**.



Hera at a glance (3): Our ESG

Employees

- Never executed lay off programs
- Frequent re-qualification courses
- Wealth care programs fro employees
- Decrease of accidents on working place

Territory

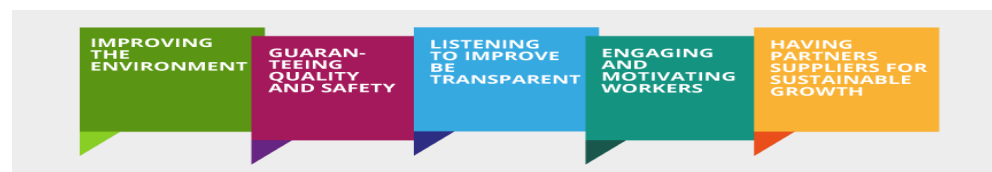
- Environmental care of Hera highlights std among best “UE countries”.
- Large number of fellowships with schools
- Cooperations with non profit organisations
- Partnerships with local institutions (universities)
- 76% V.A. within reference territories



Social dimension

- About 1% of employees chosen among people suffering hardship
- About 13,000 local employment spin-off
- Nursery for employees' children
- Constant increase women working (43% from white collars to senior management)

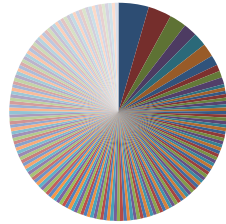
Taking part to prominent programs



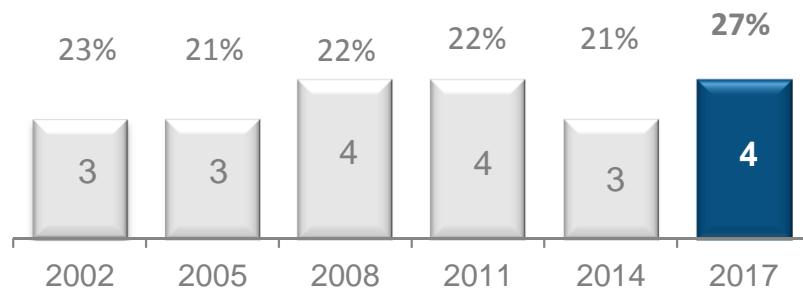
Hera at a glance (4): Our ESG

Public company

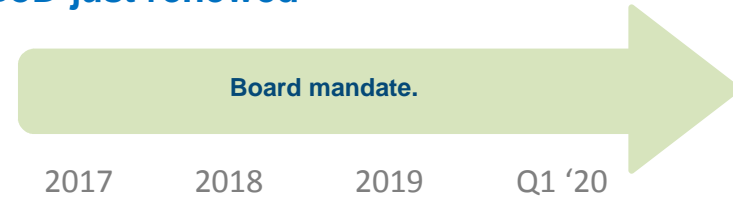
- About **230 Municipalities**
- Municipalities below 50%
- Over **250 Institutional sh.**
(of which >50% in US and UK)*



Minorities representation on BoD



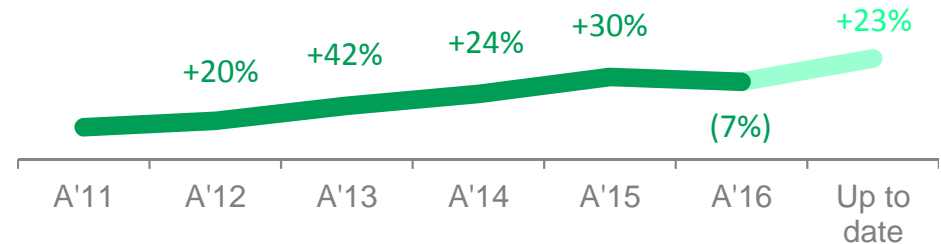
BoD just renewed



- Executives chosen always among Group managers since 2002

Executives remuneration

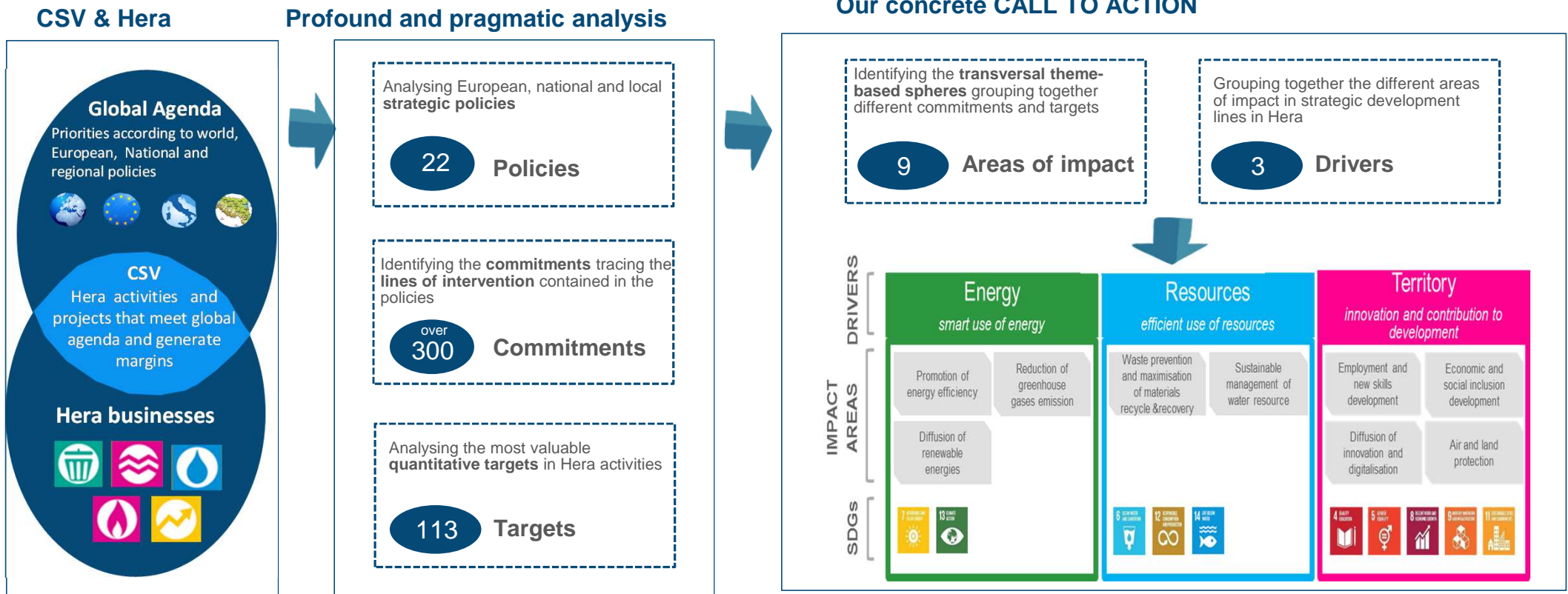
- 50% of the remuneration is linked to results (BSC)
- A long term retention plan is in place (100% of C.E.O. annual remuneration max. pay following the full achievement of targets over a 3 years time horizon).



“The” pillar of our business model

Next step (1): Moving from CSR to CSV

- Hera is re-designing corporate processes and management models to guarantee a full consistency of actions to social needs detected by local and supranational institutions.



Next step (2): Reading our '16 ESG performances in a new way

Global agenda goals



Hera impact areas and achievements^

Circular economy

- 94.4% Waste recovered
- 64% packaging recycled

Water resources

- 10.3 cm/km/day Water leakage

Green house Gas emission

- 10% carbon footprint

Renewable energy

- 69% energy produced

Energy efficiency

- 2.6% Energy consumption

Employment competence

- 243k training hours

Economic develop. & social inclusion

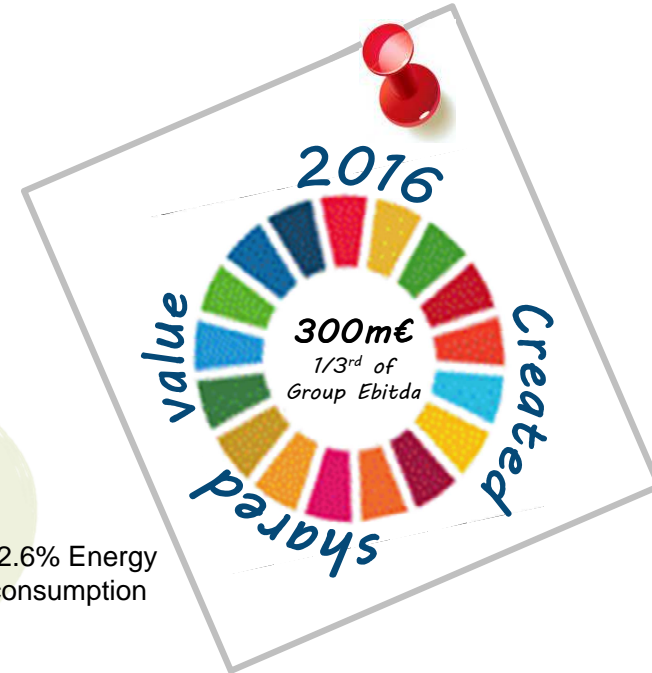
- ~800 people facing hardship engaged

Protect air & soil

- Emissions at 14% of law limit

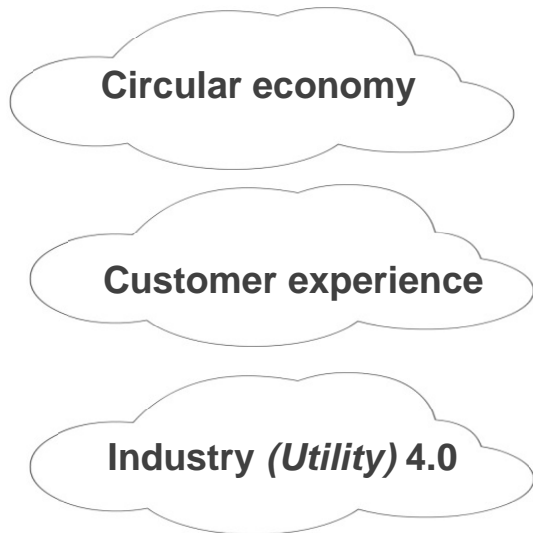
Innovation

- 6 projects underway

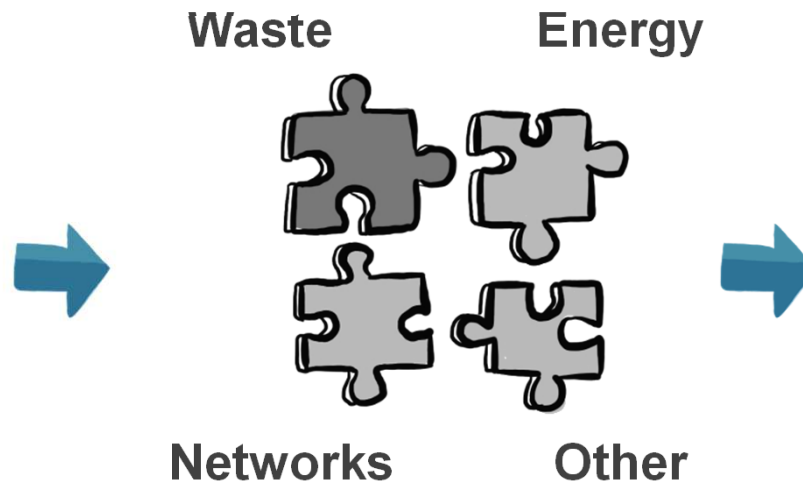


Our plans (1): Driving the business into the future

New trends



Multi-utility business



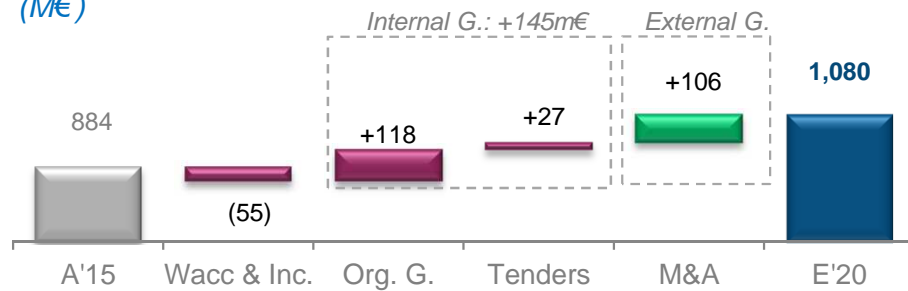
Our levers ...



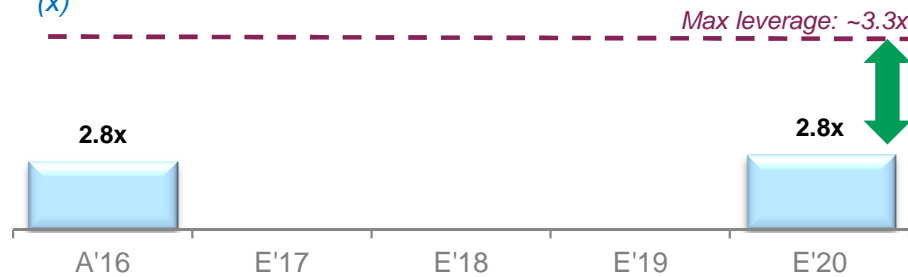
Confirming market leadership exploiting new opportunities

Our Plans (2): Targets to 2020

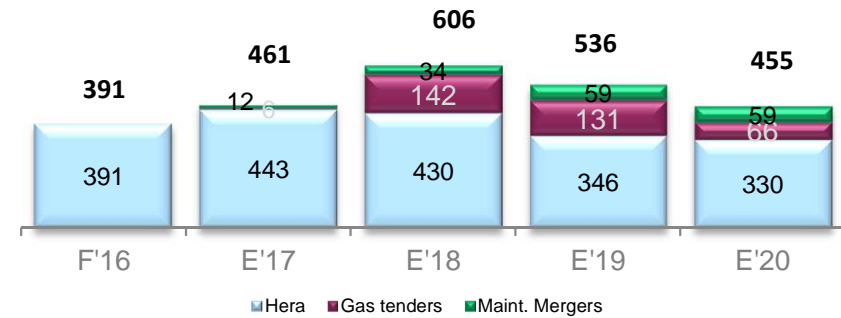
Ebitda growth to 2020
(M€)



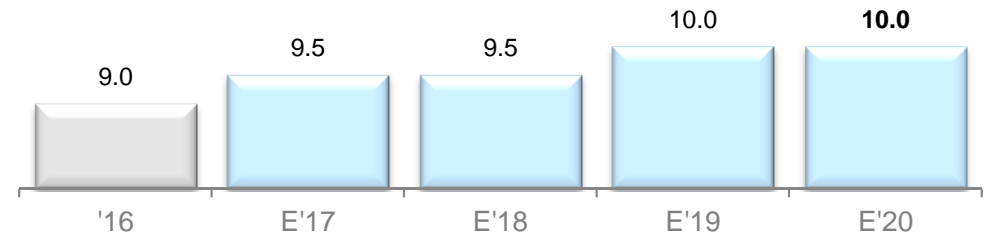
DEBT/EBITDA
(x)



Capex plan: 2.45 b€(M€)

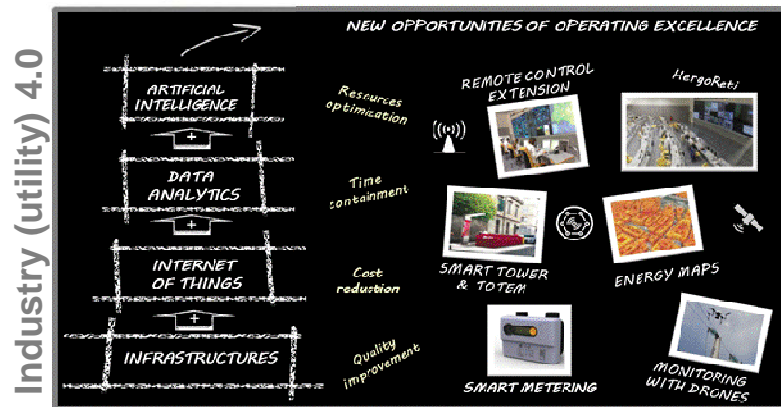
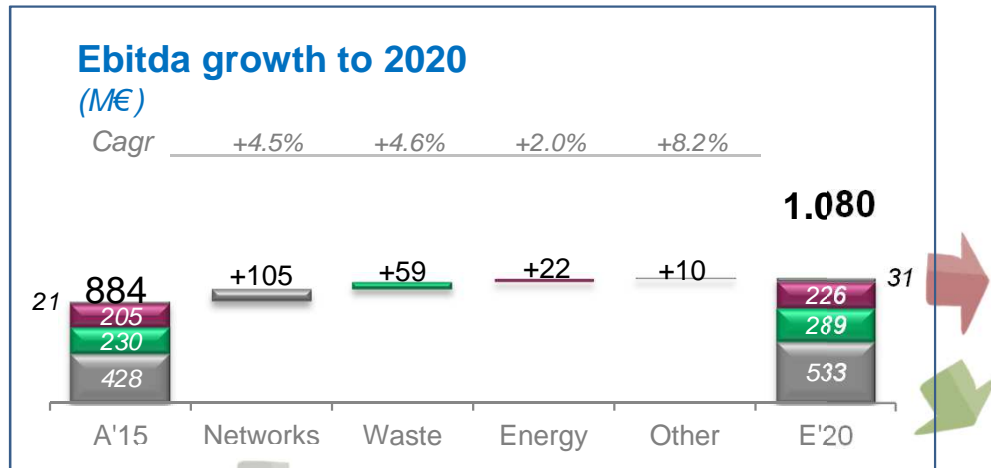


DPS
(€c)

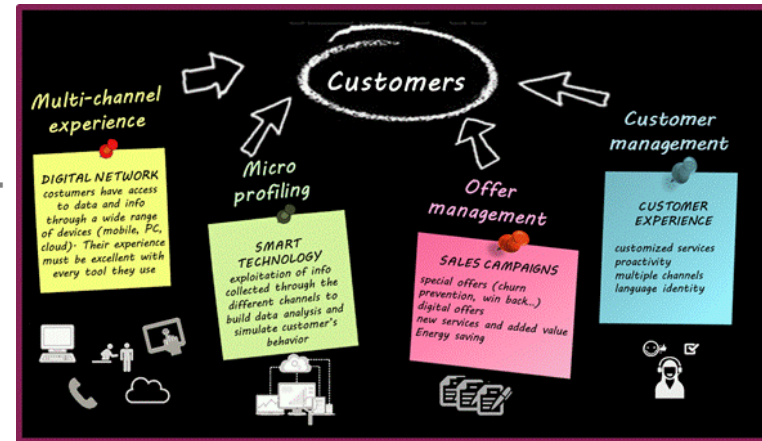


... further enhancing CSV

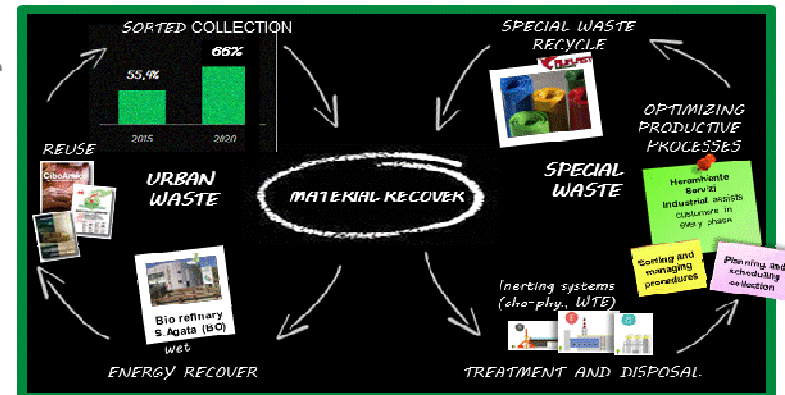
Our Plans (3): Developing our activities consistently to new paradigm



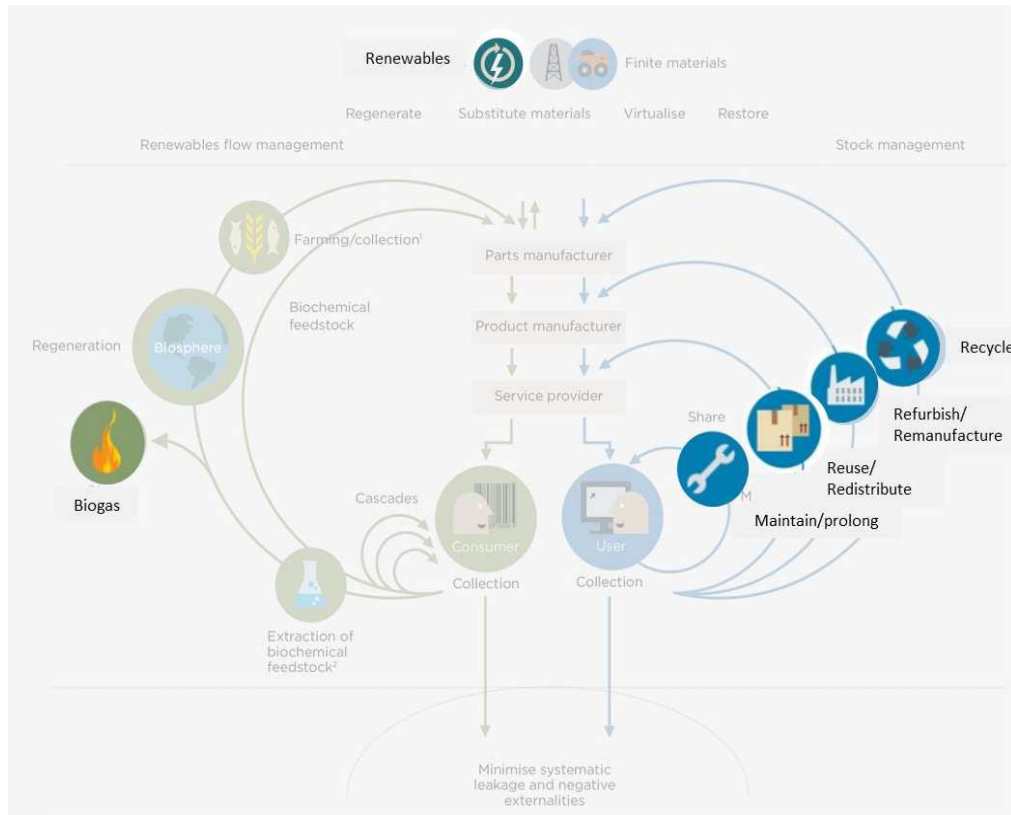
Customer experience



Circular Economy



Moving toward “Circular economy” with some concrete projects



Essential goods saved from waste



A fully integrated bio-refinery



Aliplast: a virtuous cycle for plastic



Re-Art! Recycling waste to Art



Innovative projects in the integrated water service



Il Rifiutologo (the Wasteologist)

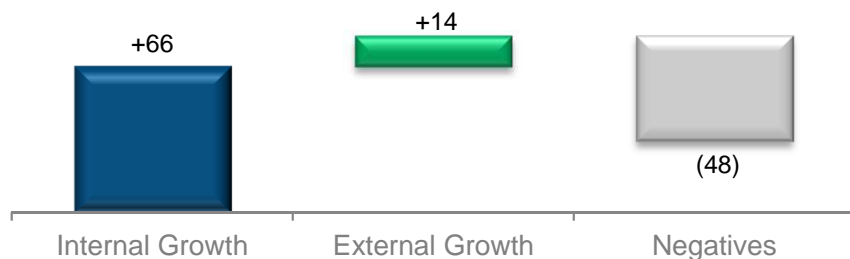


With Riciclandino we help the environment and schools

(Projects set out above are fully described in appendix)

Plan Execution in 15 months (25% of plan horizon)

A'16 Ebitda growth drivers
(M€)

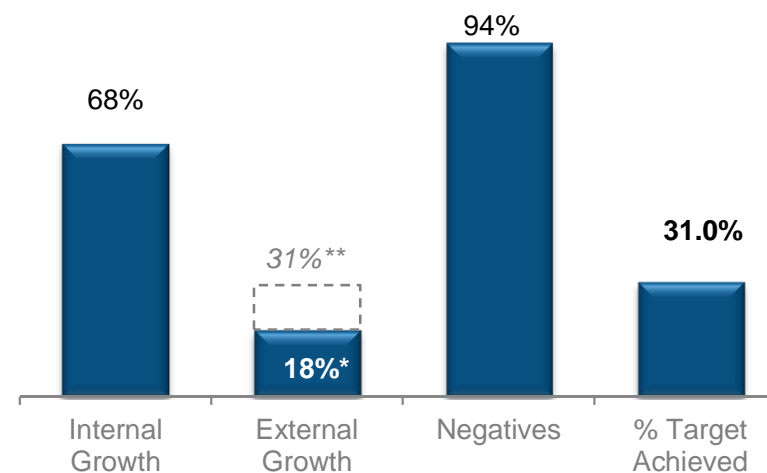


Q1'17 Ebitda growth drivers
(M€)



+61 m€

31% of growth target achieved in 25% of 5Y time horizon
(%)



Well on track

- *Including Aliplast and Teseco for one quarter (not booked as of 31/3/2017)
- **including Aliplast and Teseco on a full year basis

Our equity story



SOLID GOVERNANCE

Unique and most stable among peers



STRONG TRACK RECORD

Track record: persistent growth underpinned by low risk profile



DEVELOPING CORE BUSINESSES

Profitably investing C.F. in excess



SH.' REMUNERATION

Consistent with our history



REDUCED DEBT

Room to fund further M&A



CREATING SHARED VALUE

Outstanding expertise



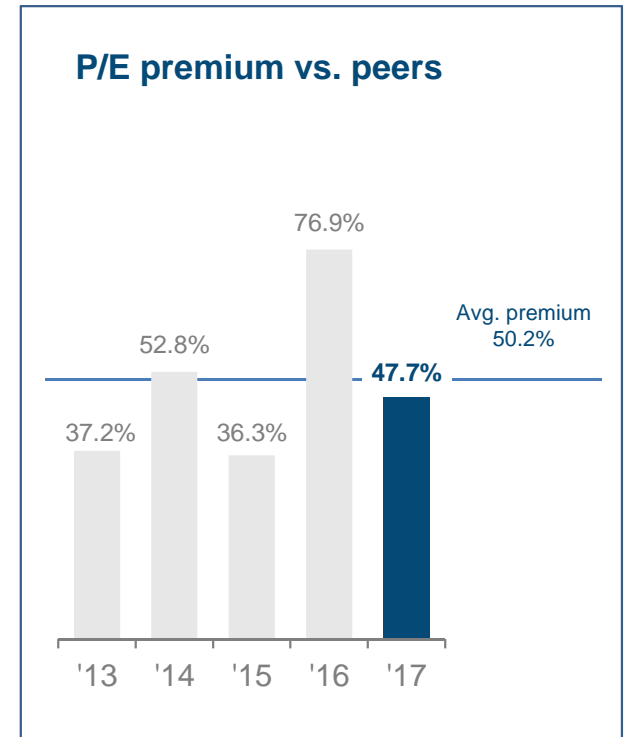
GROWTH 5Y PLAN

«SwOt»



PLAN EXECUTION

Traditionally outperforming targets



Circular Economy – Hera case studies

Essential goods saved from waste



Maintain



Reuse/
Redistribute



"Cambia il finale" is the project aiming at the collection and re-use of bulky waste in a good condition. Hera, together with 20 no-profit organizations, manages the pickup service free of charge. The no-profit organizations have involved several municipalities, more than 1,100 volunteers, and have supported 360 social inclusion recruitments, 99 of which directly involved in the project. From a Circular Economy point of view, the project has generated environmental, social as well as economic value: For every Euro invested, the project has generated 1.32 Euro (SROI Index).

751 tons of bulky waste collected
71% of it processed and re-used

[data referred to 2016]



noi li raccogliamo

Through FarmacoAmico project, since 2013 Hera collects medicines with an adequate conservation state and at least 6 months from expiry date, and distributes them to no-profit organizations. The project aims at preventing hazardous waste while promoting best practices in waste reduction and supporting social assistance organizations, with a consequent economic return for local administrations mainly due to reduced social assistance costs. In three years the municipalities involved have increased from six to eleven, covering 36% of the territory where Hera operates.

11 municipalities involved
40,500 medications collected

[data referred to 2016]



Started in 2009, "Cibo Amico" is the project against food waste, that allows the collection of meals prepared but not consumed at the 5 Hera canteens. The retrieved food is donated to 6 no-profit organizations assisting people in 8 locations every day. Since the project started, more than 67,400 meals were retrieved. The corresponding saved waste amounts to more than 29 tons, circa 4.6 tons only in 2016.

10,449 meals retrieved in Hera canteens
140 people assisted every day

[data referred to 2016]

Circular Economy – Hera case studies

Aliplast: a virtuous cycle for plastic



In early 2017, Hera acquired 40% of shares in Aliplast Group, leader in the collection, recycling and regeneration of plastic waste (in particular, polyolefin and PET). A further 40% will be acquired within March 2018 and the remaining 20% within June 2022.

Aliplast has been the first company in Italy to integrate the full lifecycle of plastics: from environmental services of management and collection of industrial waste to the manufacturing and sale of products and packaging materials, made from the plastic recycled by the company.

80,000 tons/y of plastics processes by The Group
100 mil Euro of turnover

[data referred to 2016]



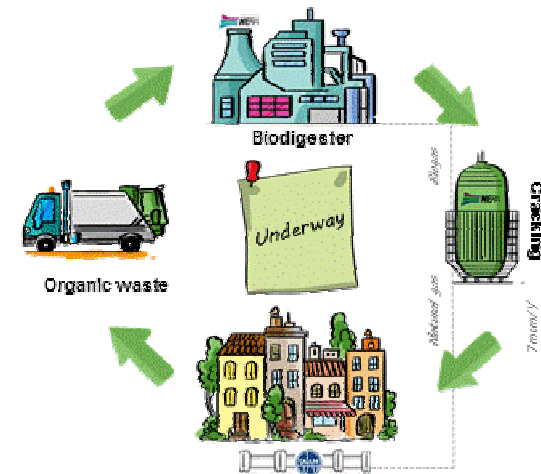
A fully integrated biorefinery



Within 2018, Hera is going to complete the refurbishment of the plant at S.Agata Bolognese, where the company is running a composting site, to allow the production of bio-methane. Following an investment of 30 million Euro, Hera is going to annually produce 20,000 tons of high quality natural fertilizer and 7.5 cubic metres of bio-methane, feeding the virtuous circle between food producers, home waste and territory. Organic waste will be subjected to an anaerobic bio-digestion process and then processed into biogas, to be subsequently upgraded and purified to obtain bio-methane. The solid waste remaining will be appropriately treated to become high quality compost and fertilizer. The plant is designed according to the best technologies included in the EU Circular Economy guidelines and to the local regulations ruling on the collection and treatment of organic waste.

7.5 m³/y of bio-methane
20,000 tons of high quality natural fertilizer

[data referred to the productive capacity of the plant]



Circular Economy – Hera case studies

Re-Art! Recycling waste to Art

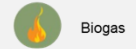


Started in 1998, SCART® is a project aiming at promoting a new smart, creative and sustainable lifestyle based on giving those materials that every day become waste a new life through upcycling. The project has involved artists and designers to craft new objects and work of arts made exclusively of waste (such as furniture, decorations, musical instruments, scenic and costume designs, toys) later traded under the registered trademark. In 2013 the Web Community “Scartline” was born, a place where artists, craftsmen and designers can register for free to exhibit their creations and get in touch with potential customers. Students and arts & design institutions are also involved in many workshops and art exhibitions.

- 130 artists, designers and architects involved
- 100% New objects and artworks made from waste

[data referred to 2017]

Biorefinery 2.0 to produce biomethane from pruning material



Hera started targeted research to analyse the technologies to produce advanced biofuels obtained by processing grass cuttings and pruning material collected in the area. These waste materials are currently used in composting processes or are used for energy recovery but in the future, they could be used to produce bioethanol and biomethane. Both of these fuels can be considered advanced because they are produced from waste materials and not from dedicated energy crops which use land which can potentially be used for human food or animal feed. To be able to obtain these fuels from ligno-cellulosic waste, pretreatments are required, such as steam explosion (a particular thermal treatment with high pressure steam) that makes the material readily degradable by bacteria, enzymes or yeasts, in anaerobic digestion processes or alcoholic fermentation.

Innovative projects in the integrated water service



The Thermal Hydrolysis project is aimed at identifying new technologies to reduce the amount of biological sludge to be disposed of at the end of the treatment process of urban waste-water, maximising the biogas that can be produced. The technologies currently identified are based on the steam explosion process (thermal treatment with high pressure steam, that makes the material readily degradable by bacteria that produces the biogas and simultaneously allows the release of intracellular water making the dehydration more efficient. The treatment may be carried out, depending on the characteristics of the treatment plants, before or after the sludge digestion step. In both cases there are two benefits: the increase in the production of biogas and the decrease of the sludge to be sent to final disposal plants.

The recovery of biogas from the anaerobic digestion process increases the efficiency of the sludge treatment line in municipal waste-water treatment plants. The goal is to maximize the production of biogas in order to generate electricity and produce heat by cogeneration and reduce the amount of sludge for disposal. In this respect, we plan to install a dynamic densifier that will make it possible to obtain a drier mud (compared to the present situation) to send to the digestion step, thus reducing the volumes to be treated. This aspect will save heat during digestion, lengthen digestion times increasing the production of biogas and decrease the production of sludge to be sent for disposal. A cogenerator will be installed on the biogas line to produce renewable electricity and heat; these energy resources will be directly used in the plant.

Circular Economy – Hera case studies

Il Rifiutologo (the Wasteologist)



The Rifiutologo is a free app created by Hera to simplify the way separate collection is done in the 135 municipalities in which it provides environmental waste management services. At 31 December 2016 the app has reached 1.18,000 downloads proving that the operation was a success and that users like it.

In 2016, for inhabitants who bring material to drop-off points, we added the capability to view discounts on waste tax, where applicable. The "environmental reporting" function proved very popular. It can be used to send a customized message or a real time picture to Hera's staff to point out a problem that affects the services performed by the company and that requires attention. After the problem has been solved, the app tells the user the date when it was taken care of. The reporting by the inhabitants is made more effective by HergoAmbiente's new information system that connects bins, vehicles and drop-off points. In 2016 the reports of emptying, cleaning of the roads and the abandoned waste were 19,750 (+189% compared to 2015); 3,728 suggestions on new types of waste to be added to the database.

In 2016 the inhabitants of Bologna benefited by a trial of two other features of Rifiutologo, thanks to which they could view on their smartphones the position the mini underground drop-off points in the city centre, including its address and the materials that can be disposed of at each of them and view the calendar of door-to-door collection in the centre, so as to be always updated on the service.

At 31 December 2016 the "Scan barcode", feature which recognizes materials by the barcode printed on products and shows how to properly dispose of each package, accesses an archive of 1,120,093 barcodes of the most widely used products. For packages made of multiple materials, the app can provide instructions on where to dispose of each component. If a code is not recognized, or a type of waste is missing, the inhabitant can report it via the Rifiutologo so that it can be added to the system: there were 11,850 reports of bar codes sent by the inhabitants to update the database (+45% compared to 2015). The searches carried out by scanning barcodes grew by 44% from 72,081 in 2015 to 104,081 during all of 2016.

With Riciclandino we help the environment and schools

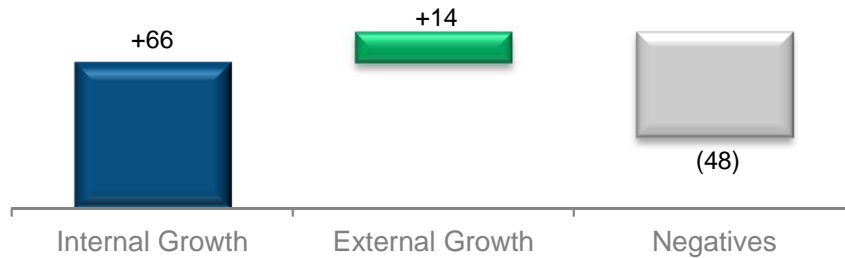


Riciclandino is the project dedicated to schools that involves children and families in an environmental initiative. In fact, the more waste they separate and the more waste they take to drop-off points, the more points they obtain, giving their schools the chance to receive economic incentives. Every student is given a Riciclandino Card that includes the barcode assigned to each participating school. The student's family can use the card to dispose of waste at drop-off points, obtaining a discount on their bill, as established by the municipal regulations, as well as an incentive of the same amount for their school.

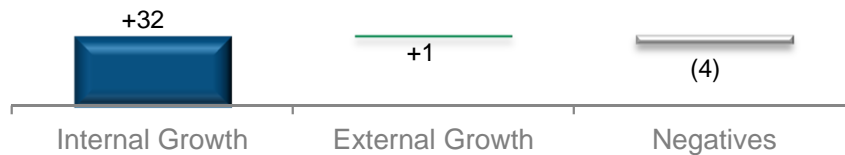
Launched nine years ago in Ravenna, by 2016 the project had covered 41 municipalities in the provinces of Ferrara, Modena and Ravenna, and involved 361 schools and 75,890 students. In 2015 the participating schools received over Euro 60,000 of economic incentives for the activities carried out, and over 3,000 reams of paper...

15 months: Both internal and external growth drivers contributed

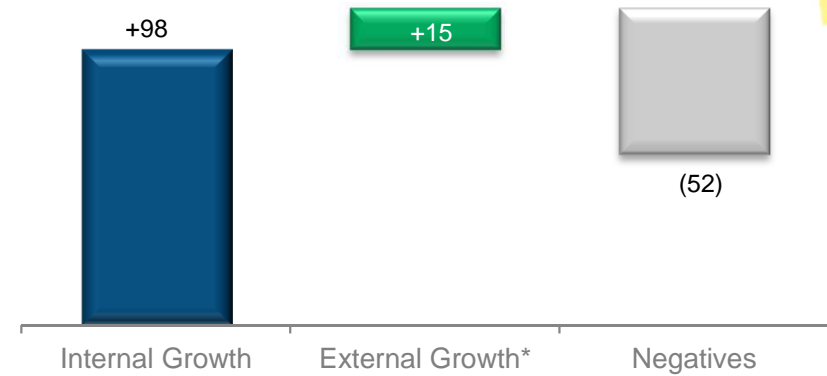
A'16 Ebitda growth drivers
(M€)



Q1'17 Ebitda growth drivers
(M€)



First 15 months Ebitda growth drivers
(M€)



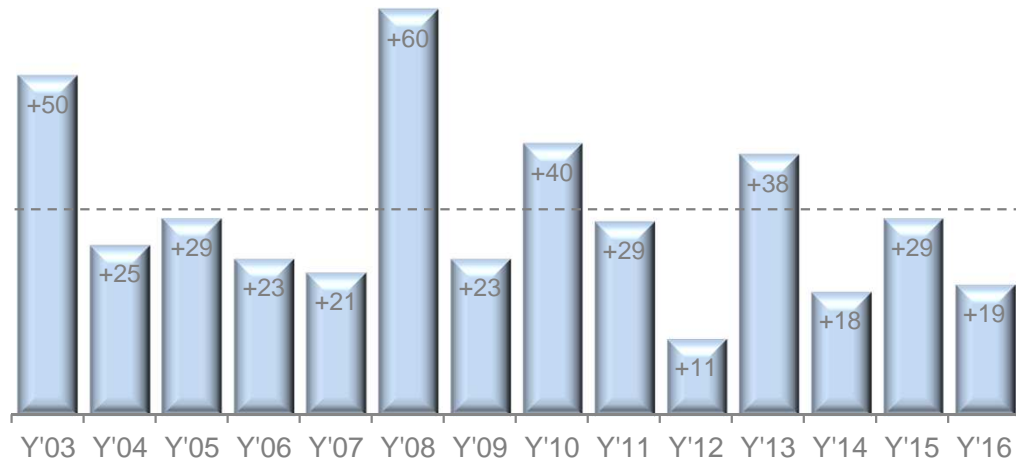
Most negatives already booked

M&A achieved will be accounted for, starting from H1*

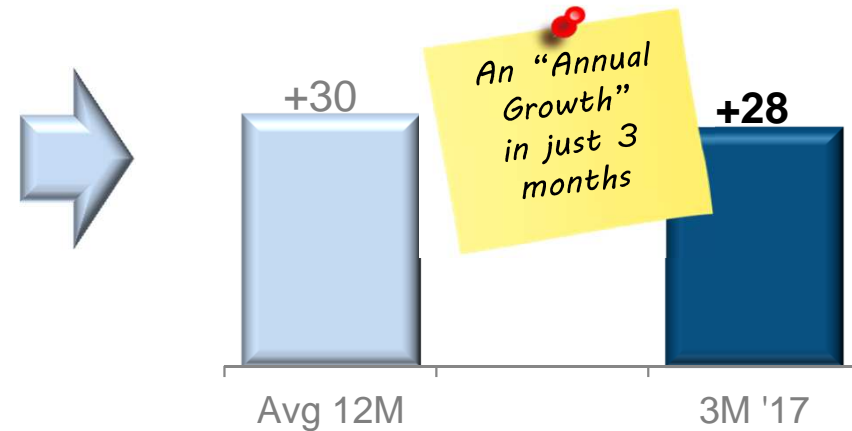
* On a full year basis **excluding Aliplast and Teseco acquisition

Q1 2017: A leap in growth

Organic Ebitda growth per year
(M€ on 12 months basis)



Organic Ebitda growth Q1 vs avg year
(M€)

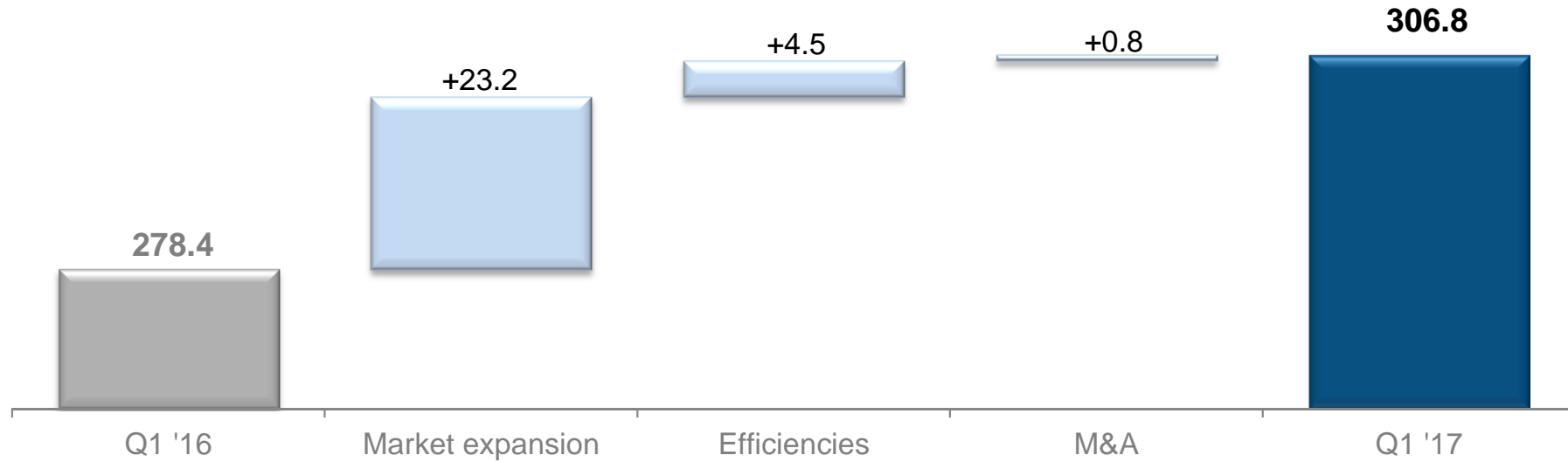


M&A achieved will be accounted for, starting from H1*

* On a full year basis

Q1 2017 EBITDA growth drivers

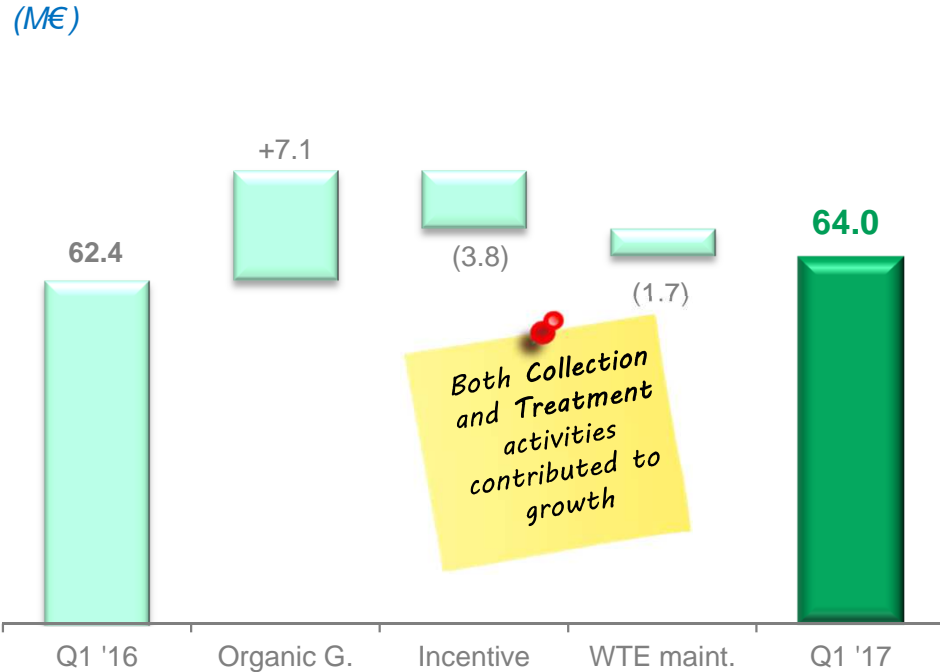
Ebitda growth drivers
(M€)



Recurrent growth factors drive performance

Q1 2017 WASTE: Benefitting from landfill's full operations

Ebitda growth by business (M€)



Waste volumes from third parties (kton)



2017 acquisitions

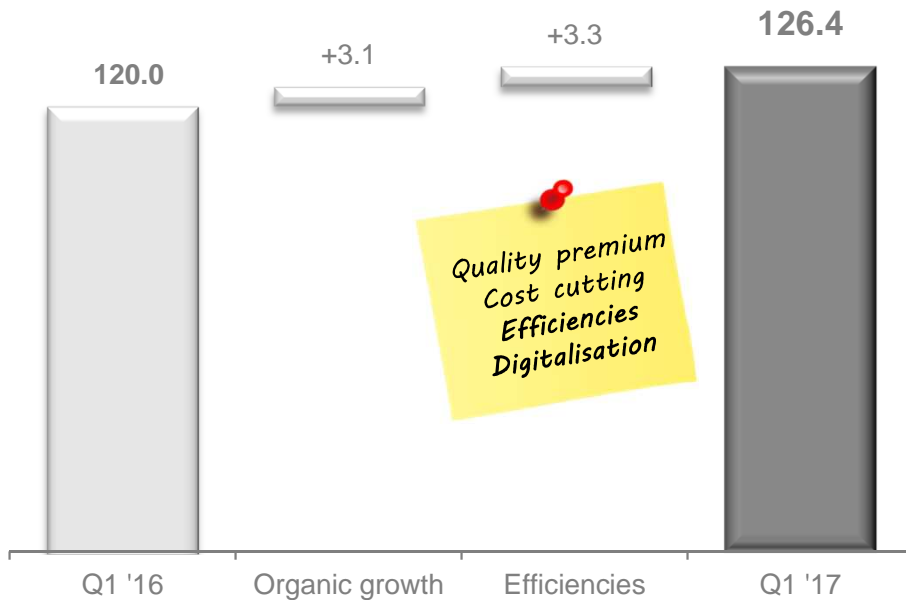


Contribution will be included starting from second quarter

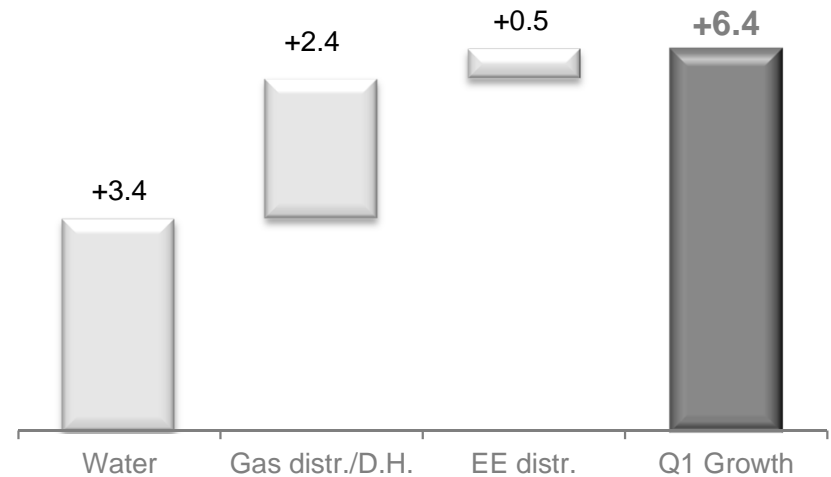
“One offs” reduced visibility of a performing Q1

Q1 2017 NETWORKS: tariffs and cost savings progressing

Ebitda growth drivers
(M€)



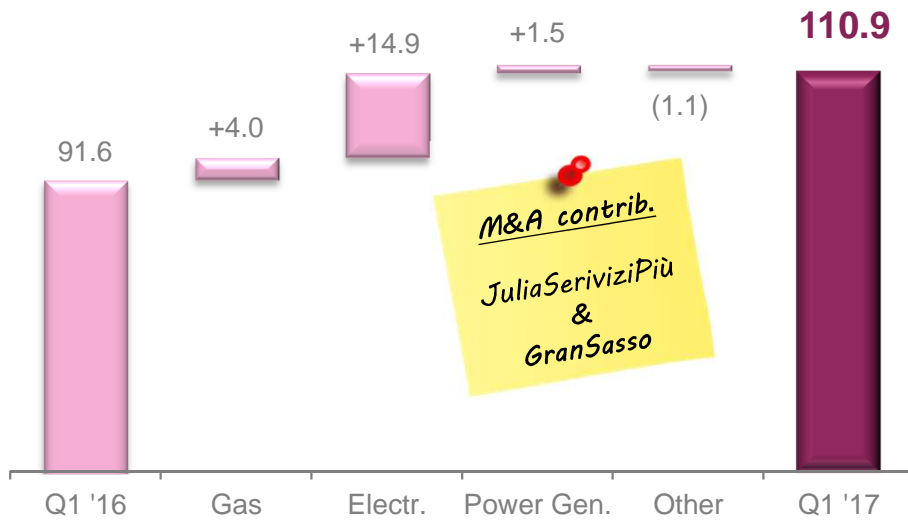
Ebitda Growth breakdown
(M€)



Better returns from regulated asset base

Q1 2017 ENERGY: *all* market segments expanded

Ebitda growth drivers
(M€)



Regulated market coverage (2017 & 2018)

Safeguarded Elect. clients

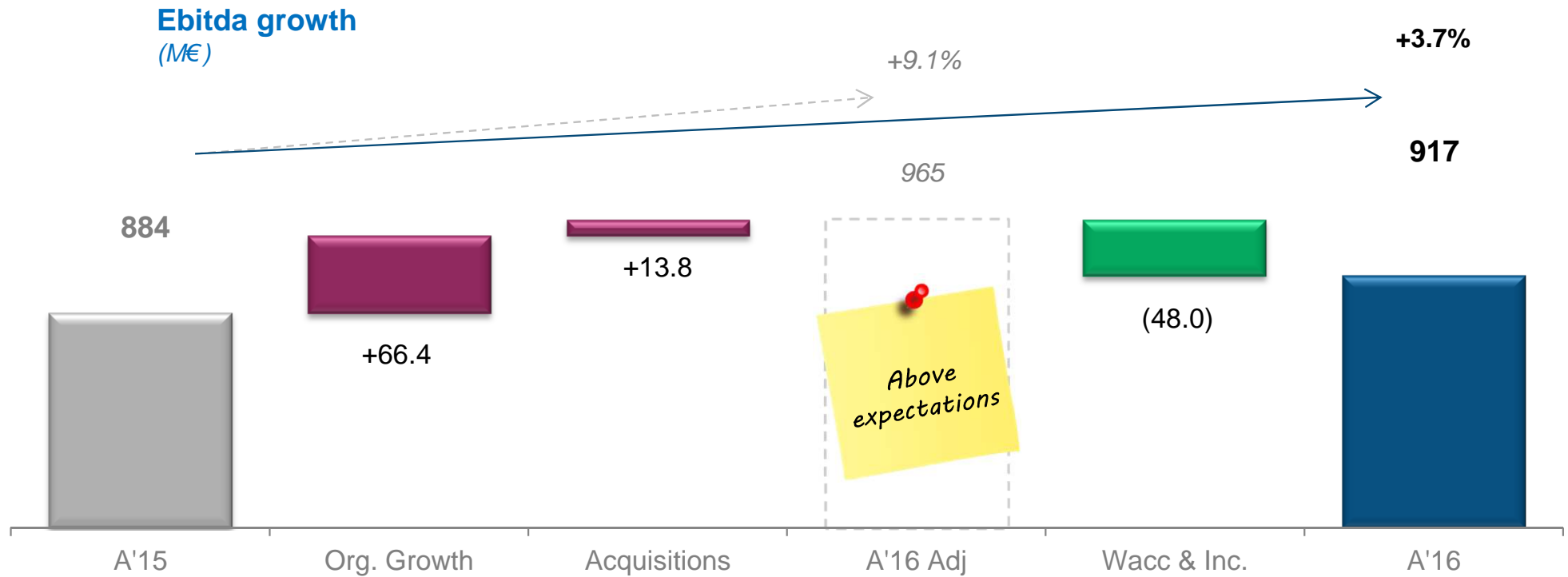


Default gas supply



All activities contributed to growth

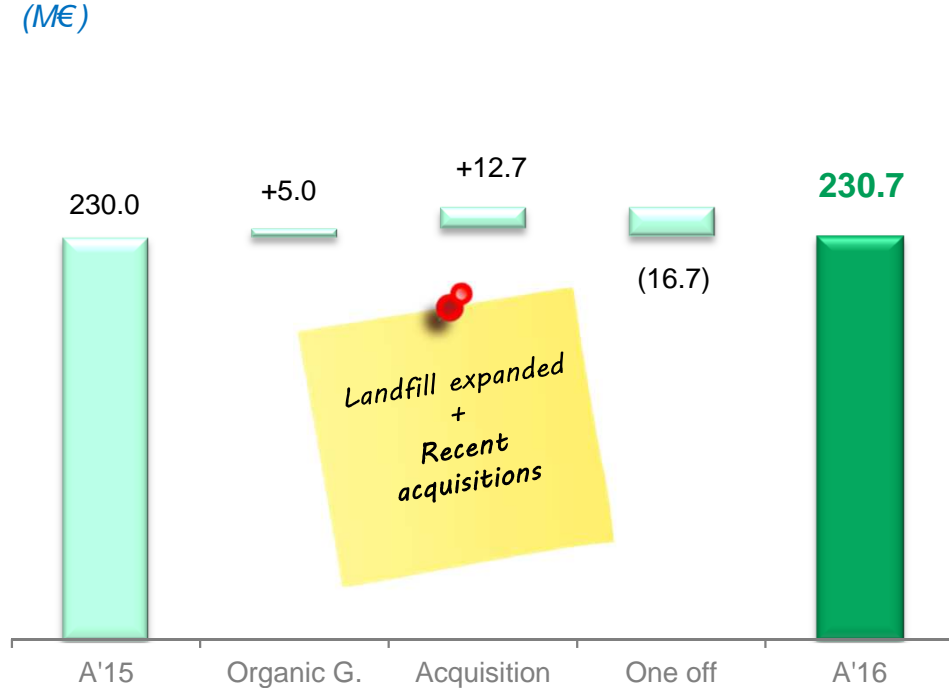
FY 2016 EBITDA growth drivers



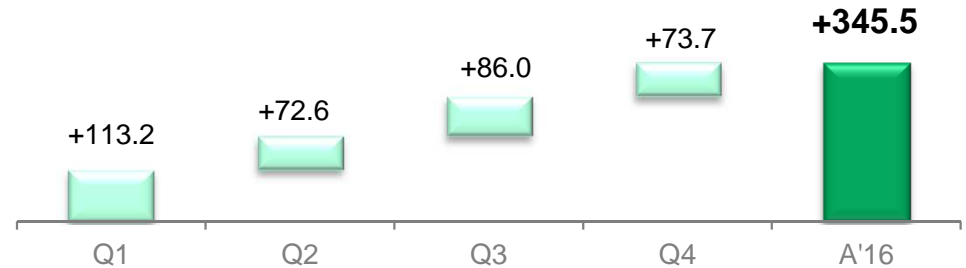
More in everything

FY 2016 WASTE: A further expansion of our leading platform

Ebitda growth by business
(M€)



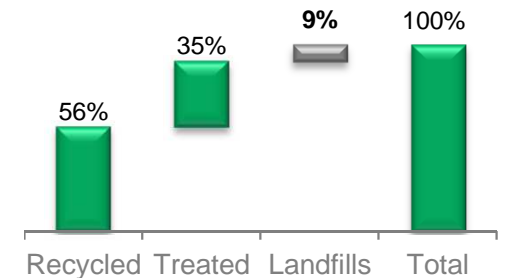
Waste volumes from third parties
(kton)



2017 Acquisitions



Urban Waste treatments
(%)

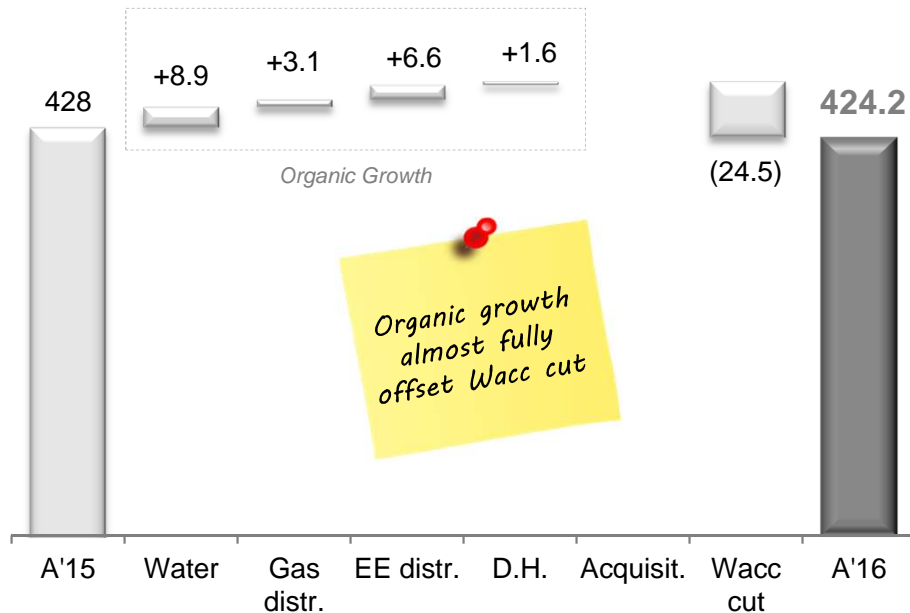


Progressive repositioning and geographical expansion

FY 2016 NETWORKS: Cost savings offset most part of Wacc cut

Ebitda growth drivers

(M€)



WACC impact on Nets

(M€)



Water quality premium achievement

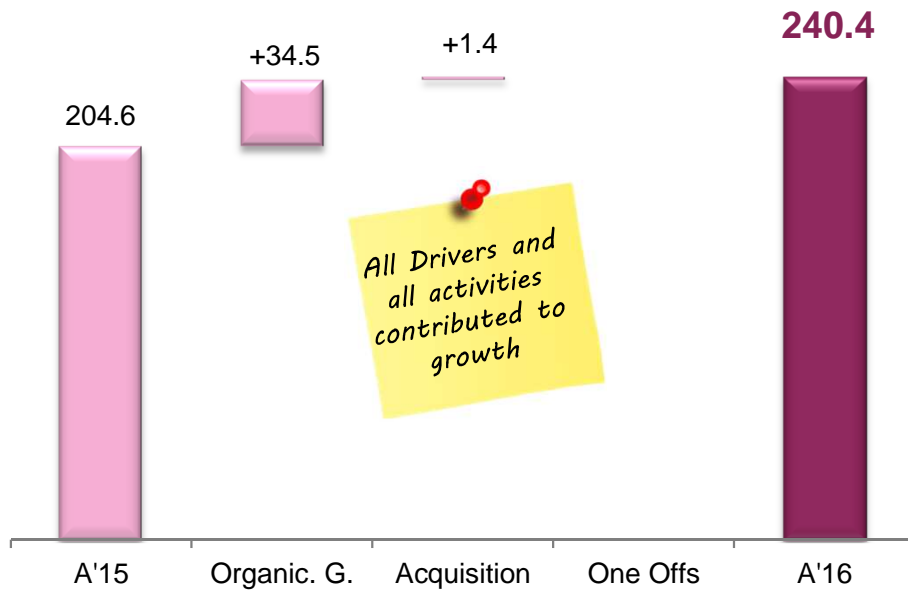
(%, M€ Ebitda)



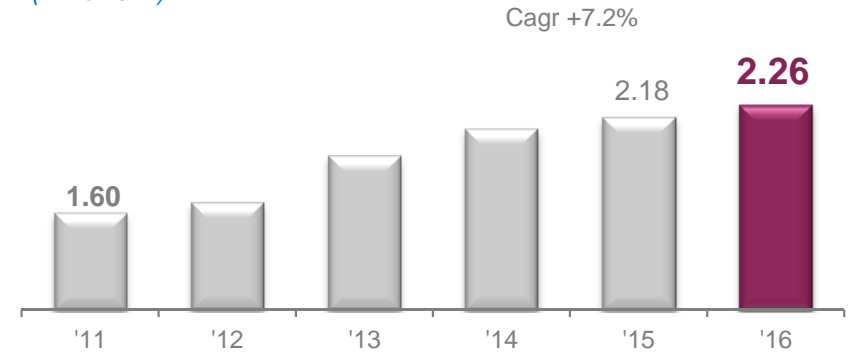
Cleared the way to the end of the regulatory period

FY 2016 ENERGY: Exploited all opportunities

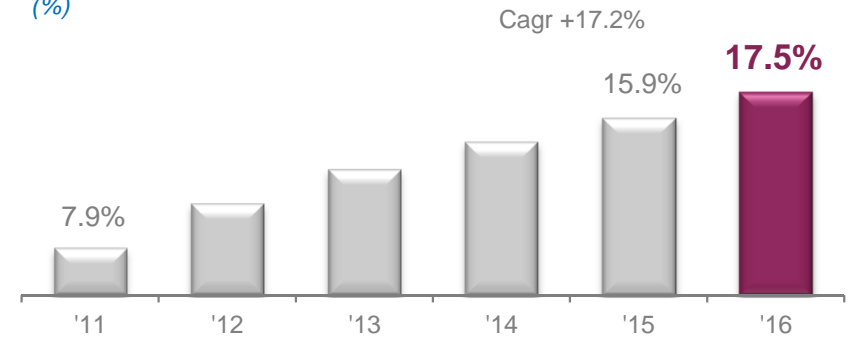
Ebitda growth drivers
(M€)



Customers growth
(million unit)



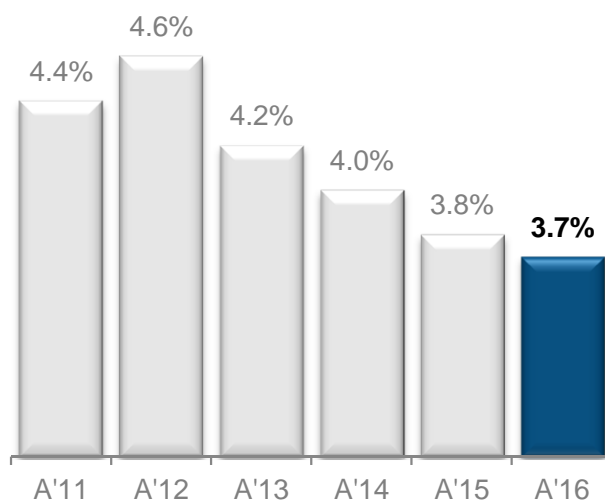
Digital customers growth
(%)



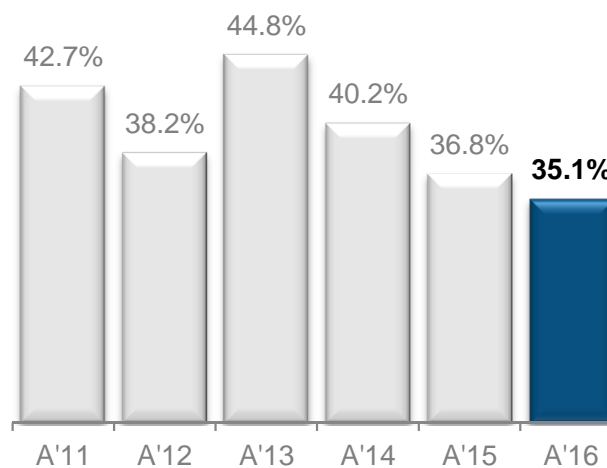
More visibility on future growth trends

FY 2016: Improving financial and tax profile

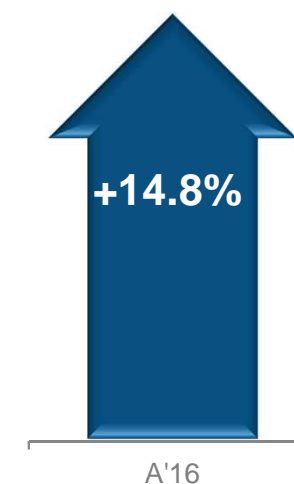
Cost of Debt
(%)



Tax rate
(%)



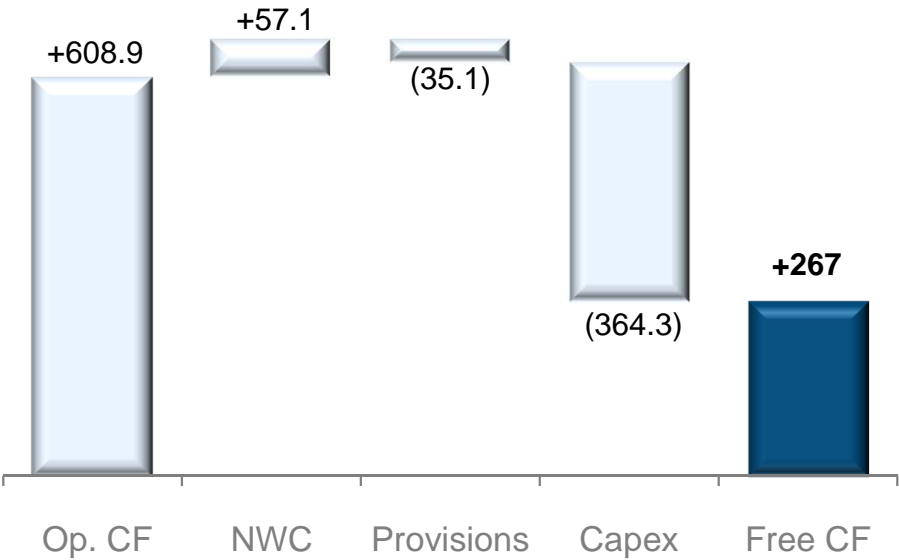
2016 EPS growth
(%)



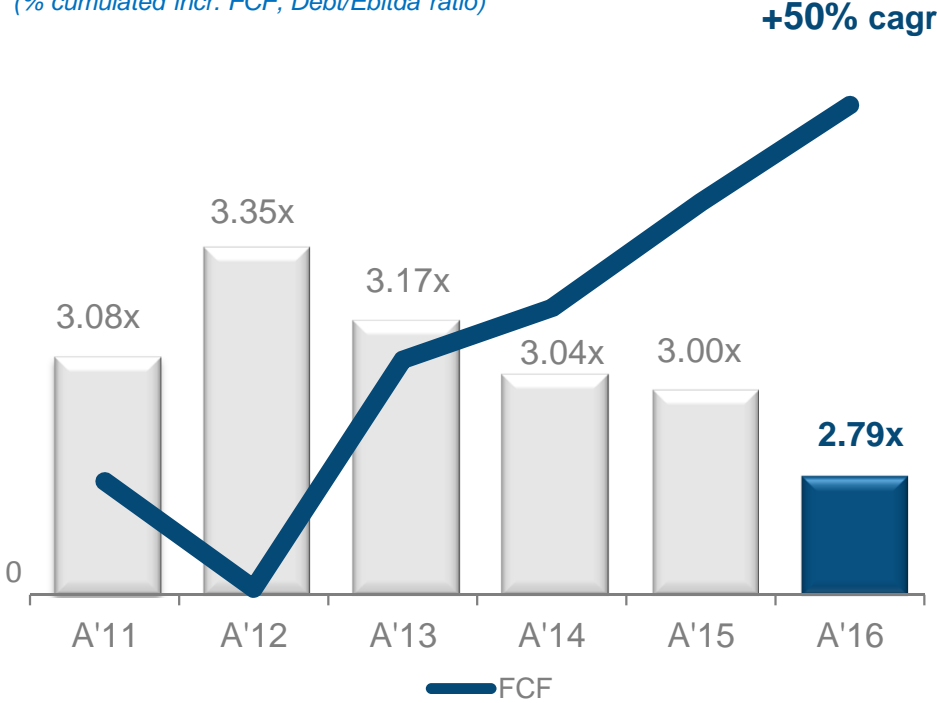
Achieving 8.6% ROE in 2016

FY 2016: Cash flows

Free cash flows 2016
(M€)



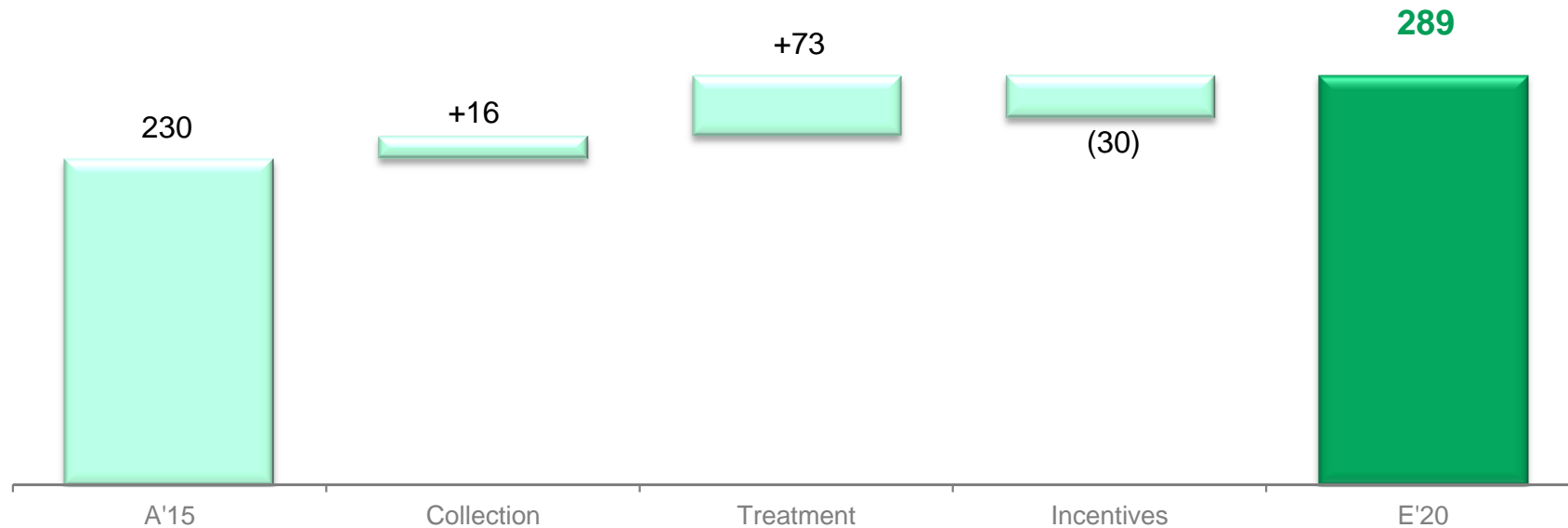
5Y FCF growth & Debt/Ebitda ratio
(% cumulated incr. FCF, Debt/Ebitda ratio)



More than sound

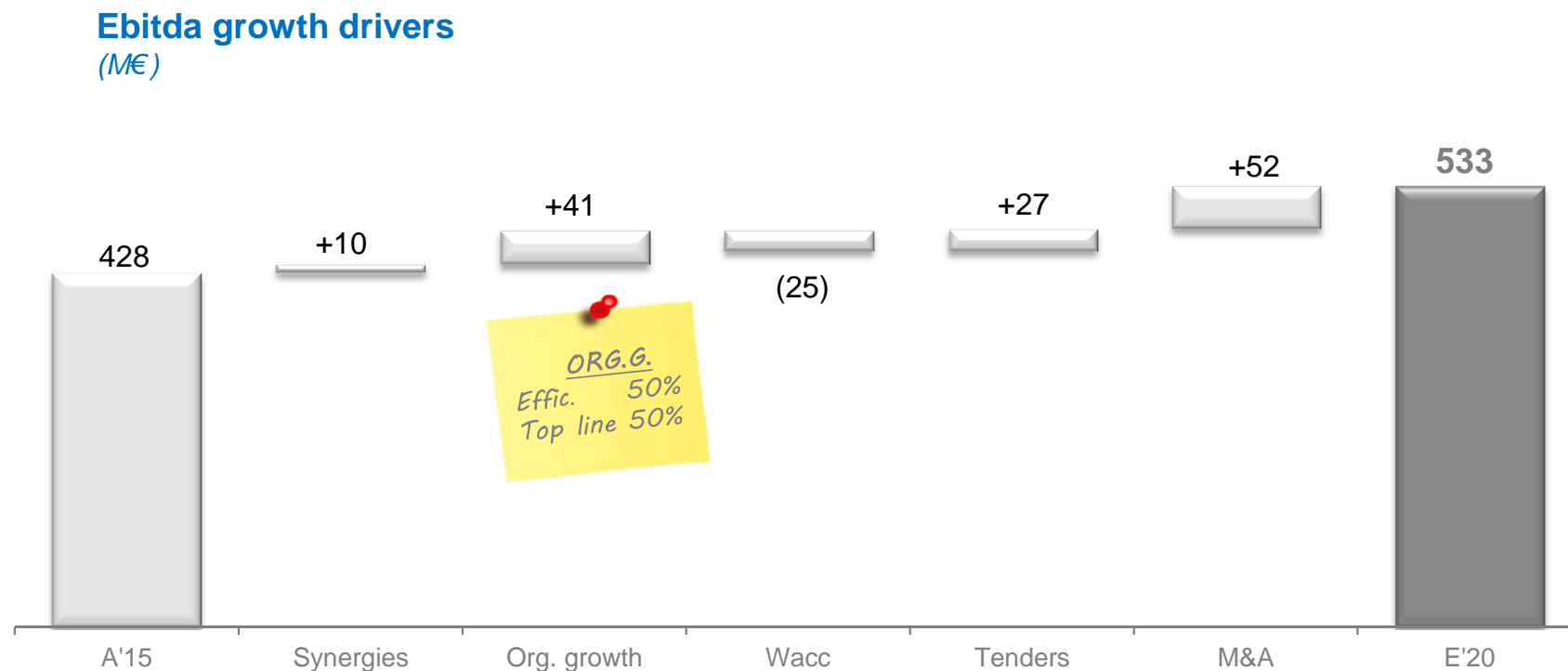
Business plan of WASTE: A further expansion in a growing market

Ebitda growth by business
(M€)



Deploying a solid platform and expertise

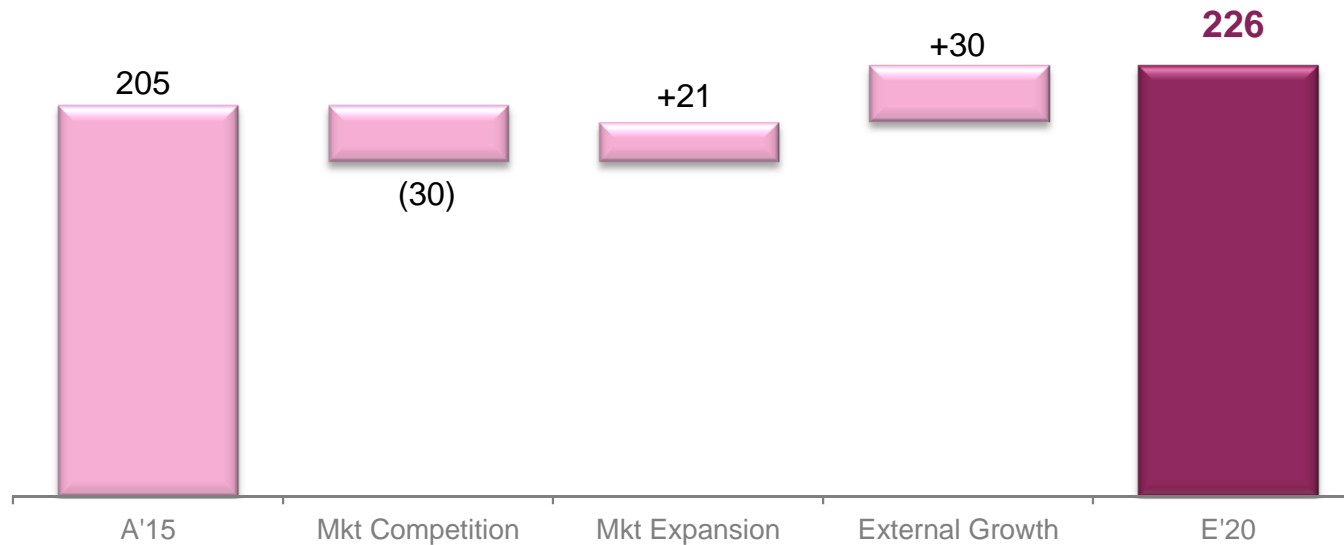
Business plan of NETWORKS: Strengthening our regulated asset base



Growing despite stable tariffs

Business plan of ENERGY: Aiming at continuing growth

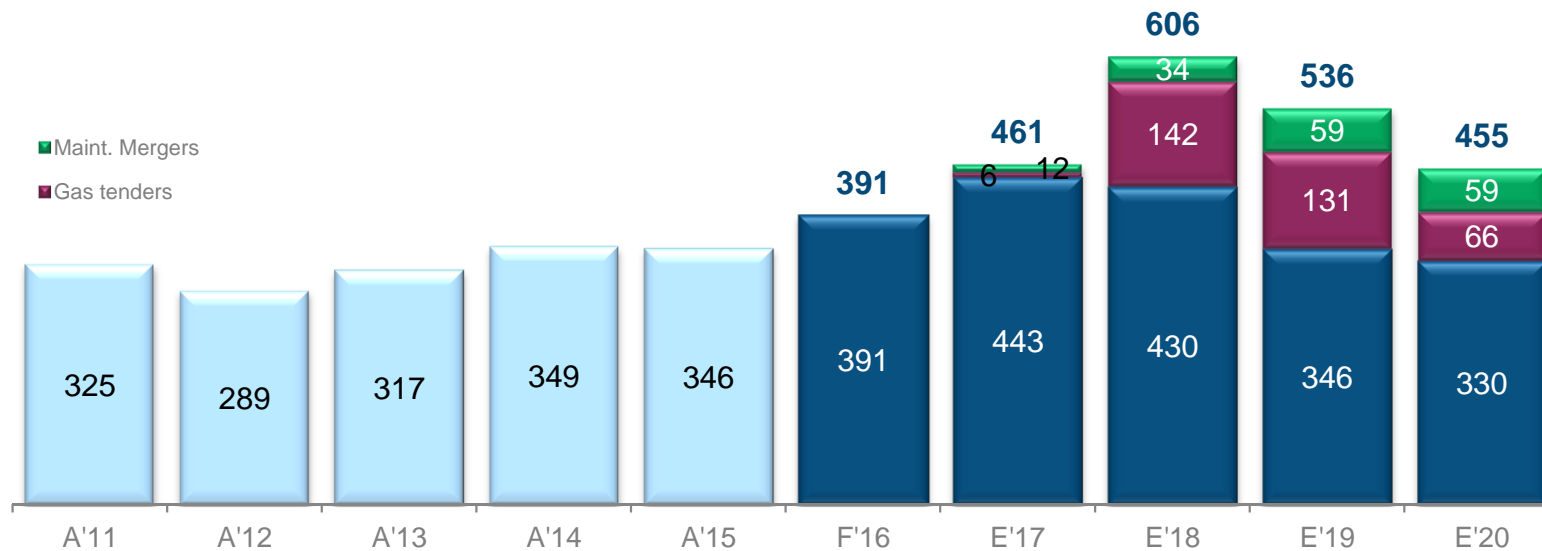
Ebitda growth drivers
(M€)



Tackling with pressure on margins

Capex plan to 2020

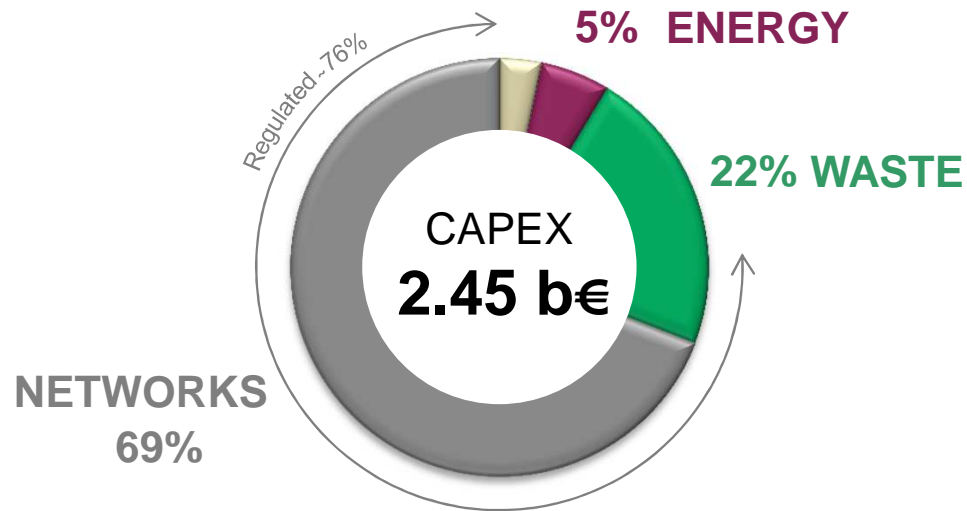
Capex plan to 2020: 2.45 b€ to grow and strengthen assets
(M€)



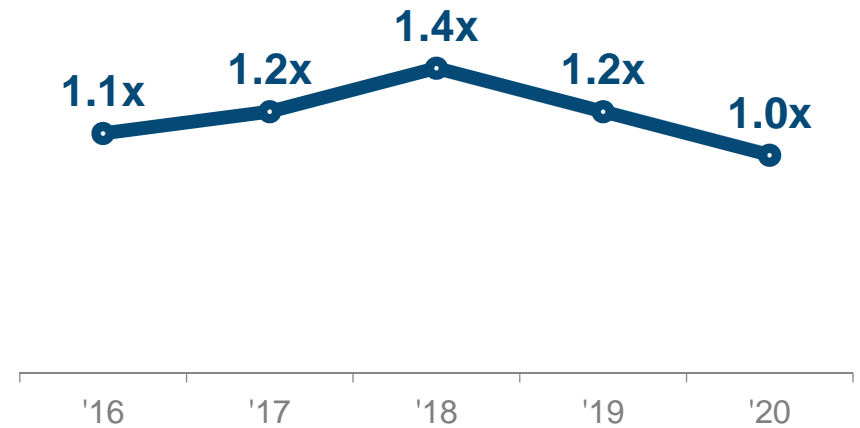
Enhancing our main assets

Capex plan to 2020 is mainly focused on regulated activities

Capex breakdown by business (%)



Group Capex / Group Depreciation (x)

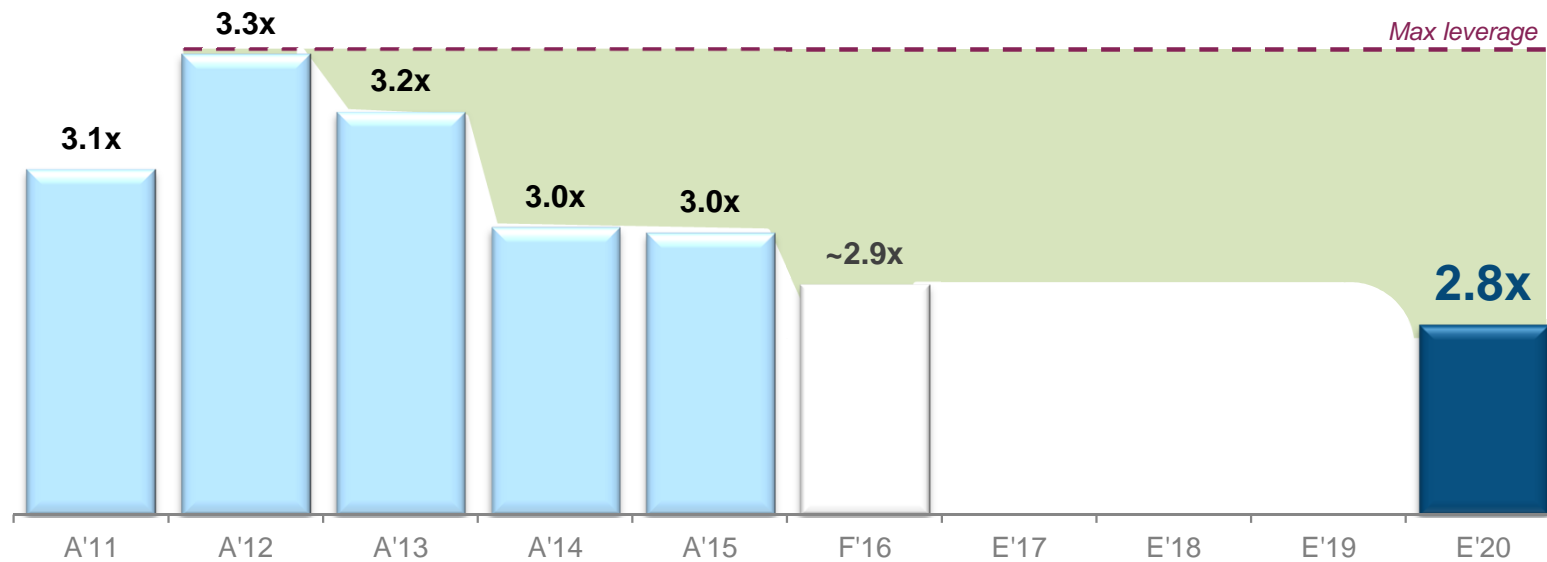


Targeting 8.3% ROI in 2020

Business plan: Financial structure

Debt/Ebitda to 2020: strong CF improves fin. flexibility

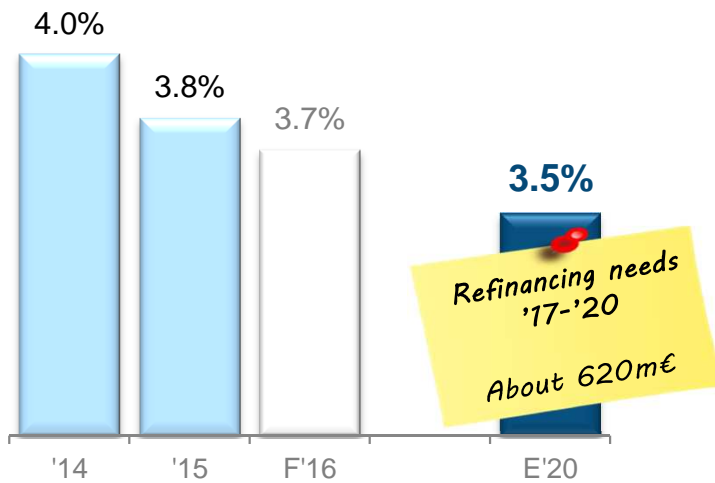
(M€)



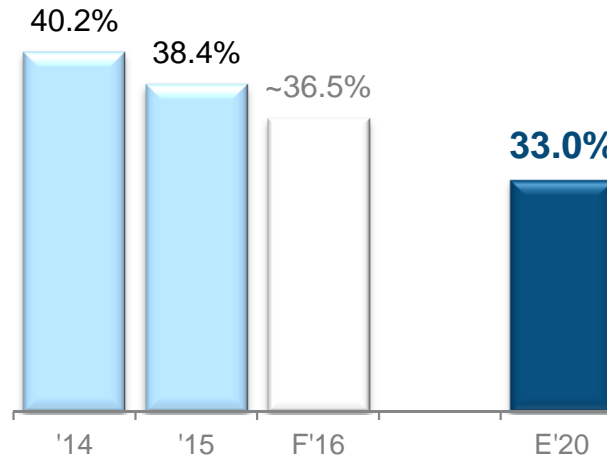
Further Acquisitions sustainable with our financial flexibility

Business plan: Improving financial profile

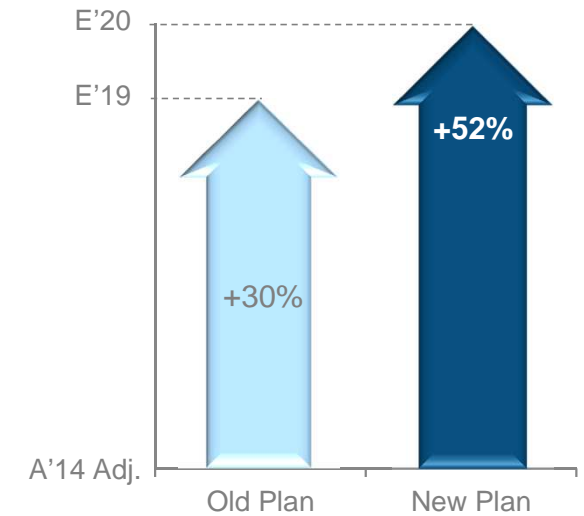
Cost of Debt
(%)



Tax rate
(%)



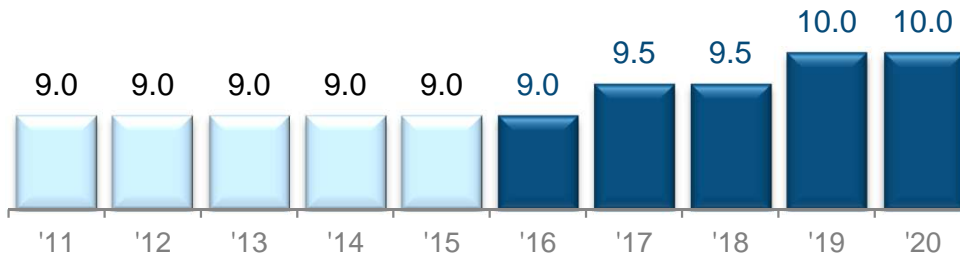
EPS growth New vs Old Plan
(% of cumulated increase)



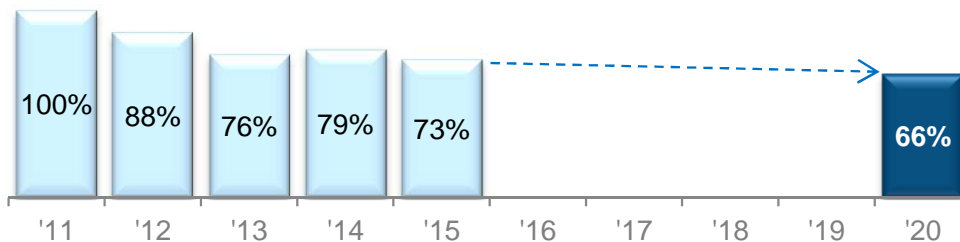
Achieving 8.0% ROE in 2020

Business plan: Dividend policy

DPS
(€c)



Payout ratio
(%)



Hera's dividend quality

Unique track record

- Always guaranteed
- Never decreased
- Transparent policy

Hera included in "Aristocrats ETF" (with Atlantia and Recordati)

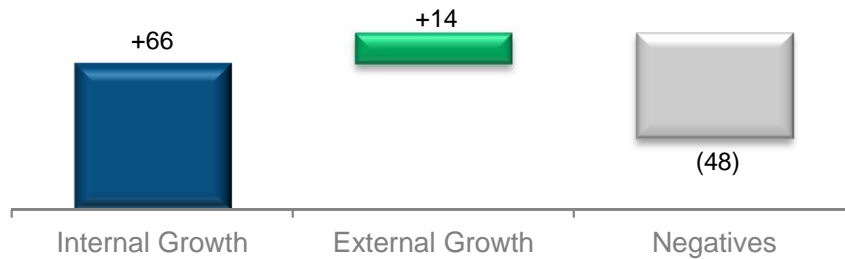
Potential upside for shareholders

- Room to fund mergers with "Buy back" shares

Providing DPS growth still betting on an external growth story

Plan Execution: Well on track

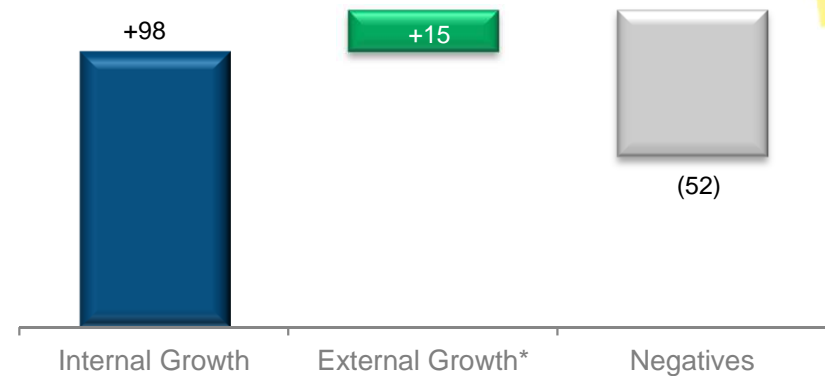
A'16 Ebitda growth drivers
(M€)



Q1'17 Ebitda growth drivers
(M€)



First 15 months Ebitda growth drivers
(M€)



Most negatives already booked

M&A achieved will be accounted for, starting from H1*

* On a full year basis **excluding Aliplast and Teseco acquisition

Disclaimer

This presentation contains forward-looking statements regarding future events (which impact the Hera Group's future results) that are based on current expectations, estimates and opinions of management.

These forward-looking statements are subject to risks, uncertainties and events that are unpredictable and depend on circumstances that might change in future.

As a result, any expectation on Group results and estimates set out in this presentation may differ significantly depending on changes in the unpredictable circumstances on which they are based.

Therefore, any forward -looking statement made by or on behalf of the Hera Group refer on the date they are made.

The Hera Group shall not undertake to update forward-looking statements to reflect any changes in the Group's expectations or in the events, conditions or circumstances on which any such statements are based.

Nevertheless, the Hera Group has a "profit warning policy" , in accordance with Italian laws, that shall notify the market (under "price-sensitive" communication rules) regarding any "sensible change" that might occur in Group expectations on future results.