



Hera Group Sustainability

2010

Index

	<u>Page</u>
Introduction to Hera Group	
> Geographical position	4
> Sector overview	5
> Hera history	6
> Governance	7
> Portfolio mix	8
> Track records	9

Hera sustainable approach

> “Genetic” sustainable approach	11
> Systematic and codified approach	12
> Sustainable organization	13
> Track records on KPIs	14

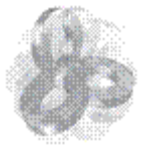
Climate change on Hera

> Climate change “test”	16
> Impact on environment	17
> Impact on waste management	18
> Hera emissions of last 3 years	19

	<u>Page</u>
Outlook on Hera mid term future	
> Business plan 2013 at a glance	21
> Capex plan	23
> KPIs improvement	24
> Expected benefits	25
> Closing remarks	26

Annexes

> CSR results and awards	28
> Sustainability milestones	30
> Disclaimer	32
> Impact on waste management	33



Oscar di Bilancio
Società
e Grandi Imprese

WINNER
2007

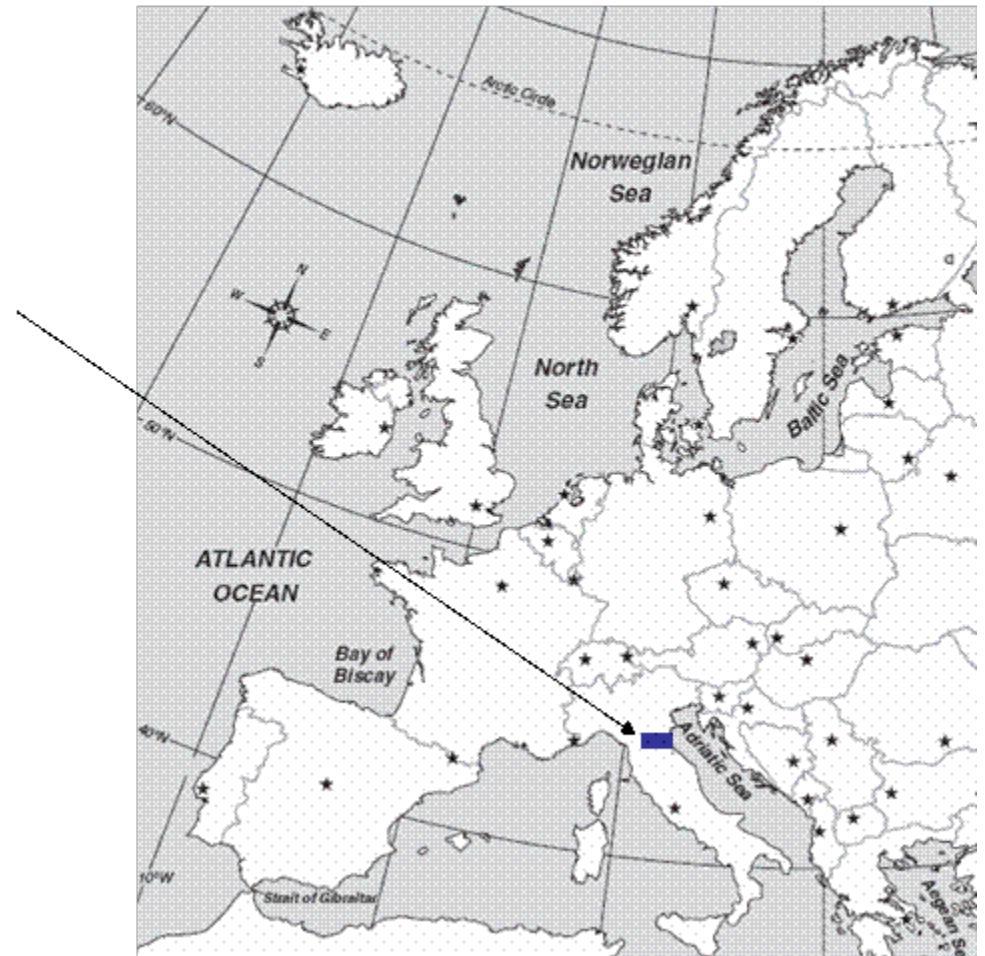
Hera Group at a glance

Where we are

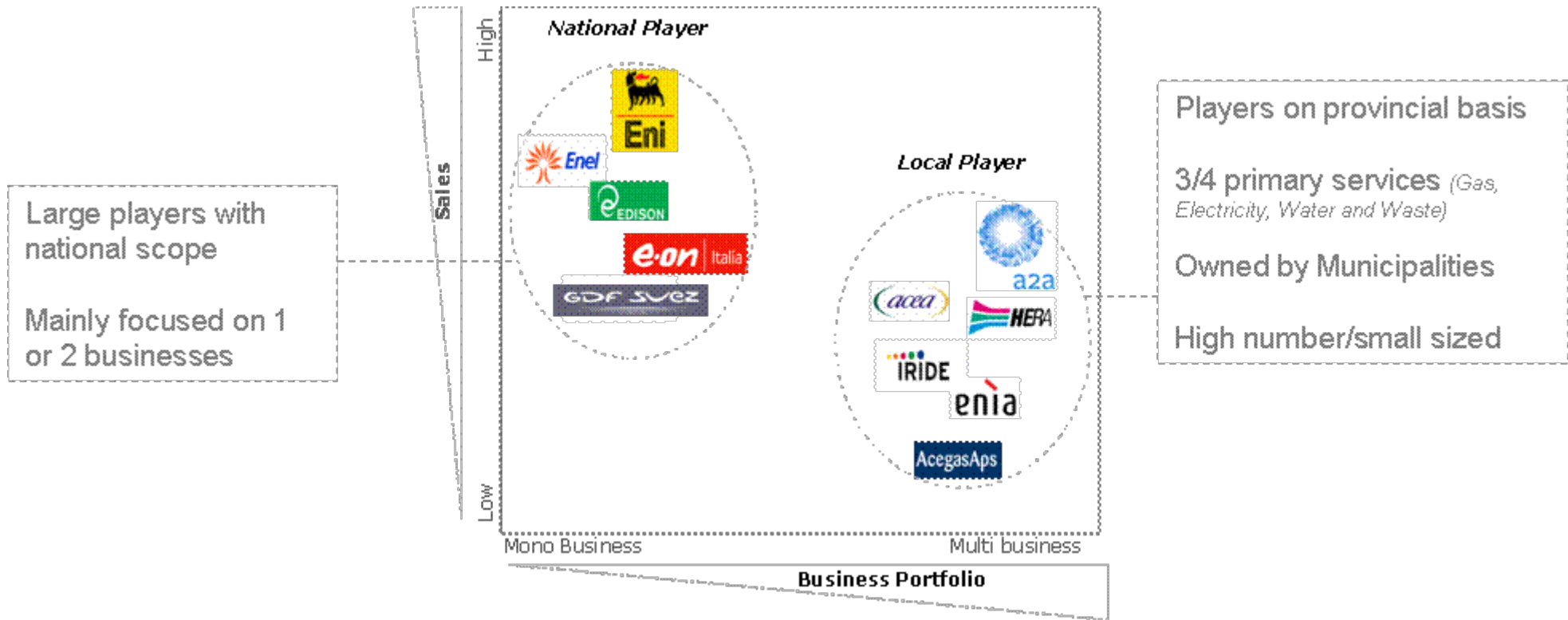
Hera is a multi-utility operating in **70% of Emilia-Romagna** region in Italy *(in the northern part of contiguous Marche region)* .

Emilia-Romagna is among the Italian **wealthiest region** in term of GDP pro-capite and has a V.A. per employee above European avg.

Business environment is mainly built up by profitable small medium sized entities.



Italian utility sector overview

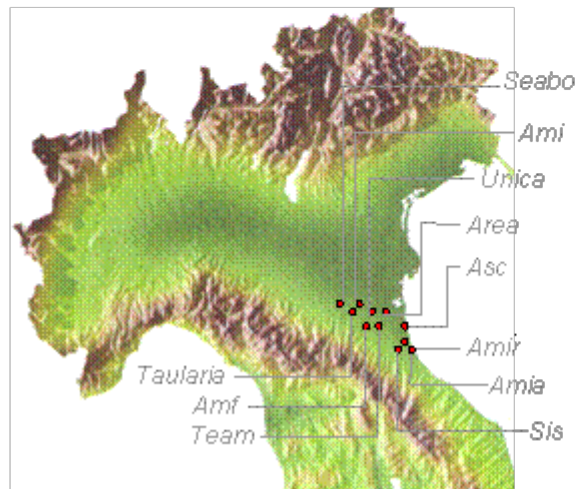


Our history

Established in 2002 through the first relevant merger and

(11 companies operating in contiguous areas in the last 100 years).

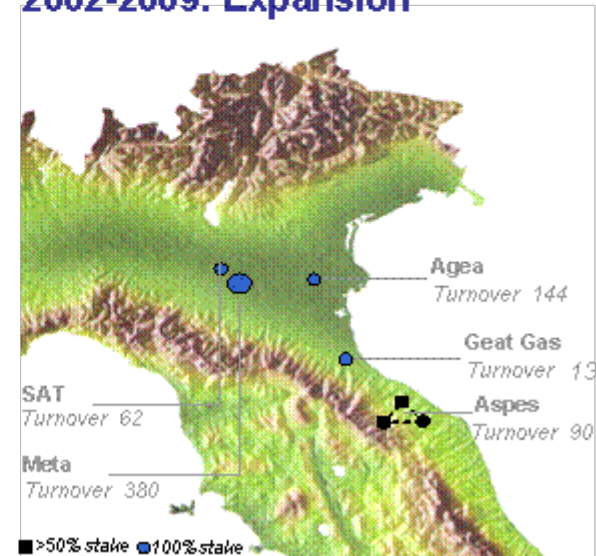
1st Nov. 2002: Establishment



further expanded in following years

(in Emilia Romagna and Marche regions on further 5 multi-utilities).

2002-2009: Expansion



Hera unique governance

Listed in 2003.

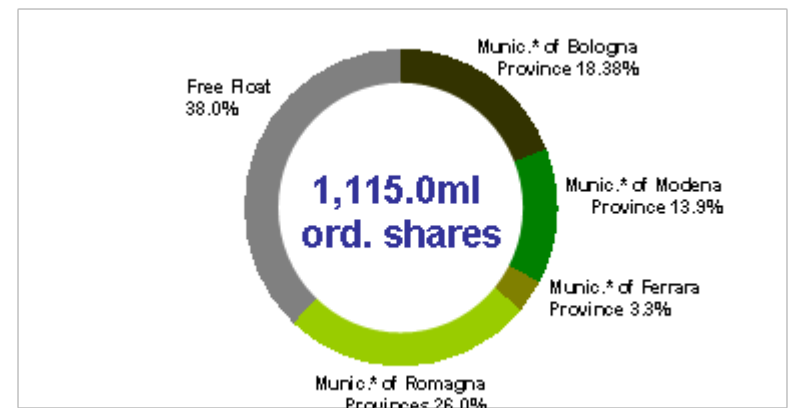
Free float is currently 38%.

62% shares held by 180 municipalities.

Large presence of **international institutional** shareholders and of individuals/**clients**.

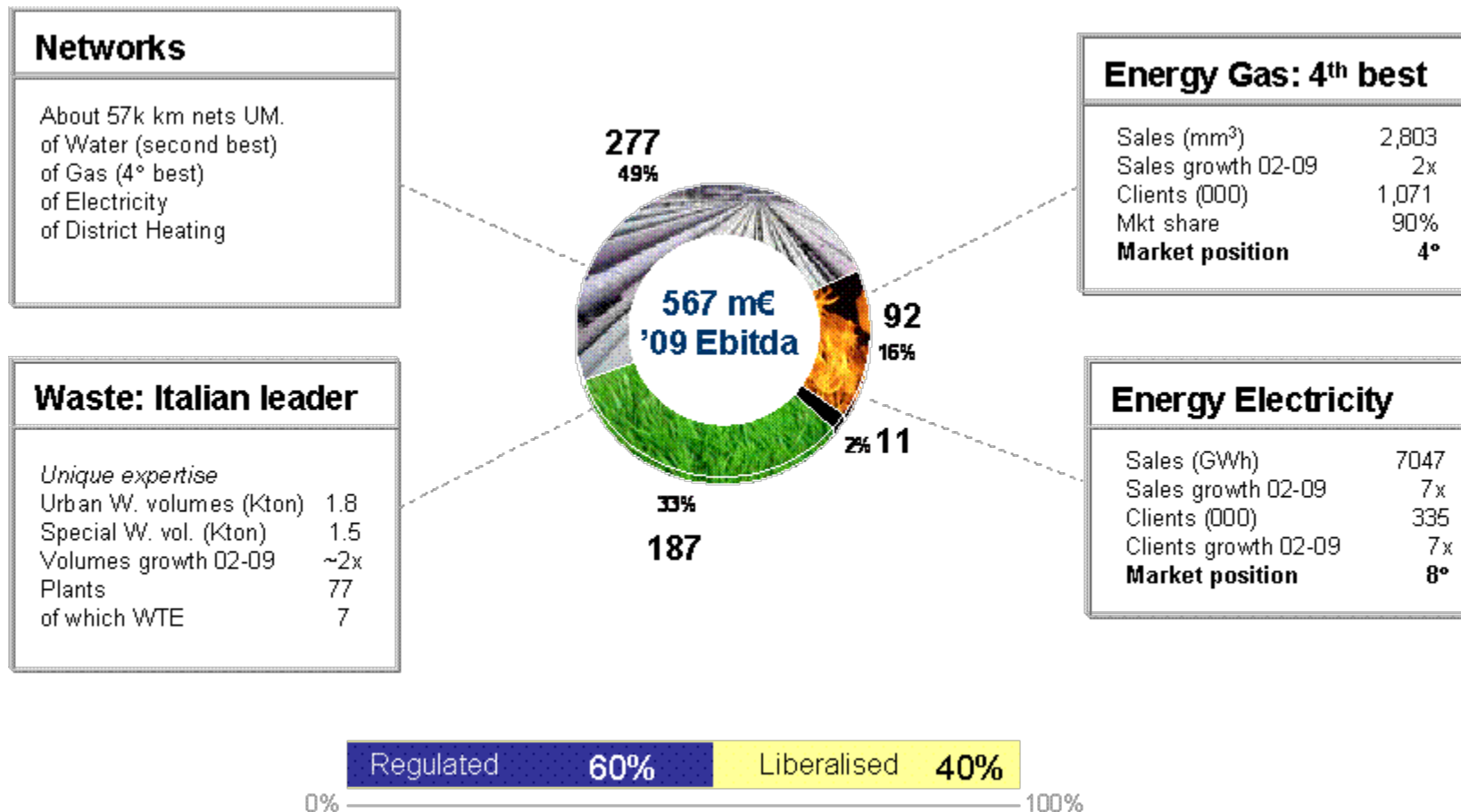
Limit of voting rights at 5% for private shareholders.

Shareholdings of Hera as at 2009



**Municipality shareholders amount to about 180 Municipalities*

Hera business portfolio



Track records

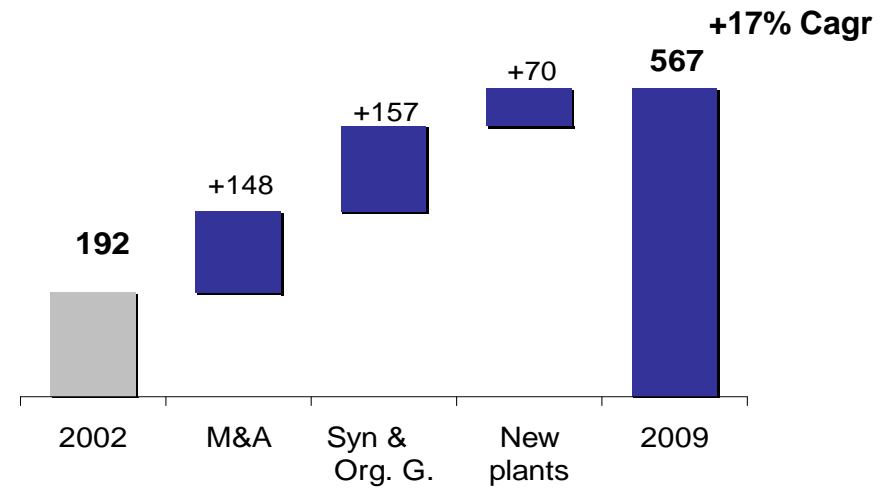
Ebitda and net profit almost tripled

Dividends more than doubled

Financial structure "A" rated:

S&P 's and Moody's.

Track record Ebitda 2002-2009



60% growth organic

Hera sustainable approach to business

“Genetic” sustainable approach well codified in Hera

More than 100 years of tight relation with reference territory and local governments.

Hera long history proves its sustainable model

The milestones post (2002) merger:

2002: First sustainability report

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

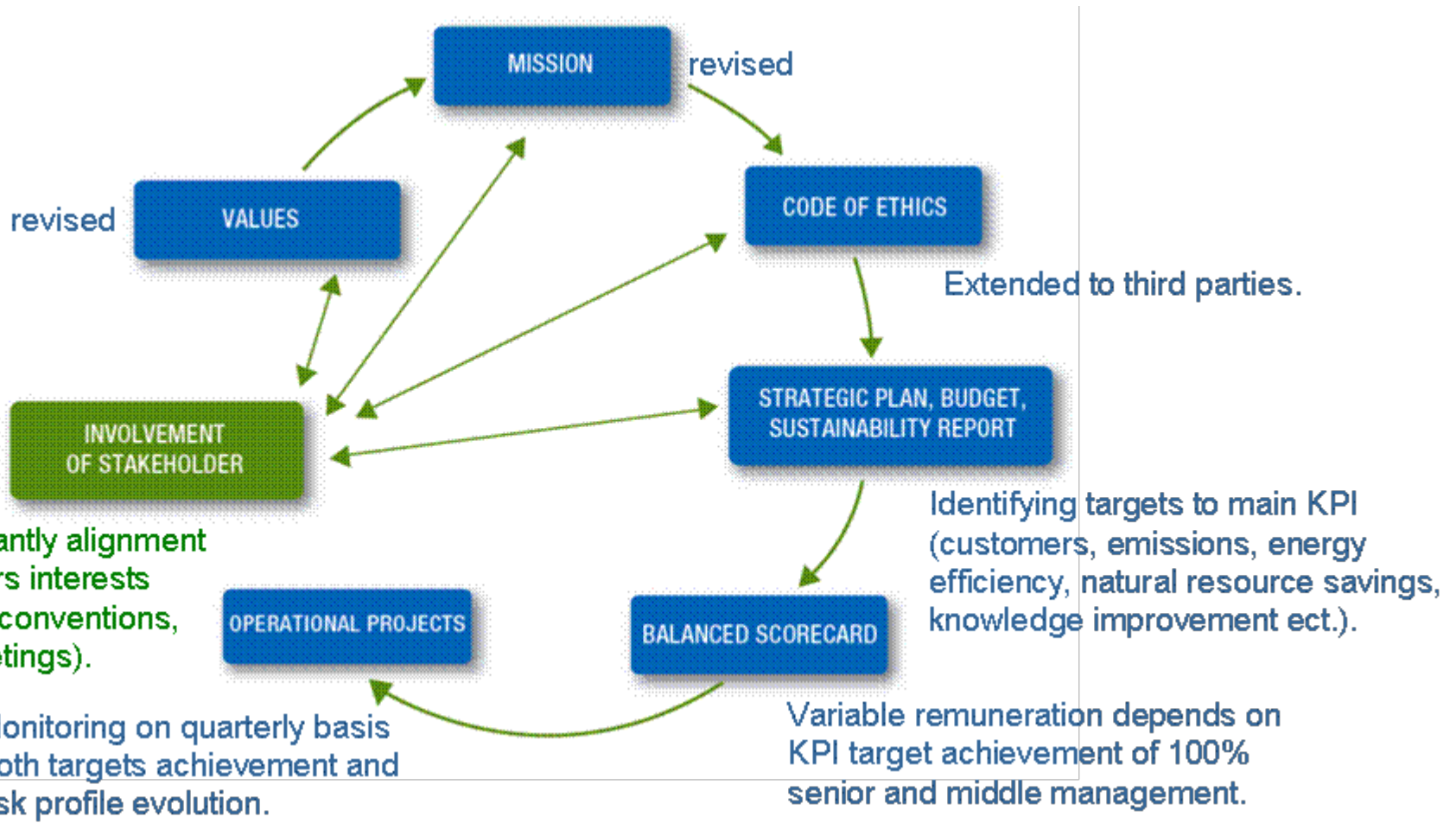
Integrity

Transparency

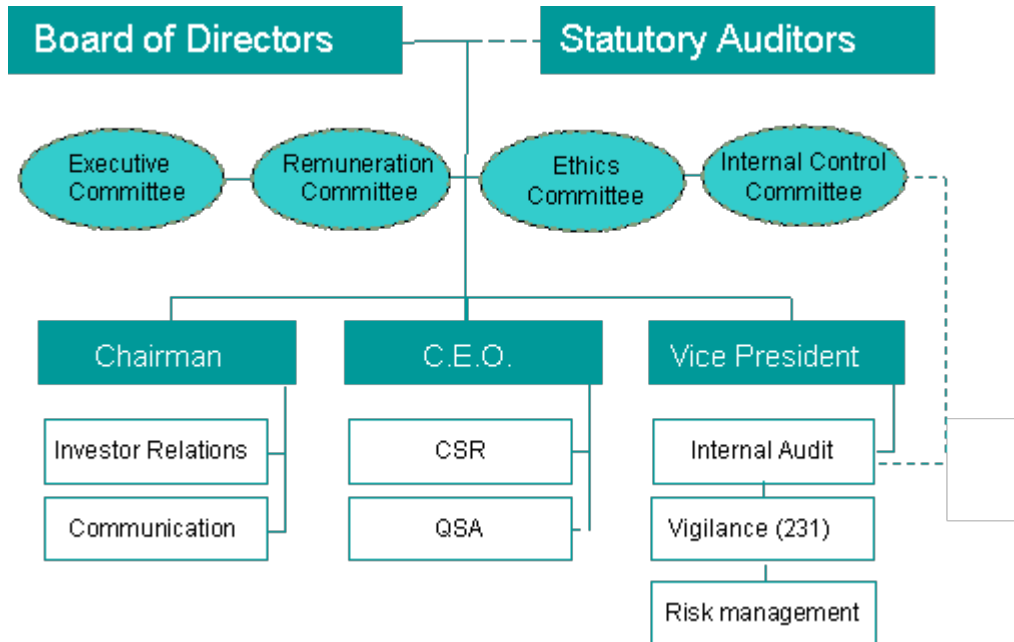
Personal responsibility

coherency

Systematic and codified approach to sustainability



Organizational evolution to enhance continuous dialog



- > All main functions focused on stakeholders are directly in staff to Top Management.
- > MBO system (BSC) include both financials and KPIs.
- > 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).

Track record on main KPIs

100% of middle and senior management with responsibilities included in MBO plan.

Hera customer care top ranked in Italy for the 3rd year in a row

Energy production from renewable almost doubled in 4 years.

Quality of waste management close to best in class in Europe.

	2005	2006	2007	2008	2009
Gross Value Added	715,5	792,4	808,7	918,4	967,5 ↑
Personnel					
Training (K h.)	112,7	122,5	150,1	207,6	144,9 ↑
Incidents on Job*	50,1	47,5	42,4	37,6	32,6 ↑
Gravity of damage**	1,1	1,5	1,1	1,2	1,8 ↓
Management included in MBO		66%	70%	77%	79% ↑
Customers					
Interruptions in e.e. service (minutes)	14,7	21,1	12,8	17,5	10,2 ↑
Respect of Aeeg std	100%	100%	100%	100%	100% ↑
Avg waiting time in shops (minutes)	26,9	23,7	20,7	19,3	14,6 ↑
Avg waiting time call centres (seconds)	70,2	34,5	46,2	66,1	33,2 ↑
Customer satisfaction index (max 10/10)	-6		-6		-7 ↑
Energy (Gwh and Gwht)					
Cogeneration (incl. thermal)	218,8	207,2	202,5	217,0	495,9 ↑
WTE (incl. thermal)	300,7	353,7	328,2	392,2	476,2 ↑
Geothermic (thermal)	76,1	66,6	57,3	66,5	74,4 ↓
Solar	-	-	0,3	0,3	0,5 ↑
Hydro	1,5	-	0,5	0,1	0,3 ↑
Biogas	12,0	17,0	30,8	75,8	85,0 ↑
Total Renewables	609,2	644,4	619,6	752,0	1.132,1
Conventional thermal plant	294,3	262,2	267,8	278,6	283,3 ↑
Other sources (incl. thermal)	16,7	9,9	11,2	11,6	10,3 ↑
Total Energy	920,2	916,5	898,6	1.042,2	1.425,8
Environment					
Sorted Urban Waste collection	28,9%	31,2%	36,0%	42,0%	44,8% ↑
Urban Waste to landfill	36%	34%	35%	31%	27% ↑
Water leakage (incl. Administrative l.)	24,9%	25,4%	25,3%	25,0%	26,0% ↓
Respect Kyoto Standards (Co2)	107%	86%	64%	70%	55% ↑
White Certificates (K Tep)	2,0	13,8	27,5	90,0	121,3 ↑

* total number of incidents on total working hours

** days of absence on total working hours

*** % on electricity production

How does climate change impact Hera?

Climate change “test” in 2006/2007

2006/2007 winter season was the mildest winter incurred in last 150 years in Italy, highlighting impacts on Hera businesses in case of climate change.

Gas sales and distribution suffered (in Italy heating systems are mainly gas fired).

In 2009 a new tariff system was introduced in Gas distribution (75% of Ebitda of Gas business) protecting from volume fluctuation.






Hera reference territory goes from Adriatic sea and is delimited by Lombardy and Veneto region and by the Apennines mountains (south wise).

This area is not exposed to earth quakes, tsunamis are highly un-probable (due to the low deepness of Adriatic sea) and is rich of soil water (Po river valley).

The diversification of business portfolio (60% ebitda comes from regulated businesses) limits considerably the potential impact of a permanent climate change on Group results.

Even though, Hera strategy is focused on the reduction of emissions in all activities.

Hera is sensitive to business impact on environment

	Natural sources	CO2	GHG	
 Electricity	Gas/air	Cogeneration plants Upstream develop.	Cogeneration	-
 Gas	Gas/air	Emissions of Boilers	Network leakage District Heating	430k (29%)
 Waste	Soil/air	WTE emissions	Landfill emissions	823k (56%)
 Water	Water/electricity	Electricity consumptions Pumping up soil water	-	225k (15%)
 Emissions		200k ton CO2 vs 400k of allocation plan	1.5m ton of CO2 equiv. (100%)	

Focus on impact of waste management: Urban waste

+Biomass from urban waste



Electricity
(avoided CO₂ & GHG)



+Sorting collection/recycling



Source savings
(avoided CO₂ emissions)



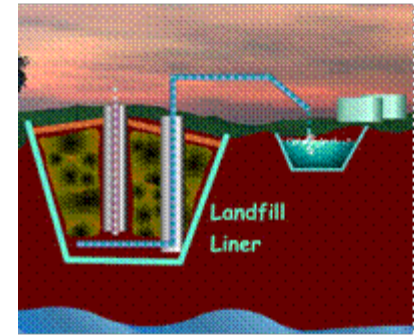
+WTE



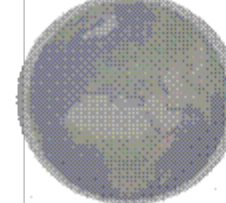
0.07 ton Co₂ equiv.
per tons of urban waste



Landfill/biogas captured



0.2 ton Co₂ equiv. GHG
per tons of urban waste



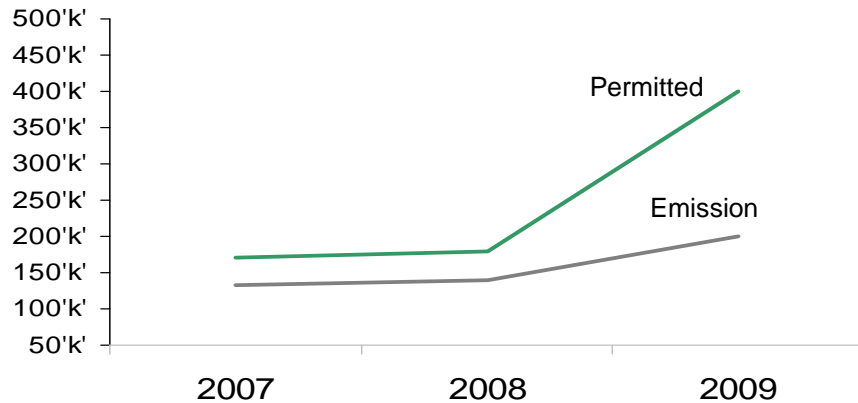
Hera targets 50% sorted collection recycling (glass, paper, metal) and producing electricity from biodegradable waste

Doubled capacity of WTE aiming at treating 50% of urban waste collected

Maximum reduction of landfill use: ashes from WTE (15% of urban waste)

Hera emissions of last 3 years

CO2 Emissions – Allocation plan



10 cogeneration plants are subject to emission trading regulation.

In 2009 a new 80 MW cogen plant entered into operations (feeding Imola city district heating system and guaranteeing a back up source in case of black out).

Net positive CO2 balance on allocation plan in last 3 years.

Green House Gas emissions

GHG emissions (ton CO2 eq.)	2007	2008	2009	Cagr
WTE	0.26	0.35	0.42	
Landfill	0.55	0.40	0.38	
Vehicles	0.02	0.02	0.03	
Waste management	0.83	0.78	0.82	(1%)
Volumes (kton)	4,398	5,158	5114	+8%
Sorted collection/recycling (kton)	633.46	742.223	803.264	+13%
percentage sorting of u.w.	38%	42%	45%	
Electricity WTE (GWh)	328	392	476	+20%
District Heating	0.12	0.12	0.10	(6%)
Heat distributed (GWht)	301.5	422	476	+26%
Gas network leakage	0.31	0.33	0.33	+2%
Gas distributed (m cm)	2,150	2,370	2,334	+4%
Electricity consumptions	0.23	0.23	0.23	(1%)
Water distributed	247	258	257	+2%
Head quarter	0.004	0.004	0.005	+5%
Total emission (direct & indirect)	1.49	1.46	1.48	(0%)

Emissions remain flat over last 3 years despite considerable increase in activity.

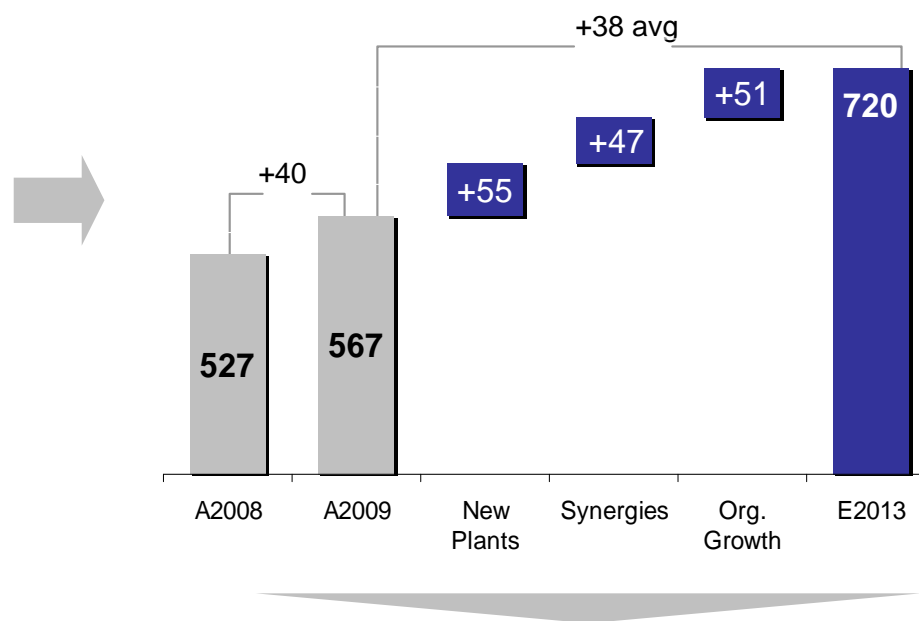
Outlook on Hera mid term future

Business plan 2013 at a glance

Financial highlights

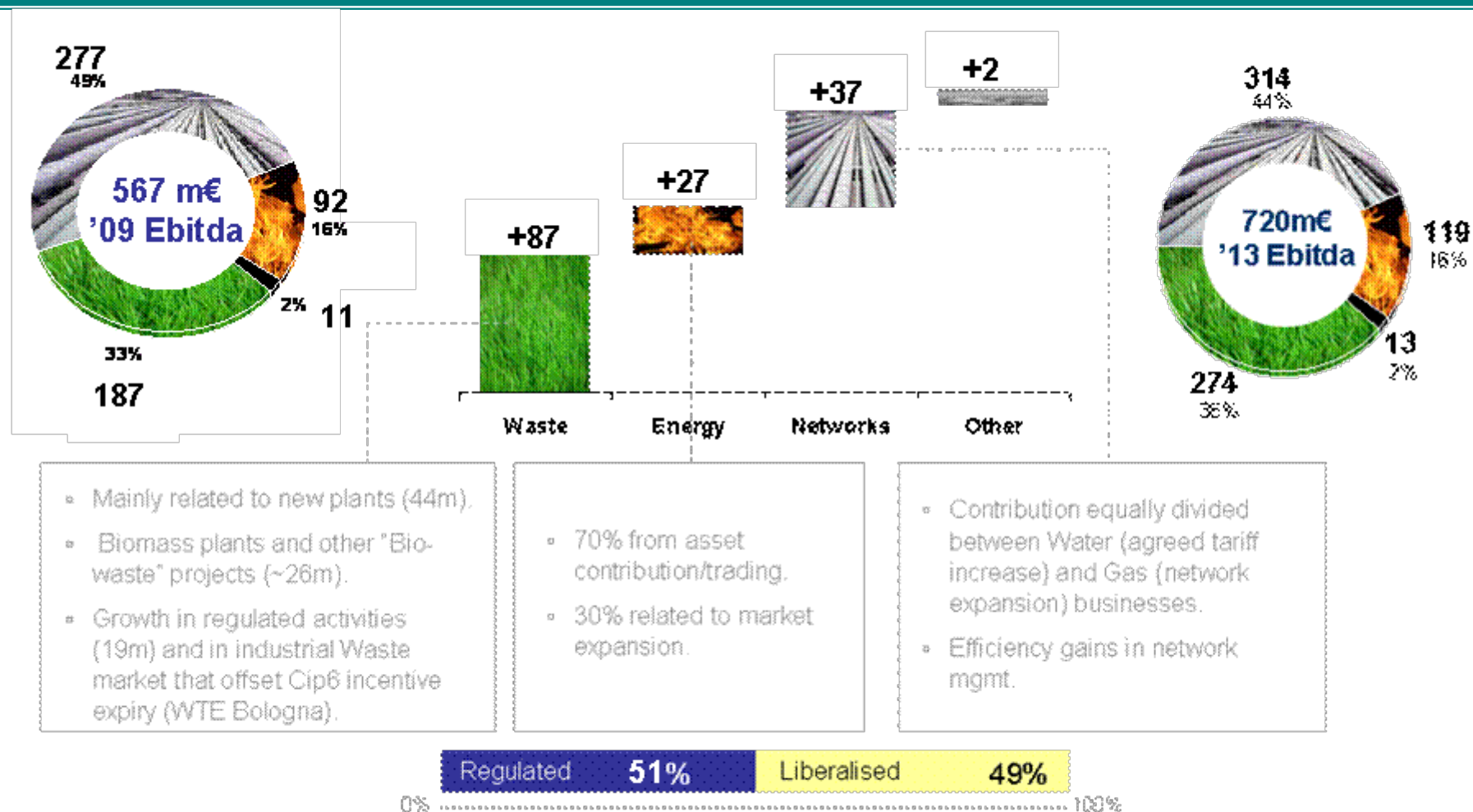
	2009	E2013
Ebitda (m€)	567	720
Net invest capital	3.6	3.8
ROI	8%	11%
ROE	6%	10%
D/E	1.1x	0.9x
NFD/Ebitda	3.3x	2.7x

Ebitda target growth drivers (m€)



60% growth organic

Business plan 2013 at a glance (2)



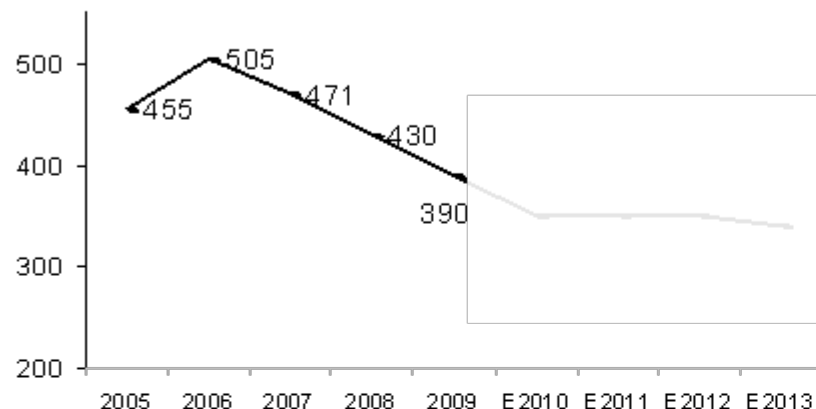
- Mainly related to new plants (44m).
- Biomass plants and other "Bio-waste" projects (~26m).
- Growth in regulated activities (19m) and in industrial Waste market that offset Cip6 incentive expiry (WTE Bologna).

- 70% from asset contribution/trading.
- 30% related to market expansion.

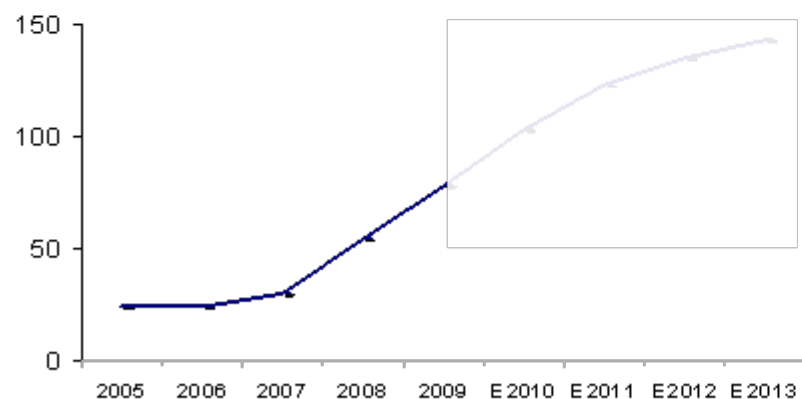
- Contribution equally divided between Water (agreed tariff increase) and Gas (network expansion) businesses.
- Efficiency gains in network mgmt.

Strong asset base will increasingly contribute to cash generation

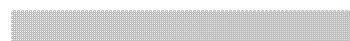
Total Capex (maintenance + development)



Ebitda from new plants



Free Cash Flows switch to positive (above 150m€ cumulated over the period)



Growth strategy to improve KPIs

Sustainability in Hera Strategy

Development strategy in line with sustainability

Electricity	685 GWh (from 250) from all renewables	Develop upstream keeping ~60% of green power gen	Maintain CO2 credit position (respect NAP)
District H./Gas	From 103 to 150 GWh (from renewables)	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	24% leakage (+100 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

	2009	E2013
Gross Value Added	967.5	1160.5 ↑
Personnel		
Training (K h.)	144.9	~140 ↑
Incidents on Job*	32.6	32.0 ↑
Gravity of damage**	1.8	0.9 ↑
Management included in MBO	79%	79% ↑
Customers		
Interruptions in e.e. service (minutes)	10.2	10.0 ↑
Respect of Aeeg std	100%	100% ↑
Avg waiting time in shops (minutes)	14.6	12.0 ↑
Avg waiting time call centres (seconds)	33.2	<40.0 ↑
Customer satisfaction index (max 10/10)	~7	>7 ↑
Energy (Gwh and Gwht)		
Cogeneration (incl. thermal)	495.9	943.7 ↑
WTE (incl. thermal)	476.2	796.6 ↑
Geothermic (thermal)	74.4	74.9 ↑
Solar	0.5	2.8 ↑
Hydro	0.3	19.0 ↑
Biogas	85.0	177.5 ↑
Total Renewables	1,132.1	2,014.5
Conventional thermal plant	283.3	325.8 ↑
Other sources (incl. thermal)	10.3	101.9 ↑
Total Energy	1,425.8	2,442.2
Environment		
Sorted Urban Waste collection	44.8%	52.0% ↑
Urban Waste to landfill	27%	20% ↑
Water leakage (incl. Administrative I.)	26.0%	24.0% ↑
Respect Kyoto Standards (Co2)	55%	50% ↑
White Certificates (K Tep)	121.3	209.0 ↑

* total number of incidents on total working hours

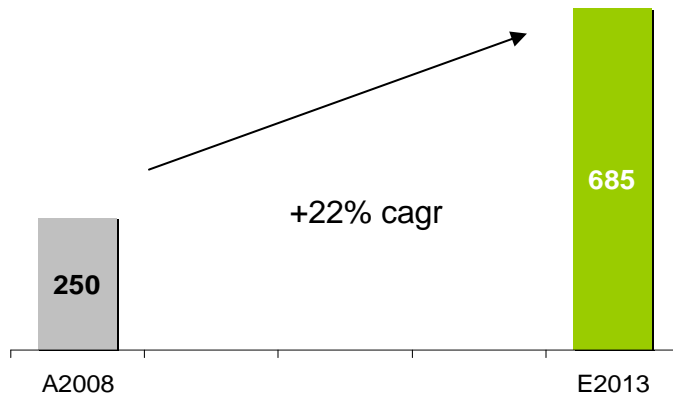
** days of absence on total working hours

*** % on electricity production

Expected benefits

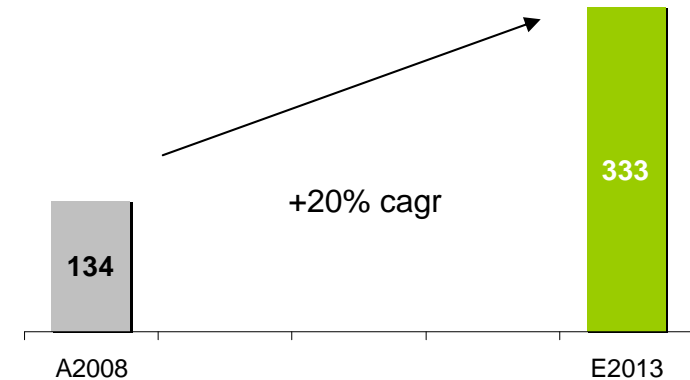
Electricity produced from renewables (GWh)

Above 60% of power gen from "green sources"



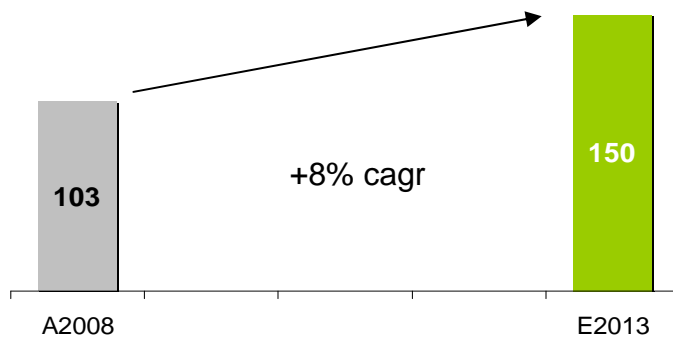
Green house gas emissions (CO2 kton equivalent avoided)

Energy savings, renewables, cogeneration and leakages

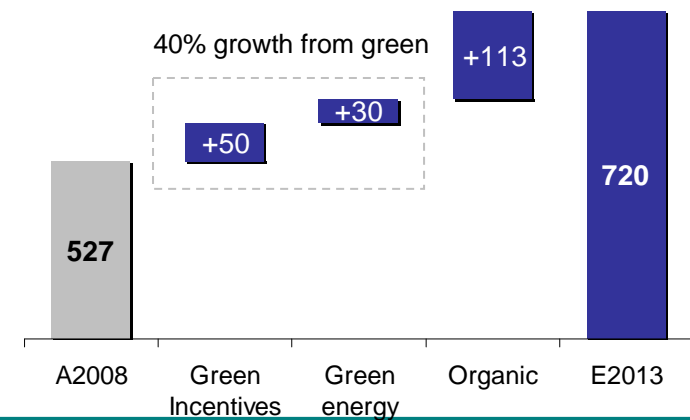


Heat produced from renewables (GWh)

Above 20% of heat gen. from "green sources"



Ebitda target growth drivers (m€)



Closing remarks

A long **tradition in sustainability** due the sensibleness of Hera main public shareholders

The sustainable profile has been **awarded** by several entities and positively analysed by **specialist analysts and SRI investors** (Oddo Securities, Cheuvreux, E Capital Partners and Ethifinance analysts; several U.K., Suisse and France investors held shares).

Since flotation, Hera has **adopted 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 envisage **enhancement of all main KPIs for the next 4 years**.

Hera **remuneration system assures personnel commitment** on achieving the targets in a sustainable way.

Sustainability represents an ethical “must” and a **“profitable” business** (>10% of E2011 Ebitda will come from incentives such as green, grey and white certificates) and further expansion potentials not accounted for in Business plan.

Hera website (www.gruppohera.it) sets out **further information for SRI investors**.

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

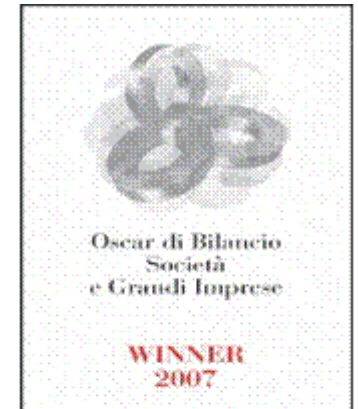
On 14 November 2007, Hera Group won first place in the "Environmental and social reporting systems" category in the third edition of the Confservizi Quality Prize. The third edition of the prize focused attention on best practices in Corporate Social Responsibility, an area that Hera has always dedicated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

Hera leads the way in online communications in Italy

In the eighth edition of the H&H Webranking 2009 Italia Top100 study, Hera ranked second best among all Italian companies. Hera gained 88 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).

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.*
- > *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.*