



Hera Group Sustainability

2009



Index

	<u>Page</u>		<u>Page</u>
Introduction to Hera Group		Annexes	
> Hera establishment	4	> CSR results and awards	23
> Sector overview	5	> Sustainability milestones	25
> Portfolio mix	6	> Business Plan targets	27
> Governance	7	> Focus on Personnel	28
> Track records	8	> Focus on Customer	30
> Sustainability	9	> Focus on Suppliers	31
 		> Focus on Environment	32
Hera sustainable approach		> New WTE plants	34
> Commitment towards sustainability	11	> Business Plan assumptions	35
> Sustainable organization	12	> Waste and Water 2011 targets	36
> Hera sustainable approach	13	> Focus on Electricity	37
 		> Focus on Gas	38
Hera sustainable future		> Gas and Electricity 2011 targets	39
> Strategy	15	> Other businesses 2011 targets and Portfolio mix	40
> Financial sustainability	17	> Disclaimer	41
> 2011 Targets	18		
> Ebitda drivers	19		
> Capex and cash flows	20		
> Closing remarks	21		



Oscar di Bilancio
Società
e Grandi Imprese

WINNER
2007

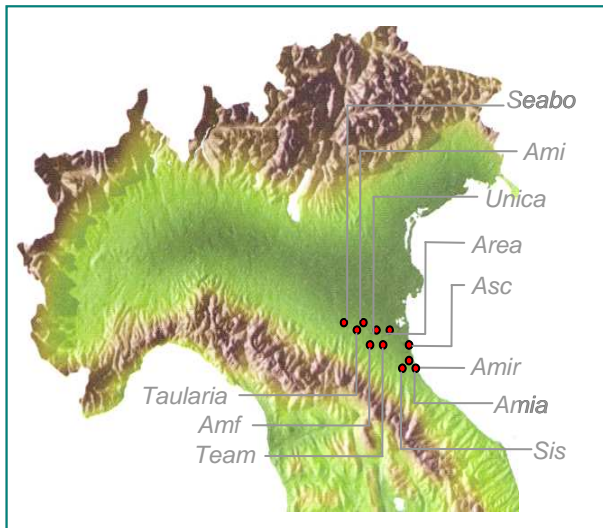
Introduction to Hera Group

Hera Group establishment and expansion strategy

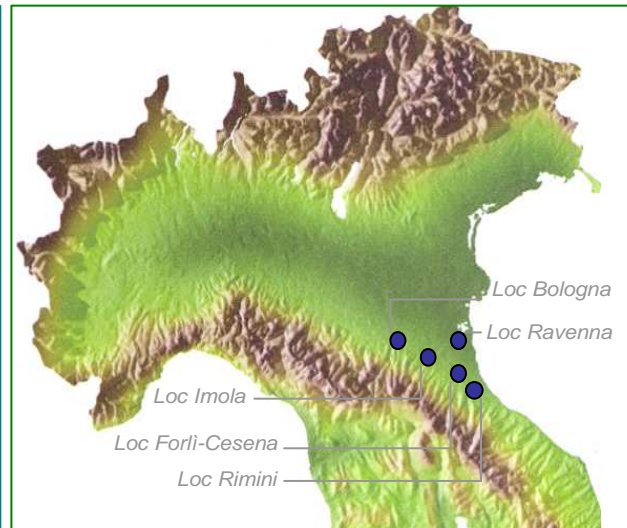
Hera established in November 2002 through the first relevant merger in the Italian utility sector involving 11 companies operating in contiguous areas. Group reorganisation brought to a rationalisation of businesses into 5 L.O.C..

Hera Group has further expanded in following years in Emilia Romagna and Marche regions (merging further 5 multi-utilities) and has become a leading player with a turnover in 2008 of over 3,7 bn €.

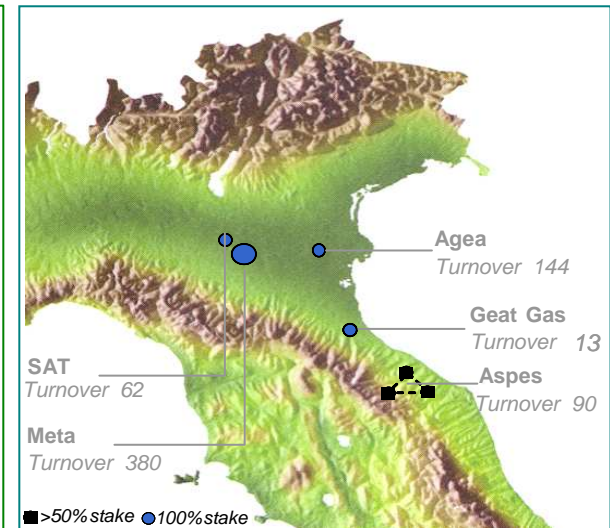
1st Nov. 2002: Establishment



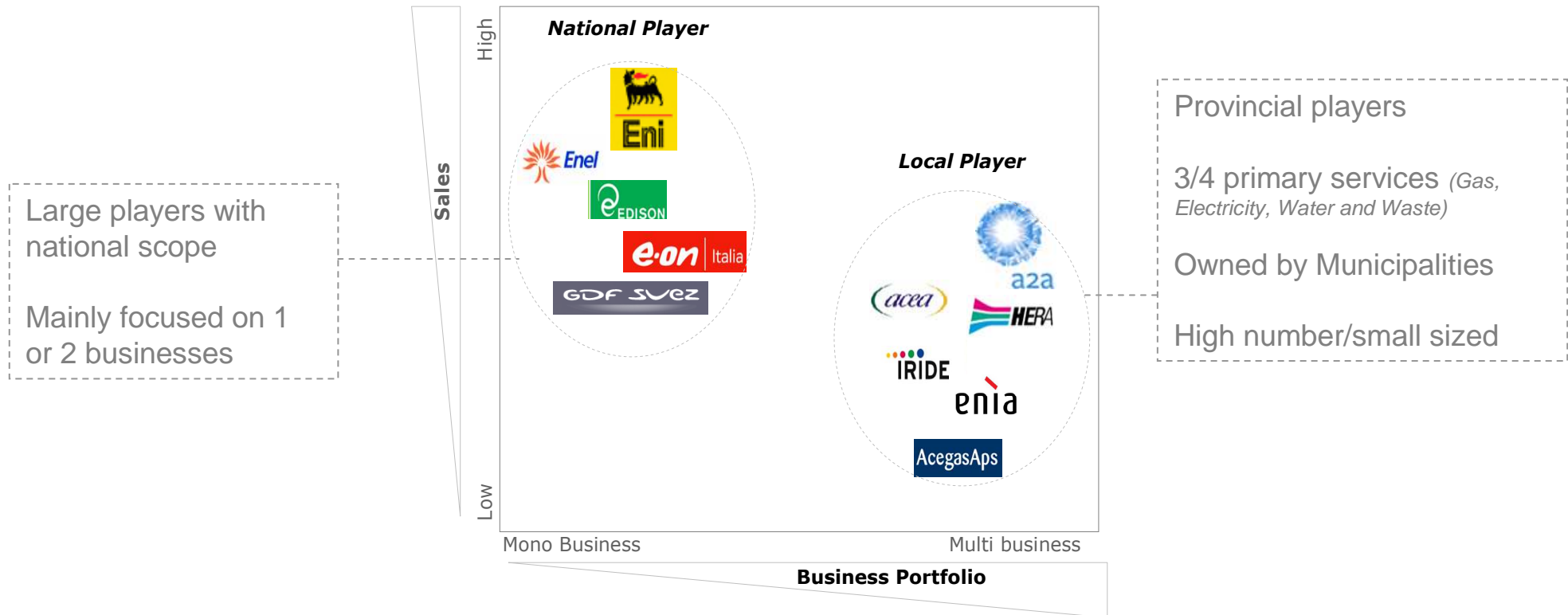
2nd Nov. 2002: Reorganisation



2002-2008: Expansion



Italian utility sector overview



Hera activity: well balanced complementary core activities

National 2nd best

Water management

Volume sold (mm ³)	257
Clients (k unit)	1,154
Networks (km)	43,000
Leakage (best in class)	24%

National Leader

Waste management

Urban Waste (m ton)	1.8
Special Waste (m ton)	3.4
Treatment plants	74
<i>Of which WTE</i>	7
Sorted coll. Waste	42%
WTE emissions (vs law std)	17%

National 4th best

Gas Distrib. & Sales

Volume sold (mm ³)	2,493
Volume distrib. (mm ³)	2,370
Clients (k unit)	1,066
Networks (km)	14,400
Methane gas	~100%

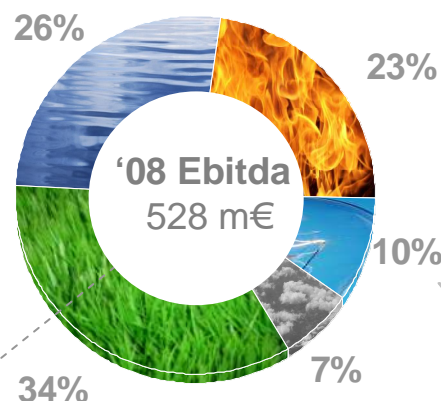
National top 8

Electricity Distrib. & Sales

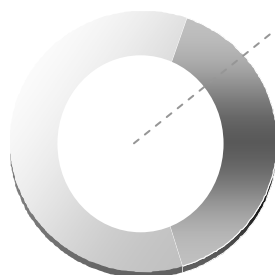
Volume sold (Gwh)	5,075
Clients (k unit)	314
Networks (km)	9,600
Power gen. renew.	62%

District Heating & Other b.

District Heating (Gwht)	423
Lighting towers (k unit)	327
Municipalities served	64



60% Regulated



40% Liberalised

Unique and effective governance

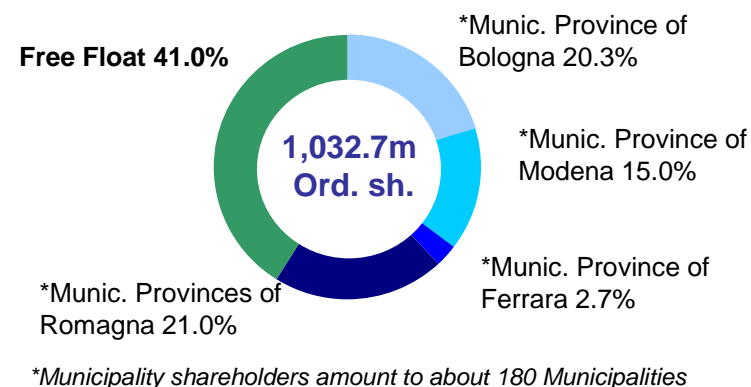
Following the mergers achieved Public **Shareholdings** become highly **fragmented** (Munic. of Bologna has the largest share of 15%).

Free float (41%) include more than 150 institutional shareholders and above 20k private individuals (of which 50% Hera clients).

Limit of voting rights at 2% for private shareholders (no holding limits, no poison pills in by-law).

BoD, representing private shareholders by 22%, has set up 4 internal committees (Ethics, Control, Remuneration and manage effectively through an “Executive committee”).

Shareholdings of Hera as at 2009



Board of directors of Hera

	Member	Perc.
Municipal shareholders:		
Bologna	4	22%
Casalecchio di Reno (together with other 46 munic.)	1	6%
Cesena (together with other 25 munic.)	1	6%
Ferrara (together with other 9 munic.)	1	6%
Forli	1	6%
Con.Ami (together with other munic. in Imola prov.)	1	6%
Modena (together with other 29 munic.)	3	17%
Ravenna (together with other 11 munic.)	1	6%
Rimini (together with other 26 munic.)	1	6%
Private Shareholders		
	4	22%
Total Board Members	18	100%

Strong track record (outperforming IPO targets) with...

Ebitda more than doubled

Net profit tripled

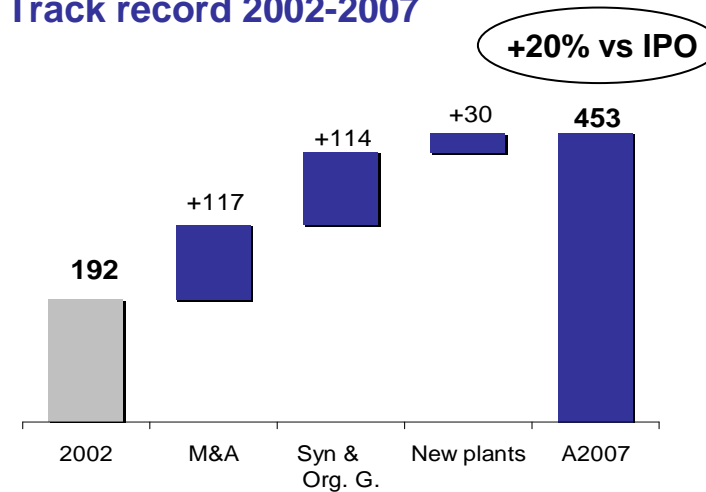
Dividends more than doubled

Sound capital structure:

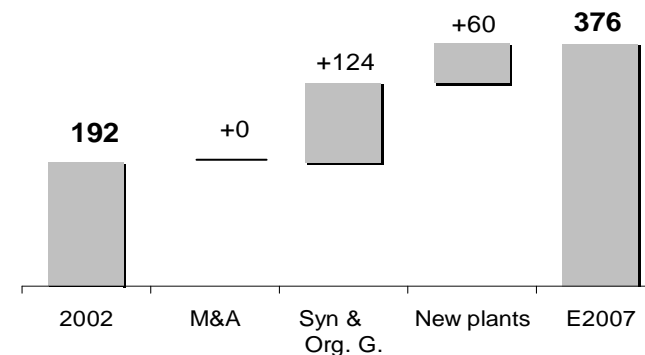
D/E below 1 and 8 years debt duration, 90% fixed interest rates and 350m€ committed credit lines covering maturities up to year 2011.

M €	2002	2003	2004	2005	2006	2007	2008	Cagr %
Revenues	1.099	1.241	1.529	2.148	2.364	2.905	3.792	+22,9%
Ebitda	192	242	292	386	427	453	528	+18,4%
Net Profit	37	53	87	109	100	110	110	+20,0%
D/E (%)	29	50	53	65	77	93	100	+22,8%
DPS (C€)	3,5	5,3	6,0	7,0	8,0	8,0	8,0	+14,8%
ROI (%)	6,9	8,4	10,9	8,8	8,6	7,4	8,9	+4,4%

Track record 2002-2007



IPO Business Plan (2003-2007)



... a strong sustainable profile

- > Hera is a relevant economic entity managing significant **environmental and social** resources of its reference territory.
- > Hera is **committed to properly use** natural **resources** (earth, water, air) delivering services to **people** aiming at reducing negative environmental effects (CO₂ emissions, water and soil pollution).
- > Hera is as well committed to **promote social enhancement** through promotion of values, respect of people, listening and speaking to all stakeholders.
- > This citizenship has a significant **impact on how Hera people effectively think, organize, act and manage** relations with stakeholders.

Track record 2005-2008

	2005	2006	2007	2008	
Gross Value Added	715,4	792,4	797,8	909,2	↑
Personnel					
Training (K h.)	112,7	122,5	150,1	207,6	↑
Incidents on Job*	50,1	47,5	42,1	38,2	↑
Gravity of damage**	1,1	1,5	1,2	1,1	↑
Customers					
Interruptions in e.e. service (minutes)	14,7	21,1	16,1	11,5	↑
Respect of Aegg std		95,2%	94,9%	95,7%	↑
Avg waiting time in shops (minutes)	39,5	23,7	21,9	18,5	↑
Avg waiting time call centres (seconds)	70,2	34,5	46,2	66,1	↑
Energy (Gwh and GwhT)					
Cogeneration (incl. thermal)	218,8	207,2	178,2	164,2	↑
WTE (incl. thermal)	300,7	353,7	341,2	404,6	↑
Geothermic (thermal)	76,1	66,6	57,3	66,5	↑
Solar	-	-	0,2	0,3	↑
Hydro	1,5	-	0,5	0,1	↑
Biogas	12,0	17,0	29,8	35,2	↑
Conventional thermal plant	294,3	262,2	267,8	278,6	↑
Other sources (incl. thermal)	16,7	9,9	11,6	11,7	↑
Total	920,2	916,5	886,7	961,3	↑
Environment					
Sorted Urban Waste collection	30,9%	31,2%	36,0%	42,0%	↑
Urban Waste to landfill	36%	34%	35%	31%	↑
Water leakage (incl. Administrative I.)	24,9%	25,4%	25,3%	25,5%	↑
Respect Kyoto Standards (Co2)	98%	86%	64%	70%	↑
White Certificates (K Tep)	2,0	13,8	27,5	90,0	↑
Green Certificates/Cip6 (%***)		63%	65%	61%	↑

* total number of incidents on total working hours

** days of absence on total working hours

*** % on electricity production

Basis of Hera Sustainable approach

Codified commitment towards sustainability

A “genetic” commitment towards sustainability formally reflected in Group’s codes. The milestones:

2005: revision of Group Mission and values (involving senior management at Group level).

2006: Code of Ethics (involving above 6,000 employees, 100% at Group level).

2007: Ethics Committee (with the task of disseminating, awareness-raising and implementation of the code).

Mission

“Hera **goal** is to be the **best multi-utility** in Italy **for its customers, workforce and shareholders**. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by **respecting the environment**”.



Corporate values

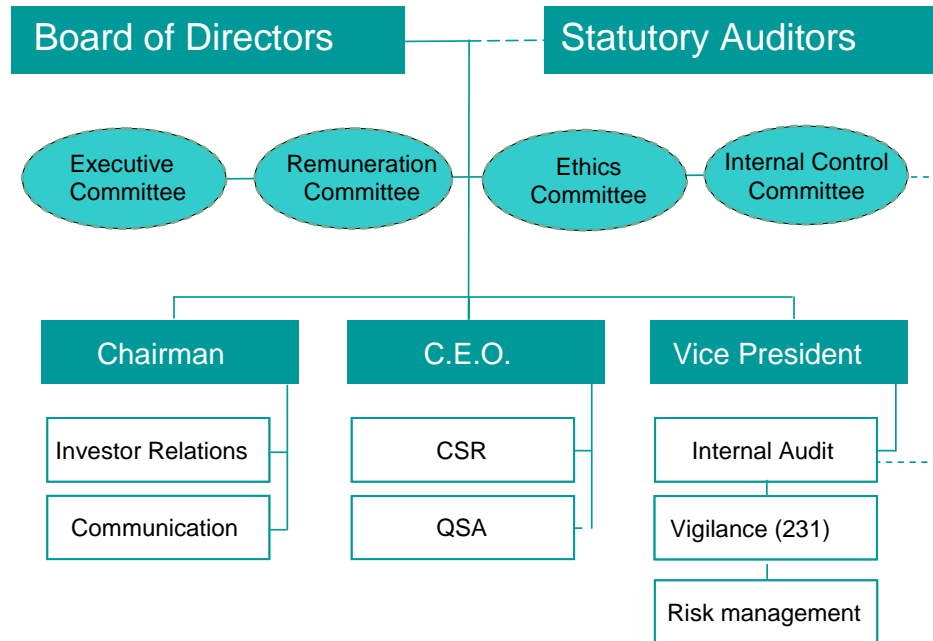
Integrity

Transparency

Personal responsibility

coherency

Organizational evolution to pursue effectively the mission



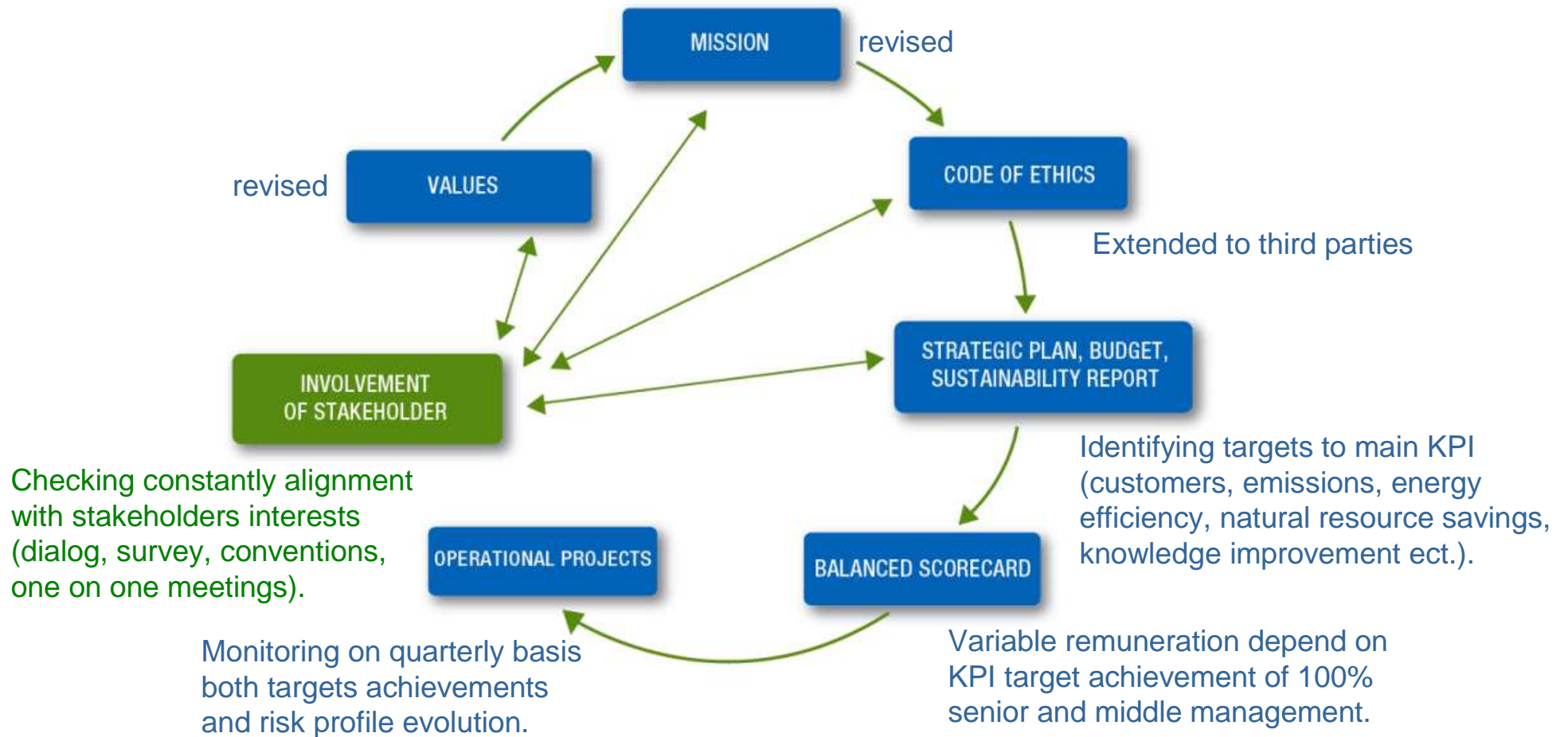
> All main functions focused on stakeholders are directly in staff to Top Management.

> Further more other main Organizational Units are in place:

> Supervisory Board on corporate crime prevention (legislative decree 231/2001).

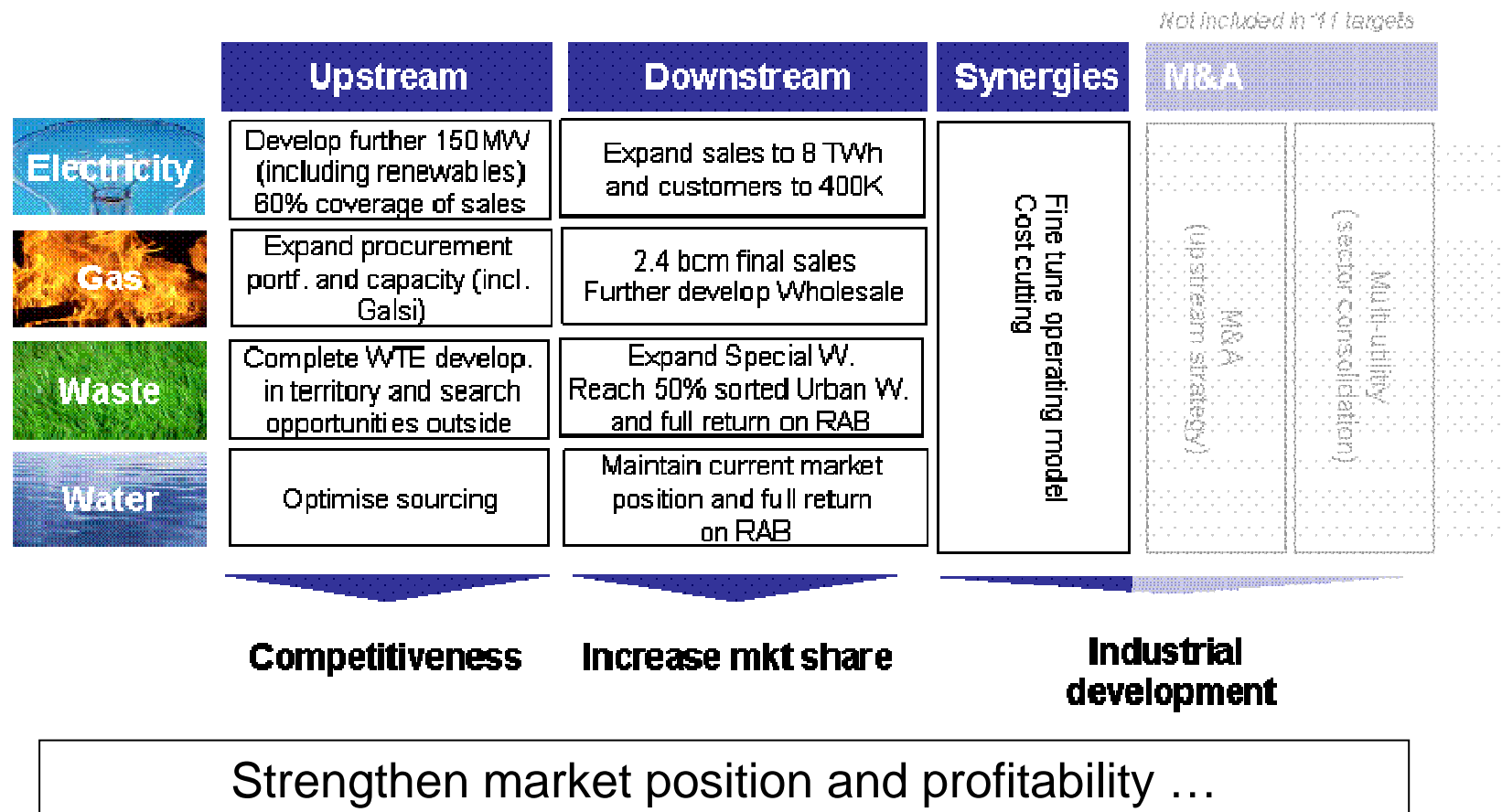
> Integrated management of Quality, safety and Environmental policies (QSA).

A systematic and codified approach to sustainability at Group level








Hera Sustainable Future

Key strategic targets



Key strategic targets (2)

Development strategy in line with sustainability			
 Electricity	1.383 GWh (from 384) from all renewables	Develop upstream keeping ~ 60% of green power gen.	Maintain CO2 credit position (respect NAP)
 District H./Gas	From 192 to 578 GWht (from more renew. mix)	Roll out remote Control and renewal of meters	Develop CCGT linked to District heating
 Waste	50% sorted (+600 bp) waste collection	Landfill : from 38% to 15% of waste treated.	Maintain ISO 14001 Extend EMAS: all plants
 Water	23% leakage (+200 bp) vs 39% Italian avg	Roll out remote Control and renewal of meters	Develop remote control leakage devices
 Group	Work on energy saving Projects (White cert.)	Reach SA 8000 and fully respect Kyoto protocol	Maintain ISO 9001 Reach: OHSAS 18001

... focusing on sustainability

Financial sustainability

M €	2008	%	E2011	%	Cagr.%
Revenues	3,792	100.0%	4,336	100.0%	+4.6%
Opex	(3,181)	(83.9%)	(3,488)	(80.4%)	+3.1%
Personnel	(331)	(8.7%)	(361)	(8.3%)	+2.9%
Capitaliz.	249	6.6%	183	4.2%	(9.7%)
Ebitda	528	13.9%	670	15.5%	+8.2%

Capex Plan 2009-2011 (b€)	1.0
----------------------------------	------------

	2008	E2011
Net Invested Capital (m€)	3,151	3,466
ROI	8.9%	11.8%
ROE	7.0%	11.1%
D/E	1.00x	0.95x
NFD/Ebitda	3.0x	2.5x

Revenues

+4.6% Cagr

Revenues increase by +544m€ through:

- >Cross selling and market expansion in electricity business;
- >Expansion of Special Waste market share and increase in Urban waste tariffs (+2.9% cagr);
- >Increase in water tariffs (>+4.5% cagr).

Ebitda

+8.2% Cagr

Increase of +142 m€ with the contribution of all core businesses.

Profitability and Dividends

Increases expected in all return ratios maintaining a sound capital structure.

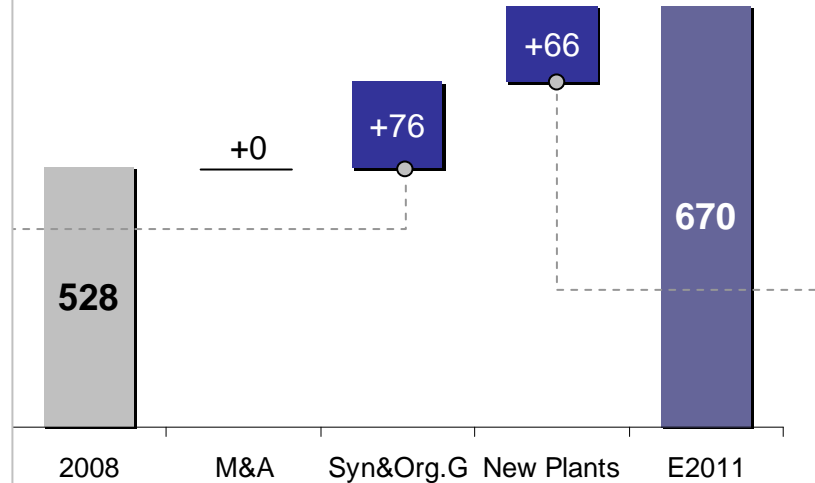
Double digit dividend increase confirmed (throughout 2011).

Capex plan

Fully funded by 2009-2011 positive free cash flows.

670m€ Ebitda target underpinned by visible “organic” drivers

- >Electricity sales increase
- >Waste asset management
- >Tariff increase “WW”
- >Efficiency gains
- >Energy saving projects (awarded with White cert.)
- >CO2 reduction patented technology first phase of roll out
- >CO2 positive balance
- >50% sorted waste collection
- >Reduction of water leakages
- >District Heating expansion



>About +50m€ expected from renewables.

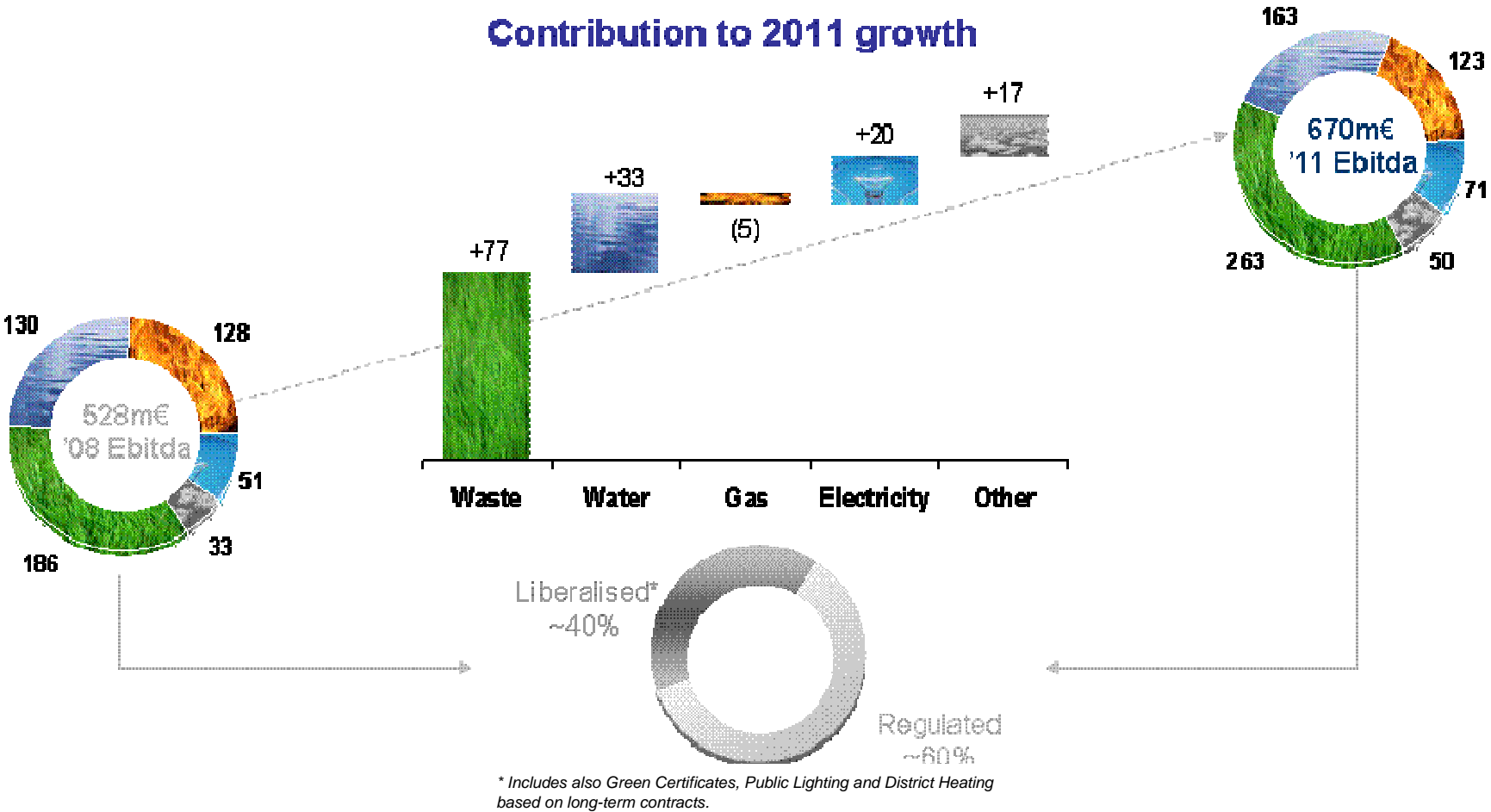
New Plants	Start up
WTE Forlì	Aug '08
WTE Modena	Dec '08
WTE Modena (revamp.)	end '10
WTE Rimini	beg. '10
CCGT Imola	Dec '08
CCGT Ortona	end '10
Renewables	'10/'11

■ Already started up

Avg Track records versus targets

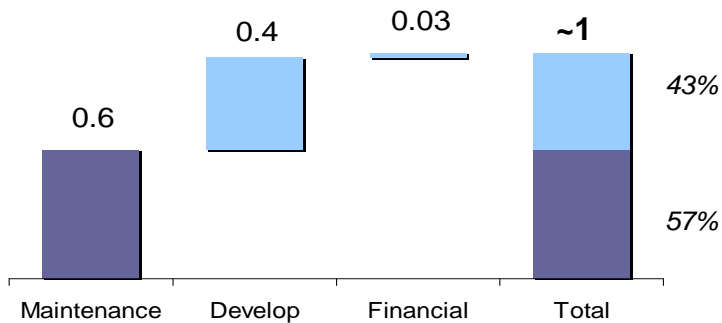
(M€)	M&A	Syn&Org.G	New Plants
Avg '02-'08	22	25	9
Avg '09-'11	-	25	22

Financial sustainability: Ebitda growth drivers

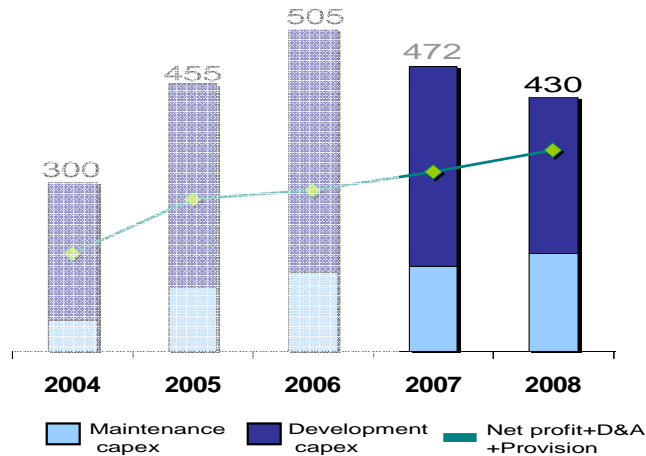


Decreasing capex and positive cash flows from '09

Capex plan 2009-2011 (b€)



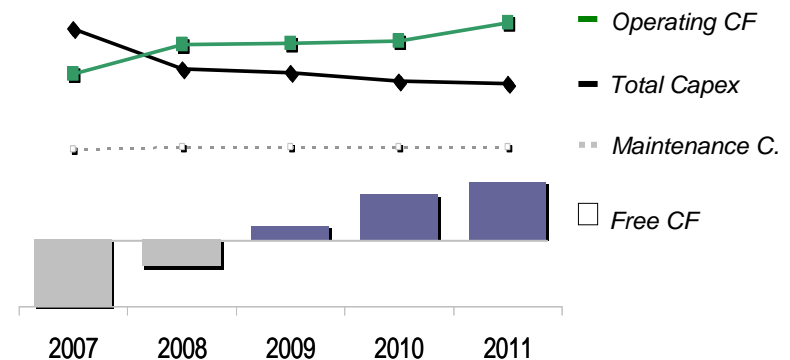
Capex plan executed 2004-2008 (m€)



Decreasing capex thanks to new plants completion (60% related to renewables, natural sources savings and District Heating).

Contribution of new plants and lower capex turn CF to positive and to growing dividends.

Positive Cash Flows from 2009



Closing remarks

- > Hera has a long **tradition in sustainability** due the sensibleness of public shareholders (main shareholders of Hera and the companies merged in Hera Group).
- > **Since flotation**, Hera has **adopted several governance and organizational changes** in order to involve effectively stakeholders in a continuous dialogue.
- > **Track records** give evidence of the **sustainable progress performed** and strategic planning has set **enhancement targets on all main KPIs for the next 3 years**.
- > Hera **remuneration system assures personnel commitment** on achieving the sustainable targets.
- > **Sustainability** represents an ethical “must” and a **“profitable” business** (>10% of E2011 Ebitda will come from incentives such as Green Certificates, Cip6 and White certificates).
- > **R&D department engaged in working out new technologies to reduce environmental impact** of Hera activities (CO2 project, water network leakage control systems etc.).
- > **The sustainable profile** has been **awarded** by several entities and positively analysed by **specialist analysts and ethical investors** (Oddo Securities, Cheuvreux, E Capital Partners and Ethifinance analysts; several U.K., Suisse and France investors held shares).
- > **Hera website** (www.gruppohera.it) include a “Sustainable” section for **further information**.

Annexes

Main CSR results and awards (1)

European EMAS Award

In November 2005, the Ecolabel and Ecoaudit committee (a body appointed by the Italian Ministry for the Environment, issuing EMAS certification) selected Hera for the European EMAS Award and singled out the corporate EMAS certification project as an instance of excellence.



Sodalitas Social Award's Award

On 7 June 2006 Hera was awarded the Sodalitas Social Award for its project involving the local community in the Ferrara RAB (Residential Advisory Board). The Hera Group was recognized in this field as a result of the project involving the local community.



Hera nominated for Intellectual Capital Value Award

Hera has been named on the shortlist of companies vying for the Intellectual Capital Value Award presented by the Italian training and consultancy company Summit. This award is presented to companies that have distinguished themselves as a result of their intellectual capital, a key asset for any organisation.



Confservizi Quality Prize

On 14 November 2007, Hera Group won first place in the "Environmental and social reporting systems" category in the third edition of the Confservizi Quality Prize. The third edition of the prize focused attention on best practices in Corporate Social Responsibility, an area that Hera has always dedicated great attention to.



Main CSR results and awards (2)

Financial Statements Oscar

On 28 November 2007, the Hera Group has won the 2007 “Financial Statements Oscar”: sponsored by FERPI, the Italian Federation of Public Relations, the award destined to major Italian companies with the most outstanding levels of transparency, timeliness and quality of communication since 1955.



CEEP CSR label

In 2008 Hera was awarded the CEEP label on CSR, assigned within the DISCERNO Plus European project: this mark of quality is given to local public service companies who distinguish themselves by their integration of socially and environmentally responsible practices in management operations.



Chamber of Commerce of Ravenna: 2008 Environmental Prize

Hera S.p.a. received a Special Mention for producing a sustainability report as an instrument of dialogue and a testimony to the company's commitment to the territory and all its stakeholders.

Hera leads the way in online communications in Italy

In the seventh edition of the H&H Webranking 2008 Italia Top80 study, which concluded in November 2008, Hera obtained the highest points tally of all Italian multiutility companies, consolidating its 6th place achieved in 2007. Hera gained 75 points, well above the Italian average of 41 and the European average of 57.



“Sustainability” Milestones (1)

The RAB at Ferrara started

On **May 2005** the kick-off meeting of the **Residential Advisory Board regarding the Ferrara waste-to-energy** plant was held. The RAB provides a method for consultation between the company and citizens.

New Mission approved

On **June 2006**, the Board of Directors of Hera SpA approved the **new Mission** and new company Charter of Values. The Mission and Charter of Values have been submitted to the approval of the workforce through focus groups and a survey.

The first Hera's kindergarten

On **January 2007** the first Hera's kindergarten "**Tirithera**" was opened.

Waste-to-energy plant emissions available on-line

From **February 2007** the **daily updated atmospheric emissions** are available on the Hera Group website.

Corporate Social Responsibility Convention organized by Hera

On **June 2007** was held an **international convention organized by Hera** entitled "Corporate Social Responsibility: the other side of competition. How to reconcile social responsibility and competitive advantage?"

“Sustainability” Milestones (2)

Second internal climate survey

On October 2007 the second **internal climate survey** was conducted (first edition in 2005) with the participation of more than 60% of employees.

Approval of the new Hera Group Code of Ethics

On September 2007 the Board of Directors approved the new Group **Code of Ethics**.

Inclusion with ethical Indexes

Included in *Kempen SRI index* and *ECPI Ethical Index Euro* (ECapital Partner).

2008 Certifications

Discerno plus label and **Global Compact** positive judgment on Hera Sustainability Report (in accordance with GRI, G3/GRI and GBS guidelines), **ISO 14001 and 9001** confirmed (on all Group Companies), 24 Waste treatment plants certified EMAS (33% of waste disposed) and start process for **OHSAS 18001** certification (process due in 2010).

Business plan targets on KPIs

- > **Hera strategic planning sets targets for all main KPIs.**
- > Strategic planning in Hera is a **“bottom-Up” process renewed every year** to define a 3-years business plan.
- > **Targets are analytically defined in a Balanced Score Card system** extended to all senior and middle management.
- > **Top management remuneration (disclosed in the financial statements) is 50% linked to target achievements.**
- > **Senior and middle management remuneration system is also linked (15%-20%) to the achievements of target set in the BSC.**
- > **2009 targets set out in Sustainability report.**

	2008	E2011	Trends
Gross Value Added	909,2	1.001,0	+10,1% ↑
Personnel			
Training (K h.)	207,6	130,0	(37,4)%
Incidents on Job*	38,2	38,0	(0,5)%
Gravity of damage**	1,1	0,9	(18,2)%
Customers			
Interruptions in e.e. service (minutes)	11,5	11,4	(0,8)%
Respect of Aeeg std	96%	100%	+4,5%
Avg waiting time in shops (minutes)	18,5	15,0	(18,9)%
Avg waiting time call centres (seconds)	66,1	40,0	(39,5)%
Energy (Gwh and Gwht)			
Cogeneration (incl. thermal)	164,2	1.282,3	+680,8%
WTE (incl. thermal)	404,6	721,4	+78,3%
Geothermic (thermal)	66,5	83,8	+25,9%
Solar	0,3	7,9	+2183,2%
Hydro	0,1	17,4	
Biogas	35,2	100,7	+186,2%
Conventional thermal plant	278,6	45,1	(83,8)%
Other sources (incl. thermal)	11,7	135,9	+1059,6%
Total	961,3	2.394,5	+149,1% ↑
Environment			
Sorted Urban Waste collection	42,0%	50,0%	+19,0%
Urban Waste to landfill	31%	15,0%	(51,6)%
Water leakage (incl. Administrative I.)	25,5%	23,0%	(9,8)%
Respect Kyoto Standards (Co2)	70%	106%	+51,4%
White Certificates (K Tep)	90,0	191	+112,3%
Green Certificates/Cip6 (%***)	61%	34%	(44,3)%

* total number of incidents on total working hours

**days of absence on total working hours

*** % on electricity production

Focus on Personnel (1)

Hera's most relevant stakeholder

- > A continuous internal communications system is having success (meetings, House organ, intra-net site, television screens).
- > At Hera all relevant matters are shared with employees starting from the discussion on the new mission, new business plan etc.
- > In 2007 the second survey on personnel satisfaction yielded positive results.
- > A Balanced Scorecard system was introduced to guarantee a fair valuation of results and bonuses.
- > Hera commitment is to improve education and know how sharing. Training activities performed obtained positive feed back from personnel.

2005-2008 KPI

	2005	2006	2007	2008
Personnel				
Senior Management	93	99	109	115 ↑
Management	245	252	286	306 ↑
Clerks	2.458	2.535	2.700	2.980 ↑
Workers	3.108	2.998	3.019	2.990
Total	5.904	5.884	6.114	6.391 ↑
Avg age	43,8	44,4	45,1	45,5
Seniority in Hera (years)	13,7	14,3	15,0	15,4 ↑
Female senior managers (%)	8,3%	8,6%	11,9%	13,0% ↑
Female managers (%)	25,0%	26,9%	28,7%	29,7% ↑
Strikes (hours pro capita)	4,4	4,8	1,4	3,6
Litigations	21	24	32	40
Persons awarded with Bonus	414	493	483	582 ↑
Training (K h.)	112,7	122,5	150,1	207,6 ↑
Incidents on Job*	50,1	47,5	42,1	38,2 ↑
Gravity of damage**	1,1	1,5	1,2	1,1 ↑

* total number of incidents on total working hours

** days of absence on total working hours

Focus on Personnel (2)

Hera actions and commitments on social responsibility

- > Hera commitments to improve its social responsibility are stated in the business plan 2008-E2011.
- > Hera will invest in training employed people to share best practices and promote internal carriers replacing natural retirement.
- > Investments are planned to improve training courses to employees in next 3 years.
- > Safe and security on work place will be certified with Ohsas 18001.
- > Balanced Scorecard system has been extended to 100% of managers since 2007.
- > Facilities will be built in order to meet family needs of workers (e.g. Kinder garden etc).

Targets 2008-E2011

	2008	E2011	Trend
Personnel			
Training (K h.)	207,6	130,0	(37,4)%
Incidents on Job*	38,2	38,0	(0,5)% ↑
Gravity of damage**	1,1	0,9	(18,2)% ↑

* total number of incidents on total working hours

** days of absence on total working hours

Focus on Customer

Customers represent Hera focus

- > Customer satisfaction survey in 2008 highlighted a significant degree of satisfaction (67 points achieved on a max of 100).
- > Loyalty of customers is highlighted by low churn rates in liberalized activities (such as gas sale: 0.8% churn rate).
- > In order to meet the commitment to improve the customer care Hera is implementing:
 - >An integrated SAP IT system (CRM and one invoice for different services).
 - >Working out a quality standard card of services for all provinces.
 - >Several projects aiming at enhancing customer care activity (in 3 years dedicated personnel increased by above +100%).

2005-2008 KPI

	2005	2006	2007	2008
Customers				
Interruptions in e.e. service (minutes)	14,7	21,1	16,1	11,5 ↑
Respect of Aeeq std	0%	95%	95%	96% ↑
Avg waiting time in shops (minutes)	39,5	23,7	21,9	18,5 ↑
Avg waiting time call centres (seconds)	70,2	34,5	46,2	66,1

Targets 2008-E2011

	2008	E2011	Trend
Customers			
Interruptions in e.e. service (minutes)	11,5	11,4	(0,8)% ↑
Respect of Aeeq std	96%	100%	+4,5% ↑
Avg waiting time in shops	18,5	15,0	(18,9)% ↑
Avg waiting time call centres	66,1	40,0	(39,5)% ↑

- > Develop web-site potentials to serve customers.
- > Work out a welcome kit for new customers.

Focus on Suppliers

Suppliers considered strategic partners

- > Hera deals with 10K suppliers.
- > 63% in reference territory.
- > A qualification system introduced on certification basis.
- > Code of Ethics in contract clauses.

Commitments for the future

- > Improve Code of Ethics knowledge among suppliers.
- > Increase share of supplier certified Ohsas 18001, SINAL, SIT and SA 8000.
- > Improve web-site information dedicated to suppliers.

2005-2008 Suppliers data

	2005	2006	2007	2008
Suppliers				
Materials	9.143	9.337	9.443	5.617
Services	9.387	9.886	10.350	6.024
Works	1.080	1.197	1.297	899
Total*	15.815	16.170	16.780	9.511
Resident in reference territory	65%	67%	66%	65%
S. certified ISO 9001	6,6%	8,7%	10,4%	18,7% ↑
S. certified SOA	1,8%	2,6%	3,2%	16,2% ↑
S. certified ISO 14001-EMAS	0,6%	1,0%	1,4%	2,9% ↑
S. certified OHSAS 18001	0,1%	0,1%	0,2%	0,5% ↑
S. certified SA 8000	0,0%	0,0%	0,0%	0,1% ↑

* Some suppliers are included in more categories: Total is not the sum of the suppliers of each categories

Focus on Environment (1)

- > Hera **waste** management, **water** services and **energy** production intensively use environmental sources.
- > The **commitments regarding low environmental impact** of these activities highlights **positive results in past 3 years**.
- > **In electricity production**, Hera is **active in all renewable sources** mainly in WTE plants, district Heating and biogas (100% renewable sources) which benefit from **incentive schemes** (CIP6 tariff and Green certificates).
- > Hera is **respecting** all national law and **Kyoto protocol standards** on pollution.
- > About 10% of 2008 Ebitda **was related to benefits** coming from Hera environmental low impact activities.

2005-2008 Electricity Production

	2005	2006	2007	2008
Energy (Gwh and Gwht)				
Cogeneration (incl. thermal)	218,8	207,2	178,2	164,2
WTE (incl. thermal)	300,7	353,7	341,2	404,6 ↑
Geothermic (thermal)	76,1	66,6	57,3	66,5 ↑
Solar	-	-	0,2	0,3 ↑
Hydro	1,5	-	0,5	0,1
Biogas	12,0	17,0	29,8	35,2 ↑
Conventional thermal plant	294,3	262,2	267,8	278,6 ↑
Other sources (incl. thermal)	16,7	9,9	11,6	11,7 ↑
Total	920,2	916,5	886,7	961,3 ↑

2005-2008 KPI

	2005	2006	2007	2008
Environment				
Sorted Urban Waste collection	30,9%	31,2%	36,0%	42,0% ↑
Urban Waste to landfill	36%	34%	35%	31% ↑
Water leakage (incl. Administrative I.)	24,9%	25,4%	25,3%	25,5% ↑
Respect Kyoto Standards (Co2)	98%	86%	64%	70% ↑
White Certificates (K Tep)	2,0	13,8	27,5	90,0 ↑
Green Certificates/Cip6 (%*)		63%	65%	61%

* % on electricity production

Focus on Environment (2)

- > Hera is committed to **enhance the outstanding position in WTE** (building 4 new plants).
- > Waste management will **focus on recycling** (up to 50% of urban waste).
- > Investments in Water to **reduce leakages** (best in class up to date).
- > **CO₂ emissions** will have a **positive balance** up to 2011.
- > **Cogeneration** expected to increase (district heating plants) in energy production by **>5x**.
- > **R&D** will focus on alternative energy sources (Biomass, vegetable oil, solar) and **recycling CO₂ emission in electricity generation** (Bio-digestion technology)
- > Hera expect to increase **up to 12% the portion of E2011 Ebitda coming from benefits** yield on low environmental impact of activities.

Electricity Production targets

	2008	E2011	Trend
Energy (Gwh and Gwht)			
Cogeneration (incl. thermal)	164,2	1.282,3	+680,8% ↑
WTE (incl. thermal)	404,6	721,4	+78,3% ↑
Geothermic (thermal)	66,5	83,8	+25,9% ↑
Solar	0,3	7,9	+2183,2% ↑
Hydro	0,1	17,4	↑
Biogas	35,2	100,7	+186,2% ↑
Conventional thermal plant	278,6	45,1	(83,8)% ↑
Other sources (incl. thermal)	11,7	135,9	+1059,6% ↑
Total	961,3	2.394,5	+149,1%

Environment: targets

	2008	E2011	Trend
Environment			
Sorted Urban Waste collection	42,0%	50,0%	+19,0% ↑
Urban Waste to landfill	31%	15%	(51,6)% ↑
Water leakage (incl. Administrative I.)	25,5%	23,0%	(9,8)% ↑
Respect Kyoto Standards (Co2)	70%	106%	+51,4% ↑
White Certificates (K Tep)	90,0	191,0	+112,3% ↑
Green Certificates/Cip6 (%*)	61%	34%	(44,3)%

* % on electricity production

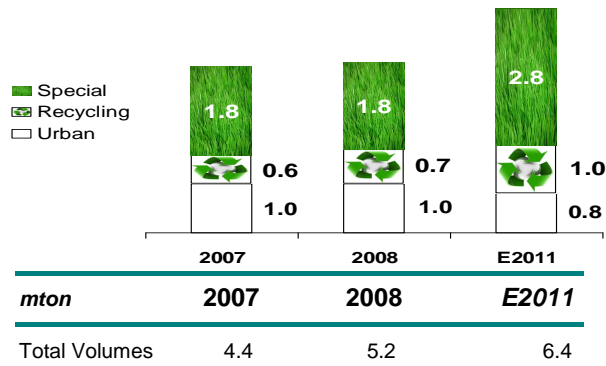
Focus on Environment (3)

WTE expansion almost accomplished

Developed WTE	MW installed	Treatm. Capacity	Constr./acquisit. process (year of start up)	
Old WTE plants	17	113	2003	Still operating
C. E. Ravenna	4	39	2004	Acquired
WTE FEA	22	220	2005	Completed
WTE Ferrara	14	130	2007	Completed
WTE Forli	12	120	2008	Completed
WTE Modena	30	180	2008	Completed
WTE Rimini	12	120		15%
WTE Modena (rev.)	7	45		5%
Total	118	967		

- > Complete Rimini and Modena (revamping) plants.
- > Develop landfills to maintain capacity (2.5 mton).
- > New technologies for waste & soil treatment (e.g. indirect thermal desorption).
- > Energy recovery through dry and wet fermentation, biomass combustion.
- > Leverage upon engineering expertise to provide services and join new WTE initiatives.

Third parties Waste treatments



Spin off activities into a new "legal entity" Hera Ambiente

Business plan assumptions

Main assumptions

Macro-scenario assumptions	Prior plan E2010	New plan E2010	New Plan E2011
Inflation	2%	2%	2%
\$/B Brent	50.00	73.00	70.00
Exchange rate \$/€	0.76	0.71	0.71
avg Electricity price €/MWh	62.30	72.90	71.00
Green Certificates (€/Mwh)	120.00	80.00	80.00
CO2 (€/ton)	18.00	23.00	24.00

Waste & Water

Waste

M €	2008	%	E2011	%	Cagr.%
Revenues	632.1	100.0%	783.8	100%	+7.4%
Oper.cost	(328.0)	(51.9%)	(373.1)	(47.6%)	+4.4%
Personnel	(142.1)	(22.5%)	(150.7)	(19.2%)	+2.0%
Capitaliz.	24.2	3.8%	4.0	0.5%	(45.2%)
Ebitda	186.3	29.5%	263.9	33.7%	+12.3%

Revenues +7.4%

Urban w. tariff +2.3% cagr

Urban w. volumes: +2.0% cagr

Tariff increase up to 2012 already agreed with local authorities. Green certificates conservatively considered on 51% of energy produced and 1.1 certificate per GWh.

Special waste volume expansion (double digit) leverage upon new plant capacity.

Ebitda +12.3%

Mainly underpinned by the new WTE plants contribution (3 new plant already into started up, 1 new in construction in Rimini and 1 refurbishment in Modena),

Water

M €	2008	%	E2011	%	Cagr.%
Revenues	459.0	100.0%	498.1	100%	+2.8%
Oper.cost	(359.0)	(78.2%)	(336.2)	(67.5%)	(2.2%)
Personnel	(100.8)	(22.0%)	(112.8)	(22.6%)	+3.8%
Capitaliz.	131.0	28.5%	114.1	22.9%	(4.5%)
Ebitda	130.2	28.4%	163.2	32.8%	+7.8%

Revenues +2.7%

Tariff growth: +4.5% cagr

Regulated water tariff increase underpin revenue growth.

Tariff increase up to 2012 already agreed with local authorities. Volumes estimated flat.

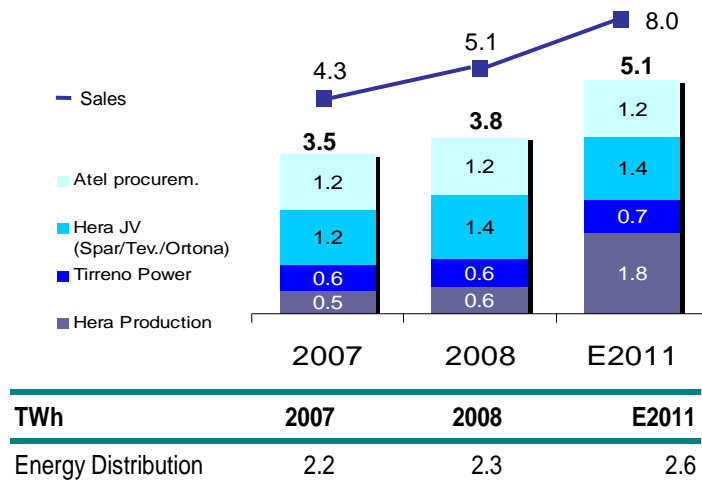
Ebitda +7.8%

Mainly underpinned by tariff increases and efficiency gains pursued in network management (remote control of 100% network).



Focus on Electricity: Exploit visible market opportunities

Upstream* and Sales expansion



* Includes I/t contract with Atel

- > +150 MW capacity by 2011.
- > Further develop current portfolio in renewables targeting 2.0 TWh (70% elect./30% thermal) from 0.6 TWh.
- > Focus on solar (+4MW installed), biomass and wind.

Power Gen. expansion program

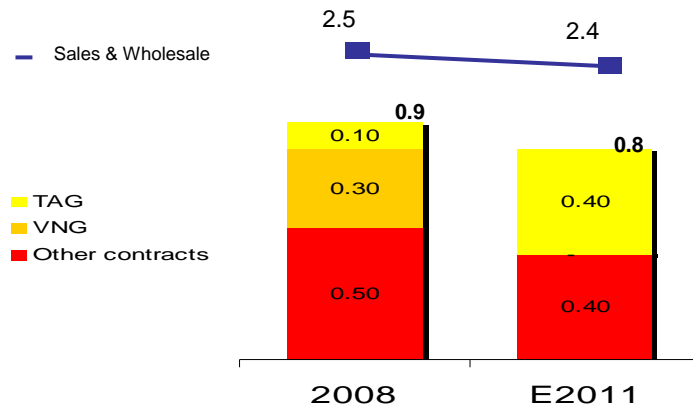
Power Gen.	MW	Avail. Hera	Constr./acquisit. proc.
Tirreno Power	3,000	169	2003 Acquired
Atel contract (VPP)	160	160	2005 Contracted
Sparanise	800	120	2007 Completed
Teverola	400	156	2007 Completed
Imola (cogen.)	80	80	2008 Completed
Ortona	105	27	5%
Other & Renew.		127	75%
WTE		111	80%
Total		950	

'08 produc. (Twh) 12.6
 Revenues (m€) 1.500
 Ebitda (m€) 323
 Net Profit (m€) 100
 Add capacity post '08:
 • CCGT (MW) +400
 • Coal (MW) +460

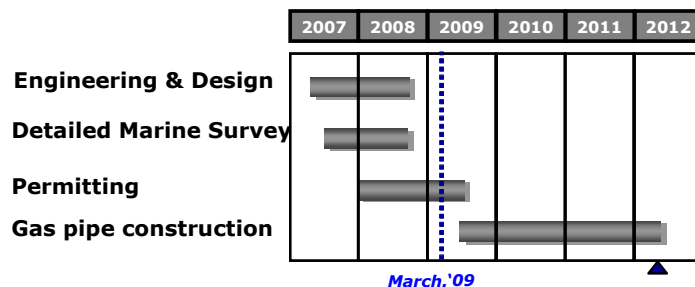
- > 65% coverage of sales with own production.
- > +8 TWh sales and 400K clients (balanced portfolio of clients).
- > 60% of sales growth targets achieved with '09 commercial campaign (December 2008).

Focus on Gas: Move upward for full balancing

Direct Gas import Hera



Galsi Project time table



> Substantially maintain sales volume offsetting physiologic churn rate and maintain 80% sales to residential clients & SME.

> Flexible on upstream to take advantage from a more "liquid" domestic market.

> Galsi (10.4% stake) will further increase by 1 bcm from '13 the direct procurement.

> LNG, Storage and relations with large players are further options under valuation to structure the portfolio.

> Maintain position in reference market (92% mkt share in reference territory).

> Leverage upon 30% stake in SGR Servizi (RN).

'08 Clients (k unit)	181
'08 Volumes (mcm)	295
Revenues (m€)	144
Ebitda (m€)	8
Net Profit (m€)	4

Gas & Electricity

Gas

M €	2008	%	E2011	%	Cagr.%
Revenues	1,130.3	100.0%	1,124.0	100%	(0.2%)
Oper.cost	(997.4)	(88.2%)	(972.2)	(86.5%)	(0.9%)
Personnel	(46.6)	(4.1%)	(55.0)	(4.9%)	+5.7%
Capitaliz.	41.6	3.7%	25.8	2.3%	(14.7%)
Ebitda	127.8	11.3%	122.6	10.9%	(1.4%)

Revenues (0.2%)

Gas distr. tariff (1.1%) cagr

Gas sales volumes: (1.0%) cagr

Sales volumes assumptions are based upon "normal" winter seasons. Gas sales prices based upon assumption of 70\$ per oil barrel (fx \$/€ 0.71).

Ebitda (1.4%)

Ebitda reflects tariff decrease.

Electricity

M €	2008	%	E2011	%	Cagr.%
Revenues	1,555.0	100.0%	1,853.6	100%	+6.0%
Oper.cost	(1,506.5)	(96.9%)	(1,776.2)	(95.8%)	+5.6%
Personnel	(22.0)	(1.4%)	(23.3)	(1.3%)	+1.9%
Capitaliz.	24.9	1.6%	17.3	0.9%	(11.4%)
Ebitda	51.4	3.3%	71.3	3.8%	+11.6%

Revenues +6.0%

Elect. distr. tariff (1.0%) cagr

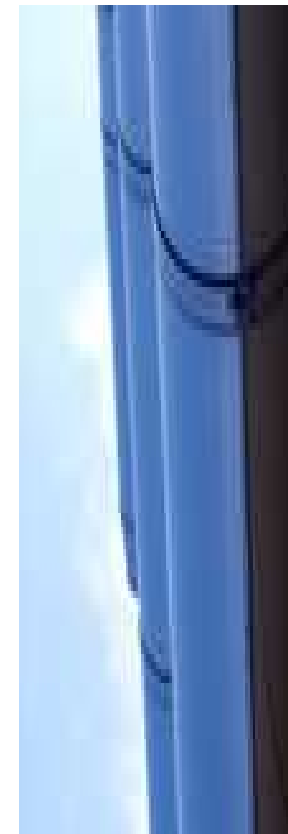
Elect. distr. Volumes +4.3% cagr

Elect. sales volumes: +16.4% cagr

Market expansion (1/3 of already contracted in Dec. '08) is mainly driven by cross selling on gas customer base (mainly Soho/SME and residential customers).

Ebitda +11.6%

Mainly underpinned by upstream in power generation and market expansion.



Other Businesses & Portfolio Mix

Other Businesses

M €	2008	%	E2011	%	Cagr.%
Revenues	164.2	100.0%	154.9	100%	(1.9%)
Oper.cost	(138.7)	(84.5%)	(108.1)	(69.8%)	(8.0%)
Personnel	(19.7)	(12.0%)	(19.1)	(12.3%)	(0.9%)
Capitaliz.	26.8	16.3%	21.4	13.8%	(7.2%)
Ebitda	32.6	19.8%	49.1	31.7%	+14.7%

Revenues (1.9%)

District Heating

Thermal e.: from 423 to 675 Gwh

Power gen. from 70 to 106 GWhe

Public Lighting

Lighting towers. from 327k to 349k

Sales expected reduction relates to non-core activities dismissions partially compensated by increase of District Heating and Public Lighting revenues.

Ebitda +14.7%

Mainly underpinned by efficiency gains and development of District Heating and Public Lighting activities. Ebitda margin expected to increase significantly.

Portfolio Mix

Liberalised*
~40%



Regulated
~60%

* Includes also Green Certificates, Public Lighting and District Heating based on long-term contracts.

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 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.*
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