

Hera Group Sustainability

2010



Introducing Hera

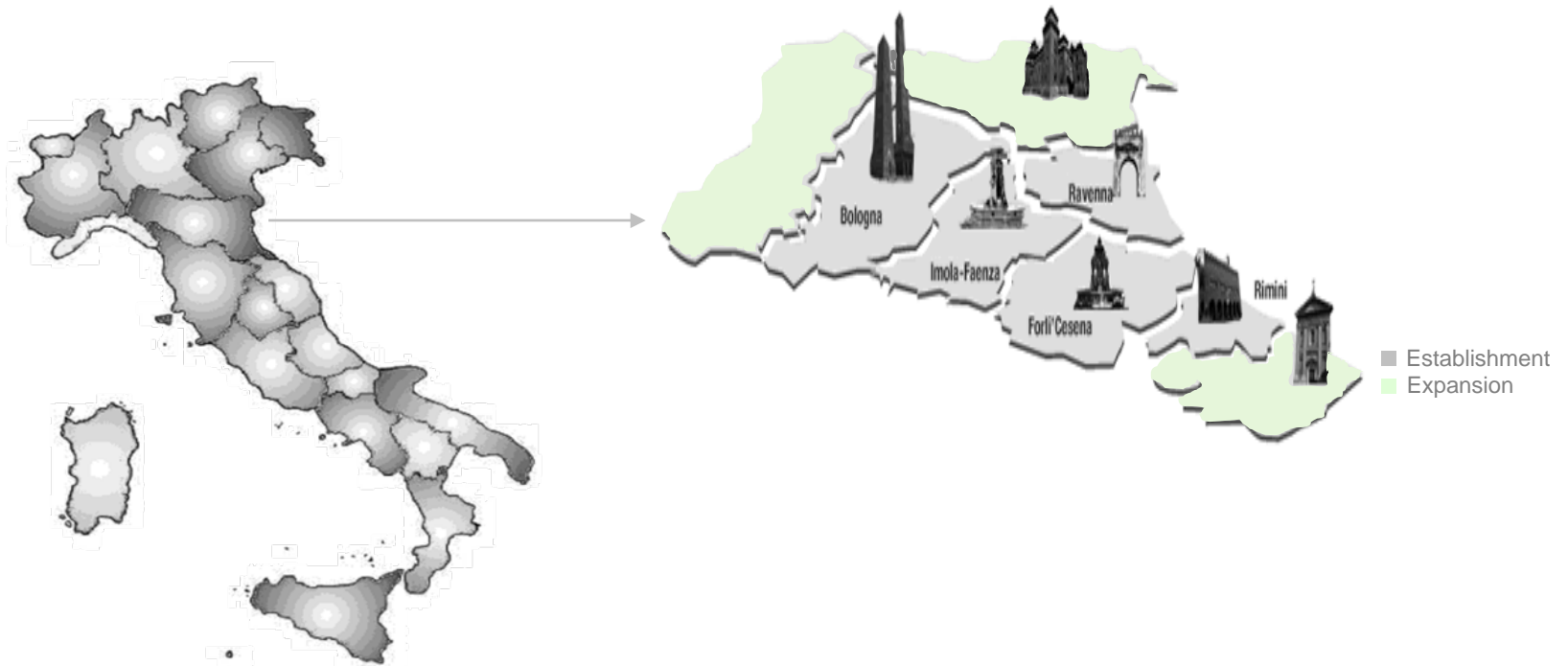


Introducing Hera

Italian local multi-utility company

Established in 2002 (through the first consolidation involving 11 companies) in Emilia Romagna region (wealthiest region by GDP per capita).

Year by year Hera continued to merge companies in surrounding and contiguous areas.



Hera unique governance

Listed in 2003.

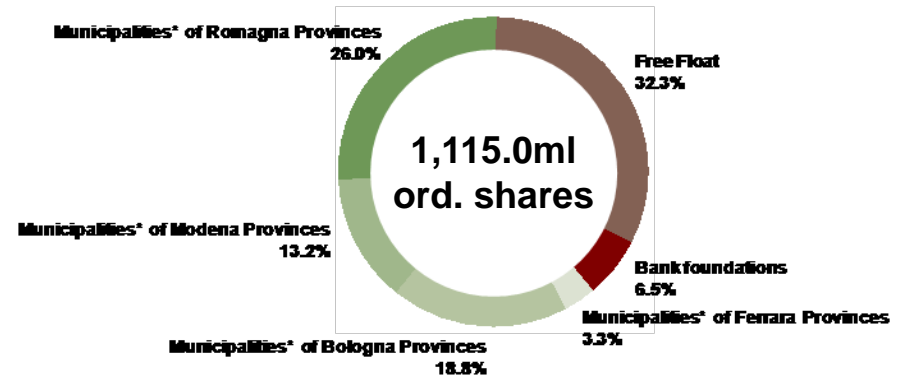
Free float is currently 38%.

61.3% shares held by 187 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 2010

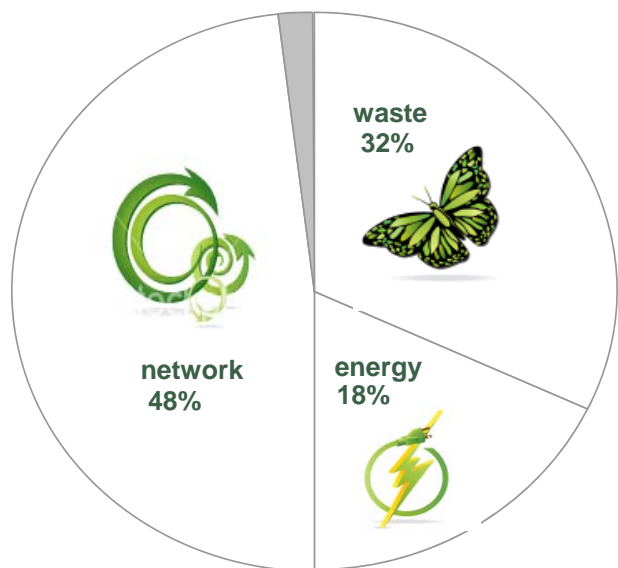


**Municipality shareholders amount to about 187 Municipalities*

Leadership based on deep rooted local presence

From a local player to a top ranked national player

EBITDA '10: 607 m€



Waste : Italian leader

- ⇒ 5.7 m ton of volume treated (+11.5% Cagr)
- ⇒ Full range treatment capacity in 77 plants



Energy: top national ranking

- ⇒ 1.1 m gas (+6% Cagr) and 0.38m electricity (+29.3% Cagr) cust.
- ⇒ 2.9 bcm (+9.2% Cagr) and 7.7 TWh (+30% Cagr) vol. sold to cust.



Network: dominant player

in reference territory

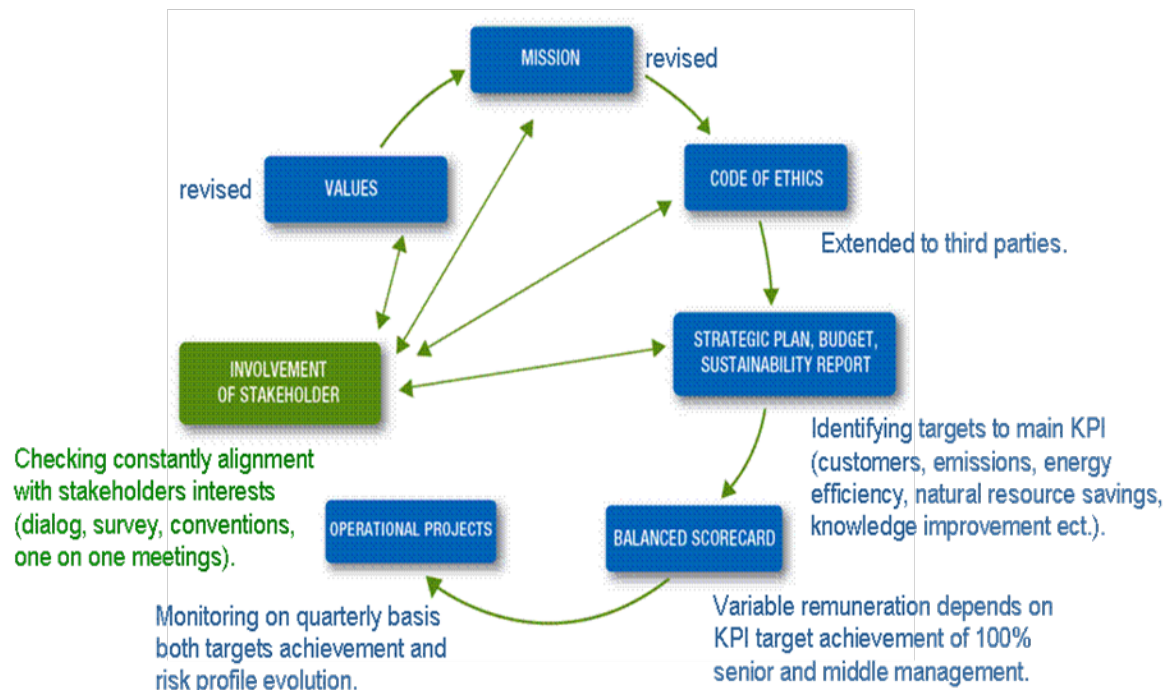
- ⇒ 57,000 km networks
- ⇒ 2.7 m POD

Sustainable approach codified in Hera

Mission

Commitment towards sustainability

“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**.”



Track record on main KPIs

80% 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.

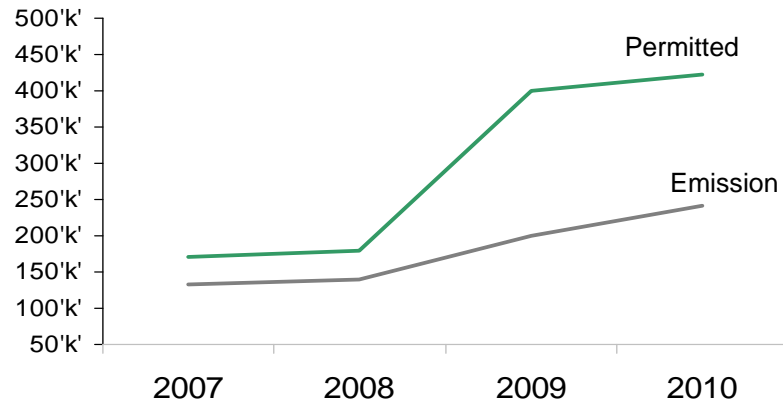
	2005	2006	2007	2008	2009	2010	
Gross Value Added	722.1	802.5	817.1	923.8	977.4	1010.4	↑
Personnel							
Training (K h.)	112.7	122.5	150.1	207.6	144.9	143.7	↑
Incidents on Job*	50.1	47.5	42.4	37.6	32.6	29.6	↑
Gravity of damage**	1.1	1.5	1.1	1.2	1.8	0.9	↑
Management included in MBO		66%	70%	77%	79%	80%	↑
Customers							
Interruptions in e.e. service (minutes)	14.7	21.1	12.8	11.2	10.2	15.7	↓
Respect of Aeeq std	100%	100%	100%	100%	100%	100%	↑
Avg waiting time in shops (minutes)	26.9	23.7	20.7	19.3	14.6	14.5	↑
Avg waiting time call centres (seconds)	70.2	34.5	46.2	66.1	33.2	33.8	↑
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	672.1	↑
WTE (incl. thermal)	300.7	353.7	328.2	392.2	476.2	525.6	↑
Geothermic (thermal)	76.1	66.6	57.3	66.5	74.4	66.2	↑
Solar	-	-	0.3	0.3	0.5	1.7	↑
Hydro	1.5	-	0.5	0.1	0.3	0.4	↑
Biogas	12.0	17.0	30.8	75.8	85.0	92.3	↑
Total Renewables	609.2	644.4	619.6	752.0	1,132.1	1,358.2	
Conventional thermal plant	294.3	262.2	267.8	278.6	283.3	251.4	↓
Other sources (incl. thermal)	16.7	9.9	11.2	11.6	10.3	6.0	↓
Total Energy	920.2	916.5	898.6	1,042.2	1,425.8	1,615.6	
Environment							
Sorted Urban Waste collection	28.9%	31.2%	36.0%	42.0%	44.8%	47.8%	↑
Urban Waste to landfill	36%	34%	35%	31%	27%	25%	↑
Water leakage (incl. Administrative l.)	24.9%	25.4%	25.3%	25.0%	25.8%	26.0%	↓
Respect Kyoto Standards (Co2)	98%	86%	64%	70%	89%	57%	↑
White Certificates (K Tep)	2.0	13.8	27.5	90.0	121.3	167.8	↑

* total number of incidents on total working hours
 ** days of absence on total working hours
 *** % on electricity production



Hera emissions of last 4 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 4 years.

Green House Gas emissions

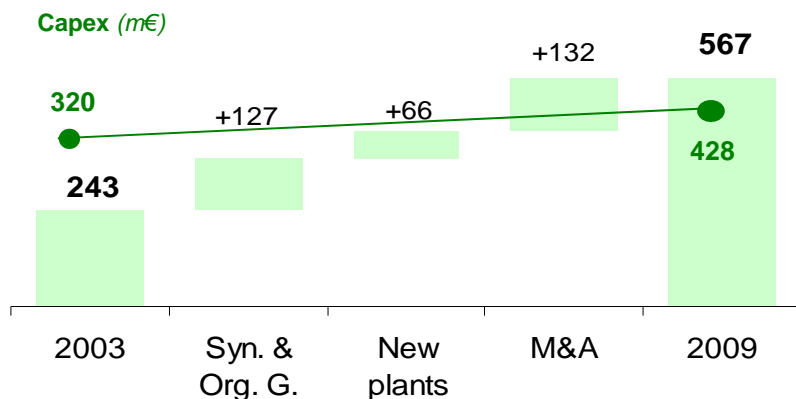
GHG emissions (ton CO2 eq.)	2007	2008	2009	2010	Cagr
WTE	0,26	0,35	0,42	0,38	
Landfill	0,55	0,40	0,38	0,41	
Vehicles	0,06	0,06	0,06	0,06	
Waste management	0,87	0,81	0,86	0,85	(1%)
Volumes (kton)	4.398	5.158	5.114	5.703	+9%
Sorted collection/recycling (kton)	639,9	740,3	803,7	891,0	+12%
percentage sorting of u.w.	36,0%	42,0%	44,8%	47,8%	+10%
Electricity WTE (GWh)	328	392	476	526	+17%
District Heating	0,12	0,10	0,20	0,24	+28%
Heat distributed (GWht)	392	423	476	534	+11%
Gas network leakage	0,31	0,33	0,33	0,37	+6%
Gas distributed (m cm)	2.150	2.370	2.334	2.504	+5%
Electricity consumptions	0,23	0,23	0,24	0,23	+0%
Water distributed	241	257	257	251	+1%
Head quarter	0,004	0,004	0,005	0,005	+6%
Total emission (direct & indirect)	1,49	1,48	1,68	1,70	+4%

Emissions remain flat over last 4 years despite considerable increase in activity.

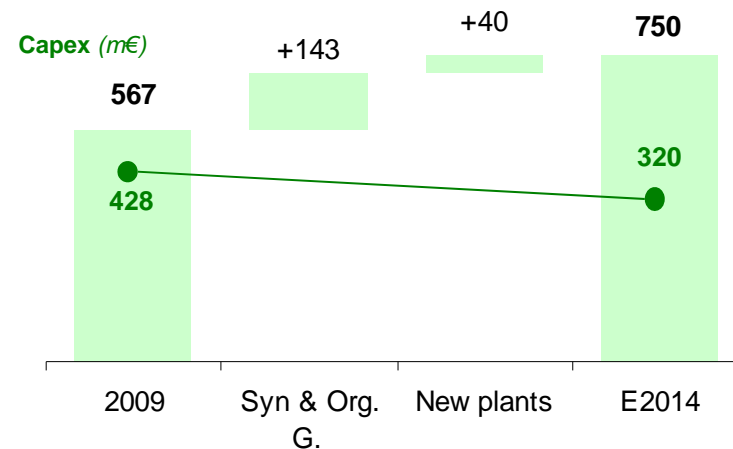


Main business plan targets at a glance

Past 6 years Ebitda and Capex



5Y business plan Ebitda and Capex



Financial ratios

	2009
Capex & Inv.*	2,832
Debt/Ebntda	3.3x
FFO/Debt	15%
ROI	8%

* 5 years period

Financial ratios

	E2014
Capex & Inv.*	1,679
Debt/Ebntda	< 2.8x
FFO/Debt	~ 20%
ROI	> 10%

* 5 years period

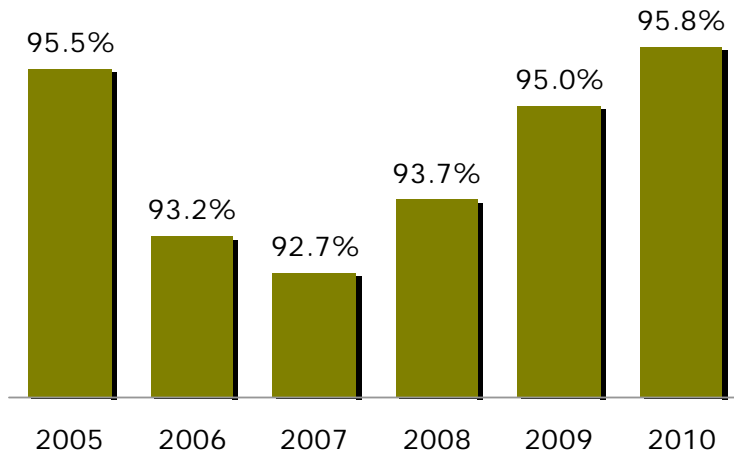


Some KPI track records



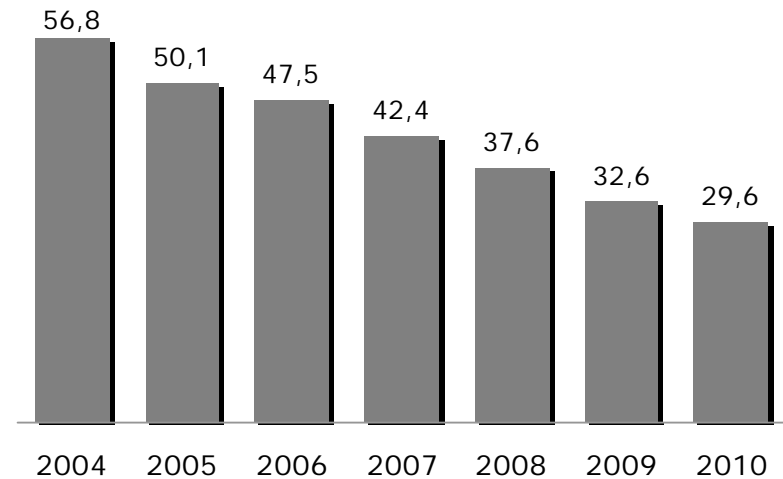
Workforce

Open ended contracts



On average, 95.8% of workers have an open-ended contract

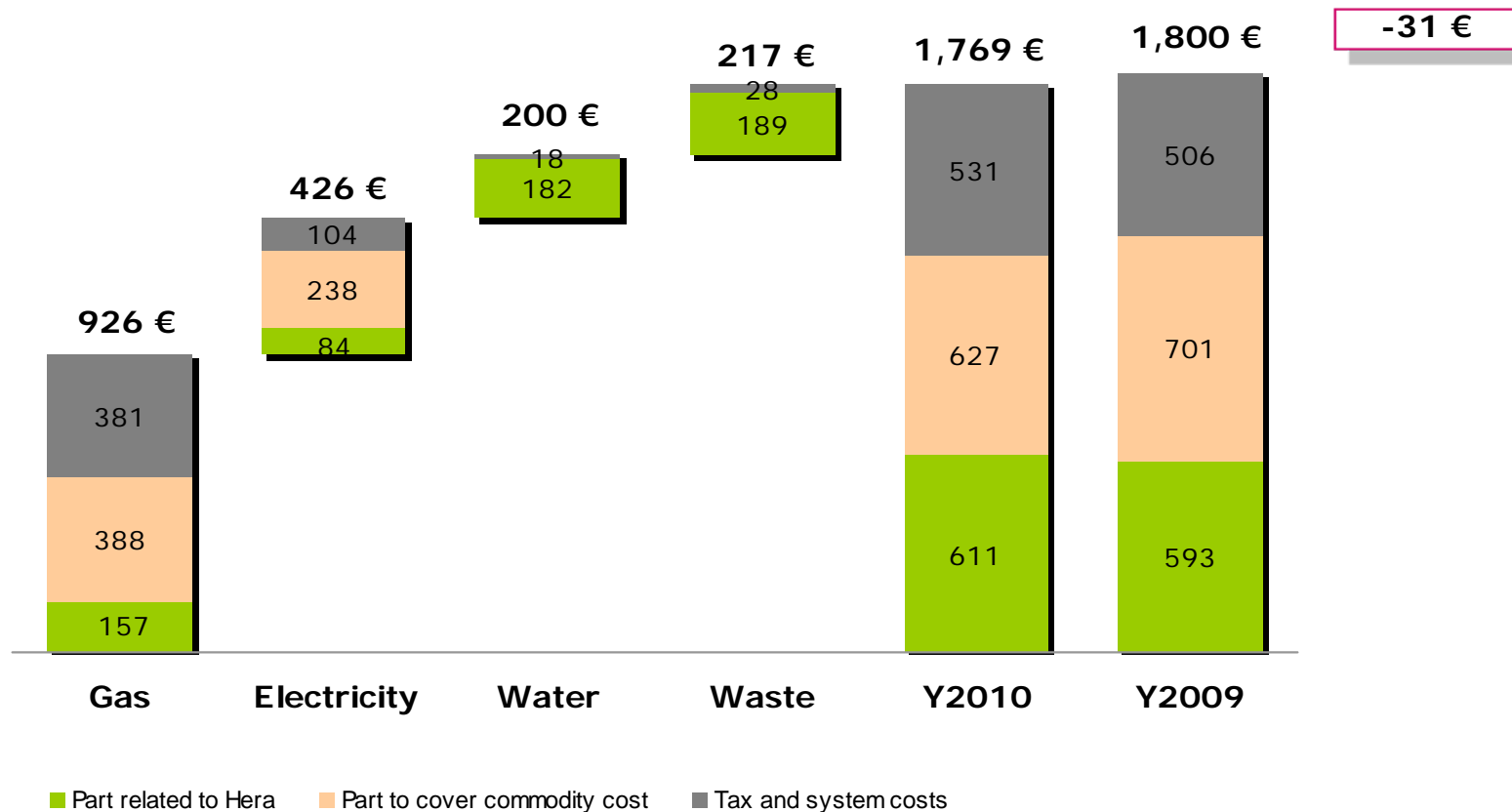
Health and safety



Further improve the accident frequency index: reach an accident frequency index in 2010 lower than the total value for 2009



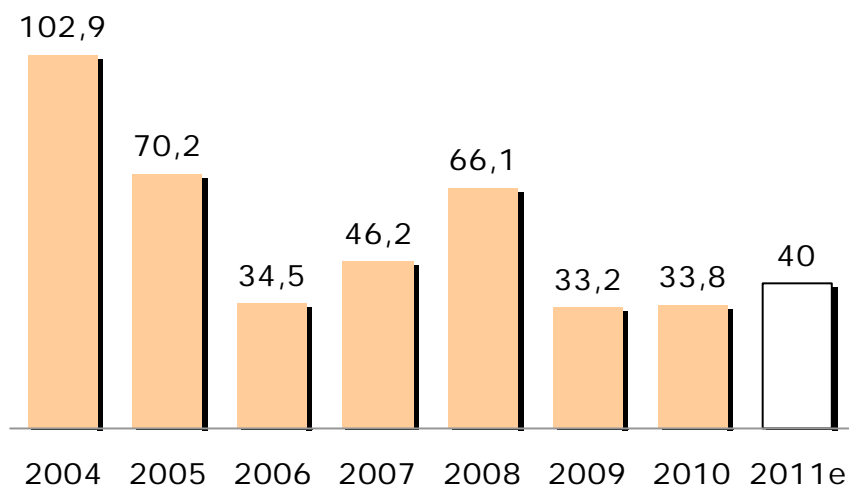
The costs of Hera services for an average customer



Calculated on average customers, 3 family members living in a 80 square meter flat, with a gas consumption of 1,200 cm; a water consumption of 130 cm, an electricity consumption of 2.700 kWh (most protected market).

Customers

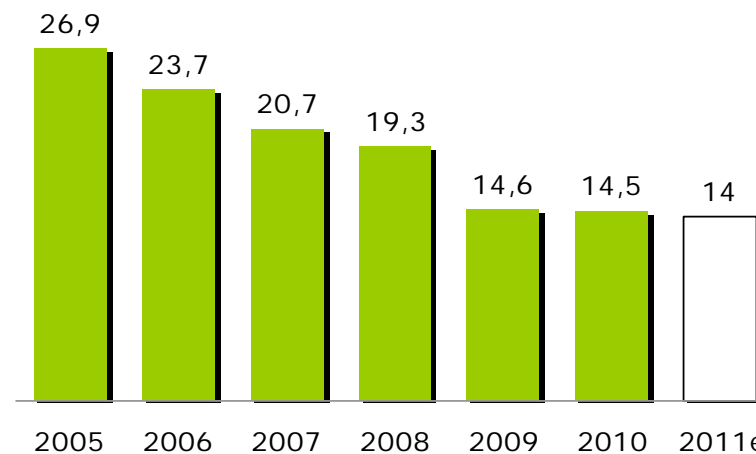
Call centre waiting times



Average waiting time before being connected to the call centre operator.

Calculated on residential customer

Customer service waiting times

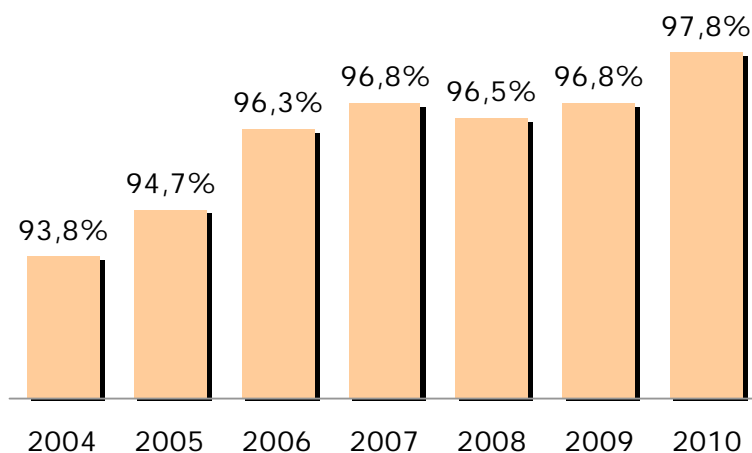


Average waiting time at the customer service



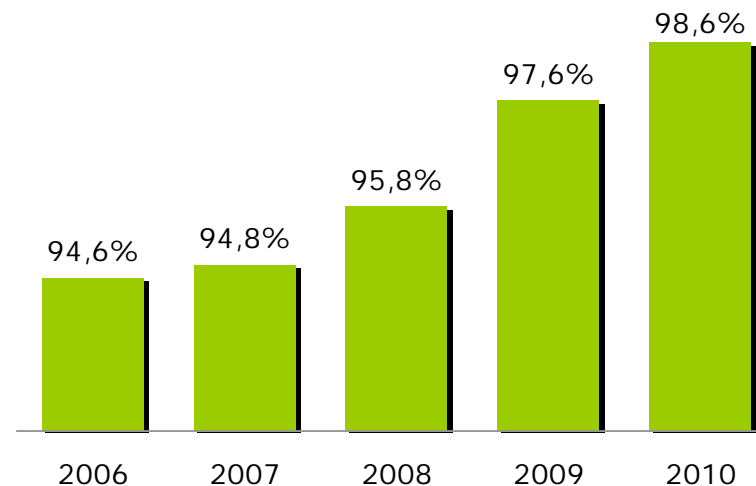
Customers

Gas emergency service



Calls with arrival time at the call location within 60 minutes (%)

Compliance with specific quality standard

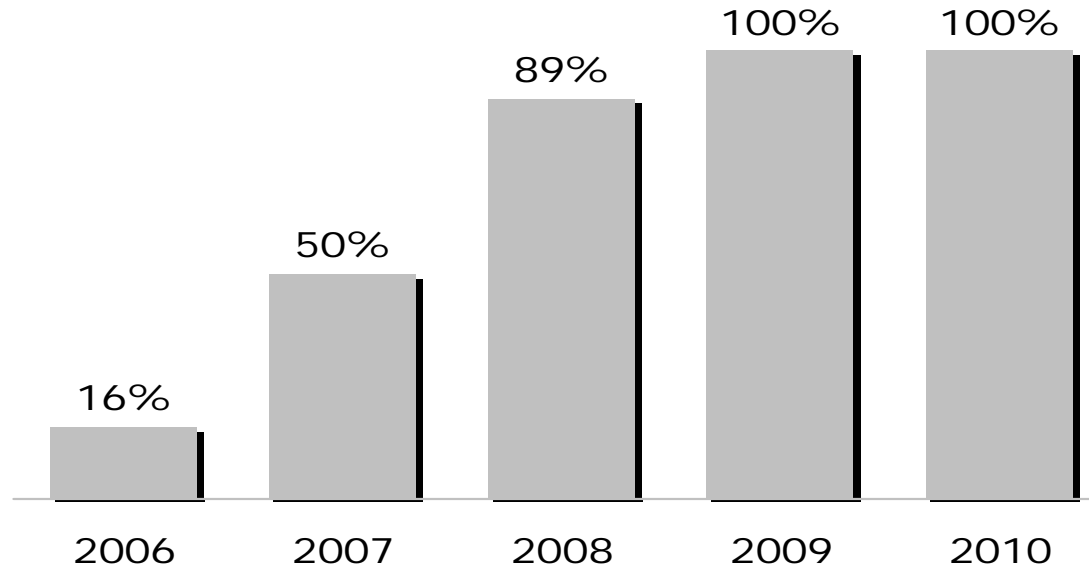


Respect for gas, electricity, integrated water service, district heating



Suppliers

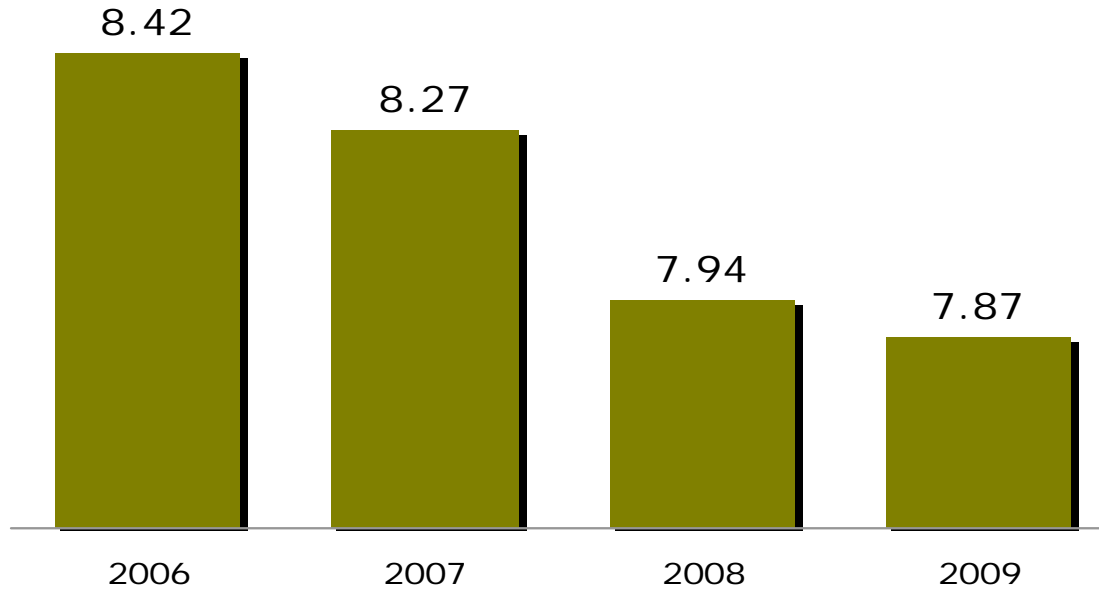
Public tenders



Tenders for contracts awarded on the basis of the most economically advantageous bid approach



Non-invoiced water



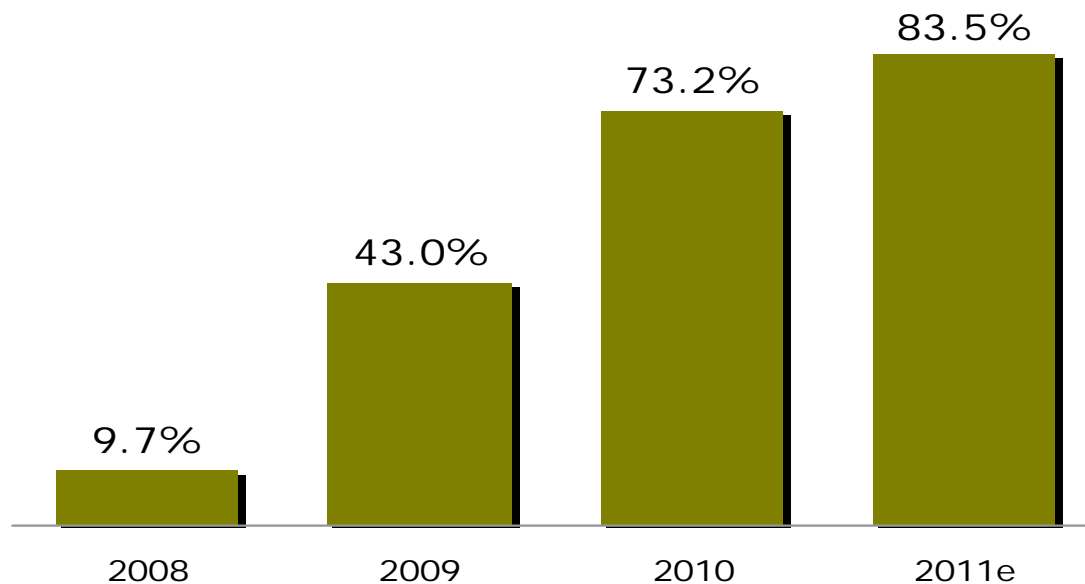
'09 leakage of 25.8% compared with the national average of 35%

Physical and administrative losses from the domestic water system by m³/km/day

Data don't include Marche Multiservizi



Open-ended contract workers, employed in OHSAS 18001 certified companies



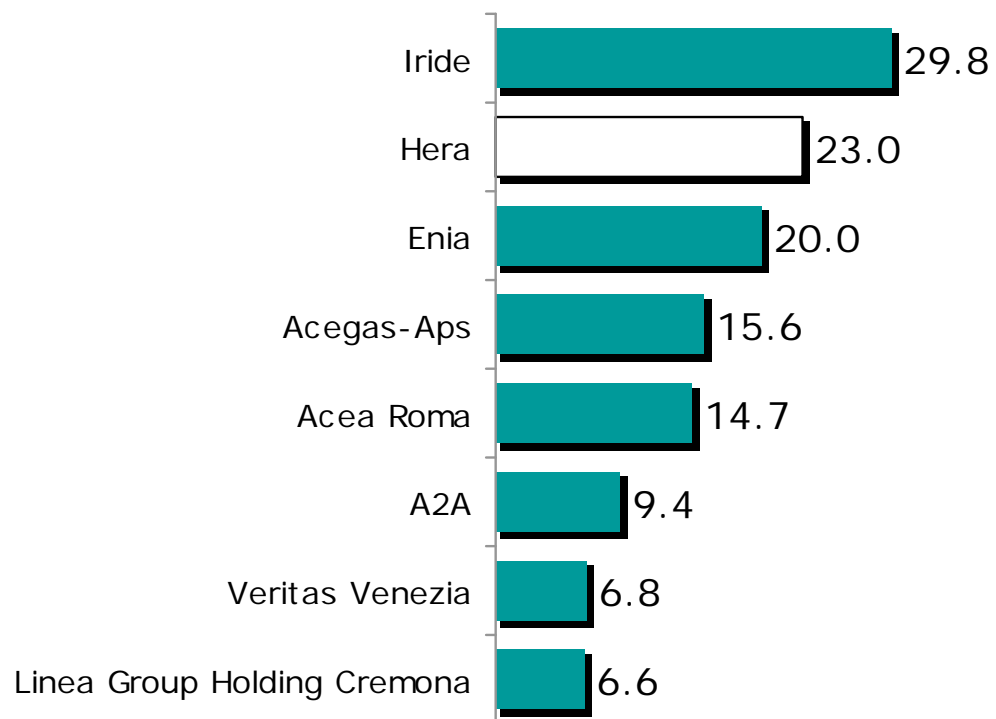
How are Hera performance compared to peers?



Employees

Professional training in the main Italian utility companies

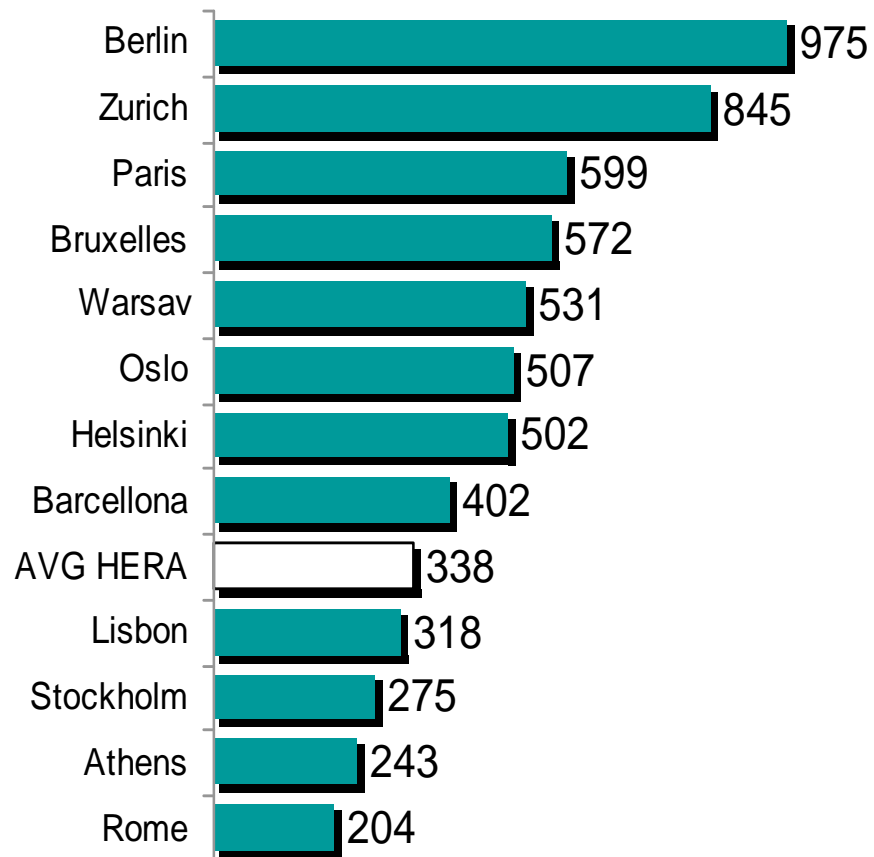
(Per capita training hours 2009)



Customers

Water service bill

Total avg cost per user (€/200m³)

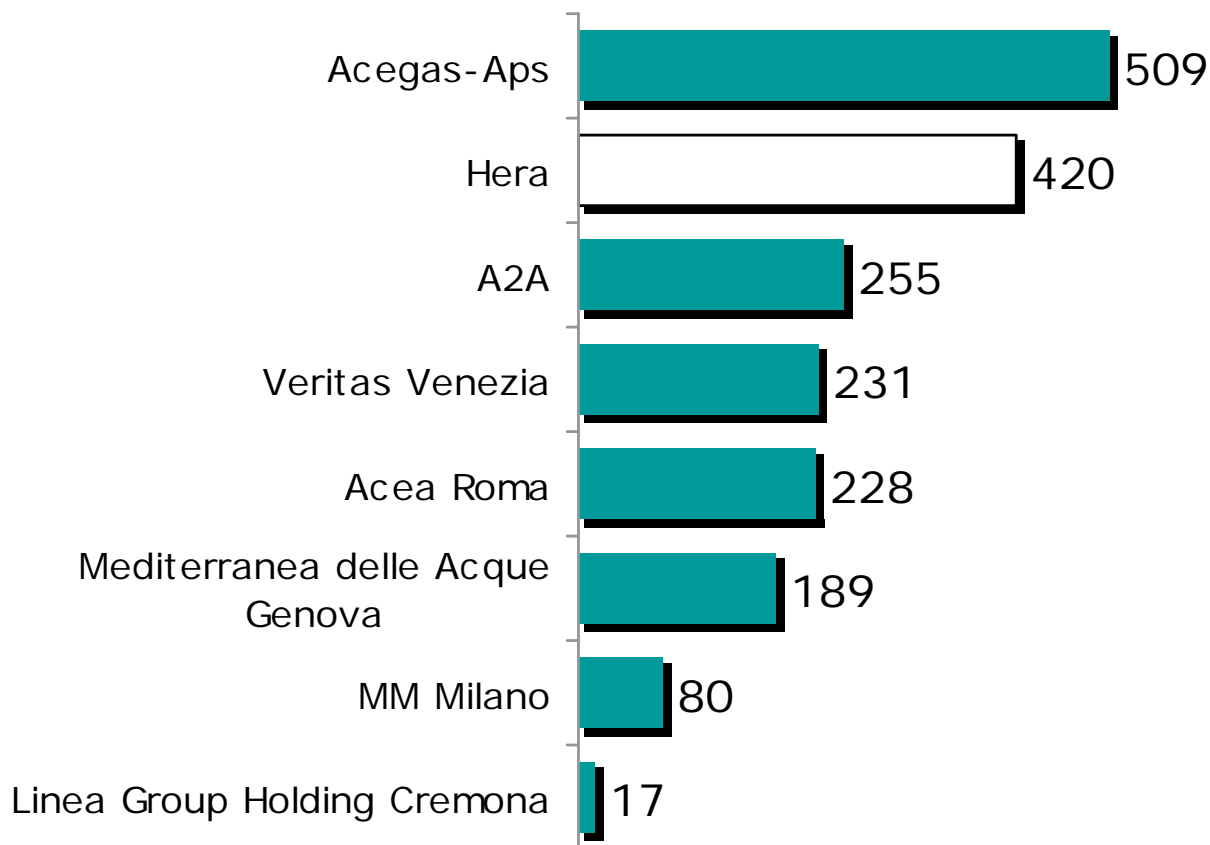


source: Utilitatis

Customers

Water investments in Italy

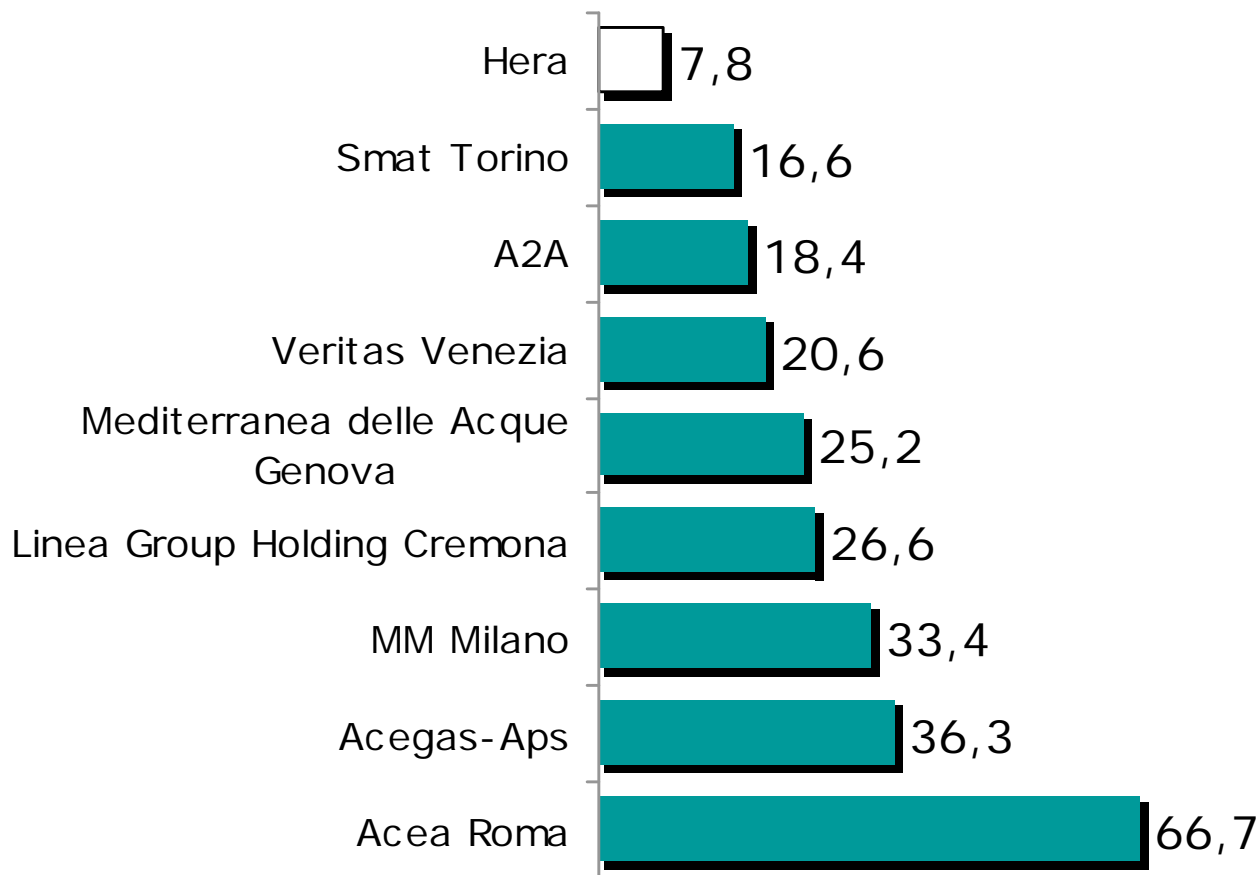
Capex& investm. per 1,000 cubic meters of invoiced water



Environment

Non-invoiced water

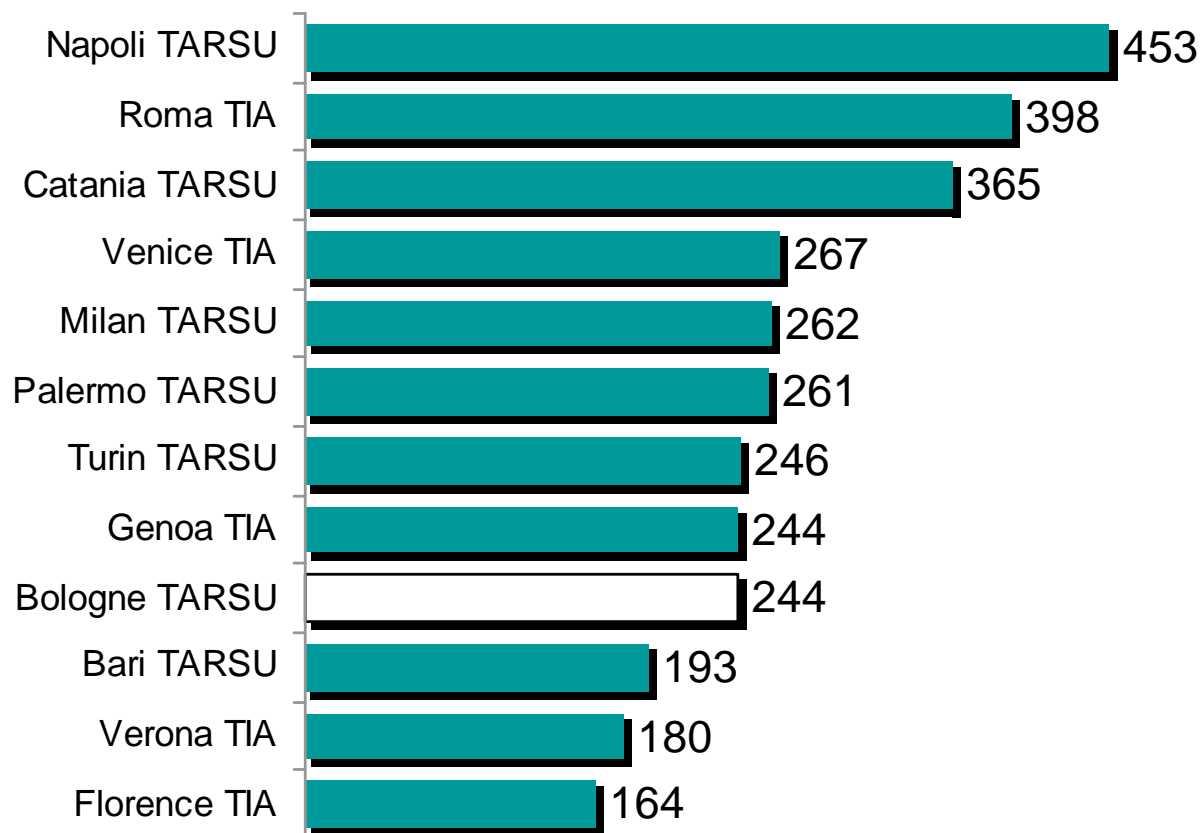
(mc/km/day on 2009)



Customers

Costs for urban waste services in Italy

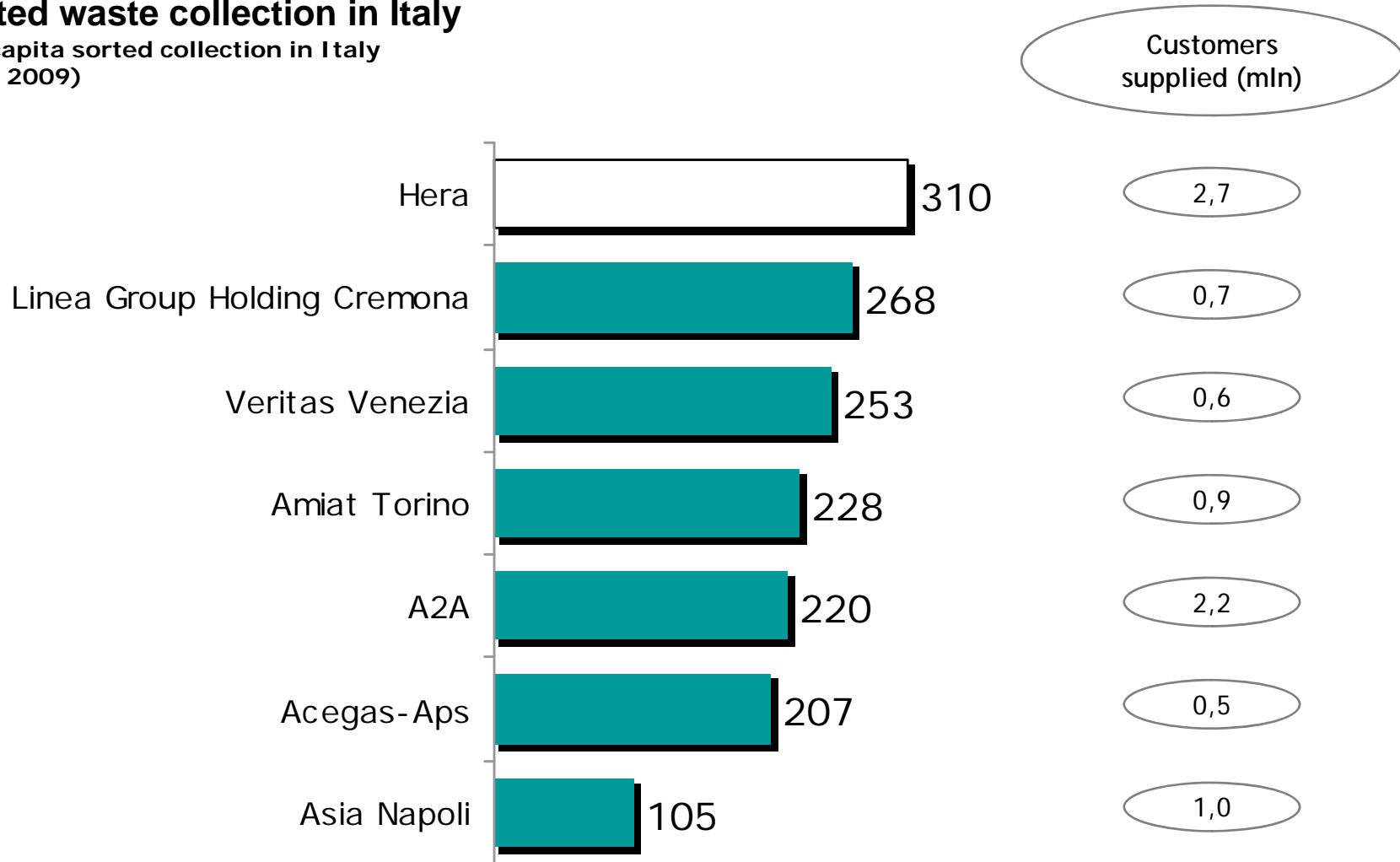
Total cost per user in cities with over 250,000 residents
(3 family members living in a 100 m² flat, euro)



Source: Cittadinanzattiva

Sorted waste collection in Italy

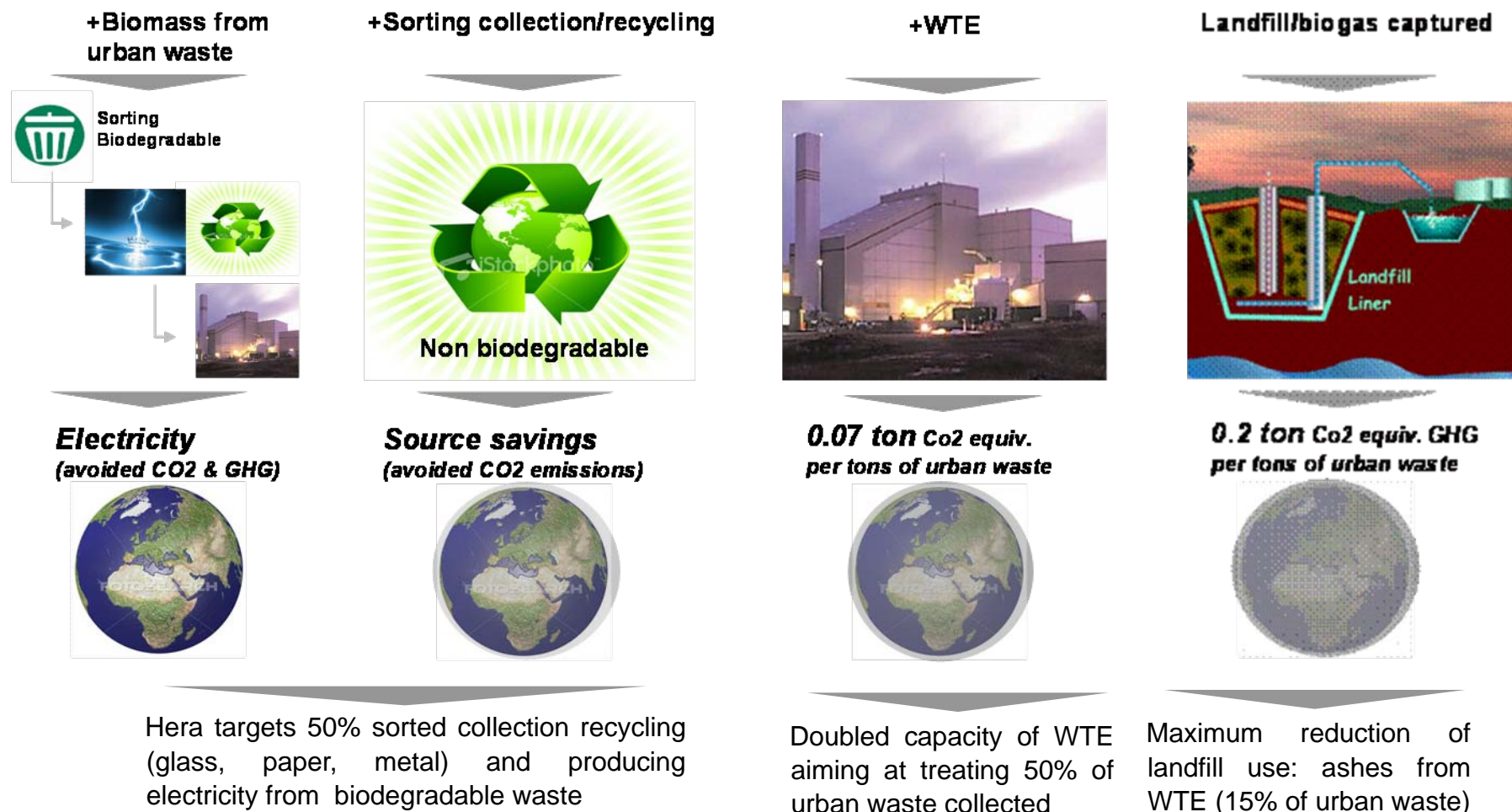
Per capita sorted collection in Italy
(kg - 2009)



Hera, the Italian leader in waste management



Focus on impact of waste management: Urban waste

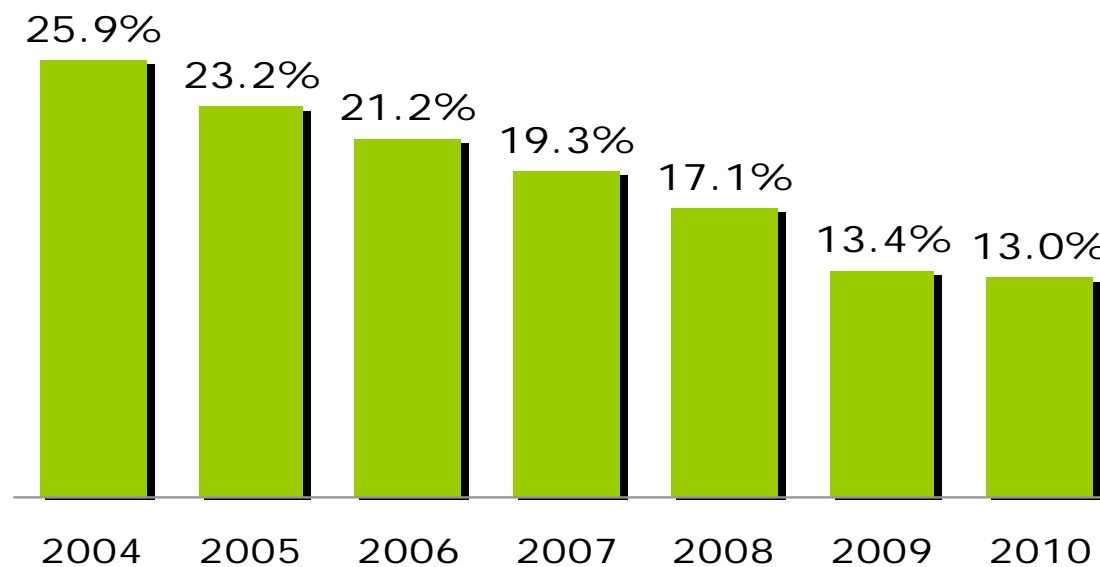


Data relates to European average published by "Il Sole 24 Ore" newspaper

Environment

Waste to energy emissions

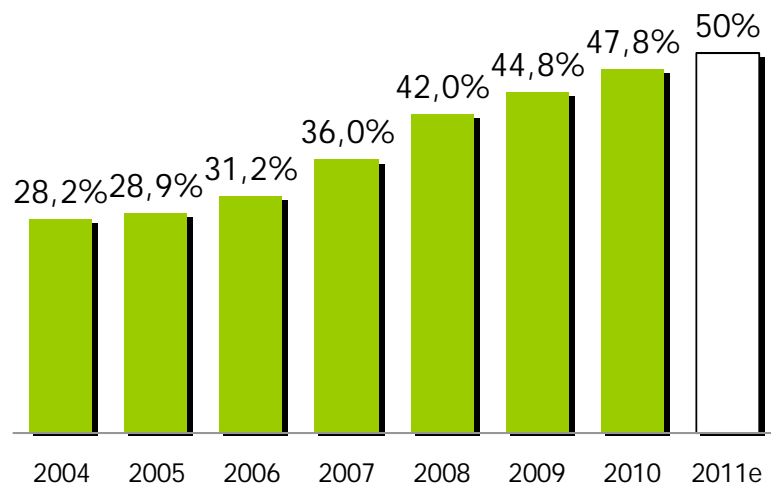
Compliance of atmospheric WTE emissions with legally established limits



Environment

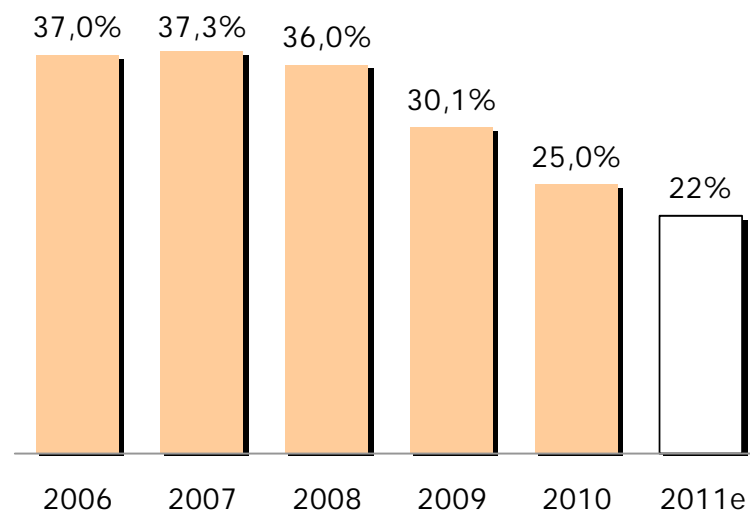
Sorted waste collection

(%)



Urban disposed off in landfills

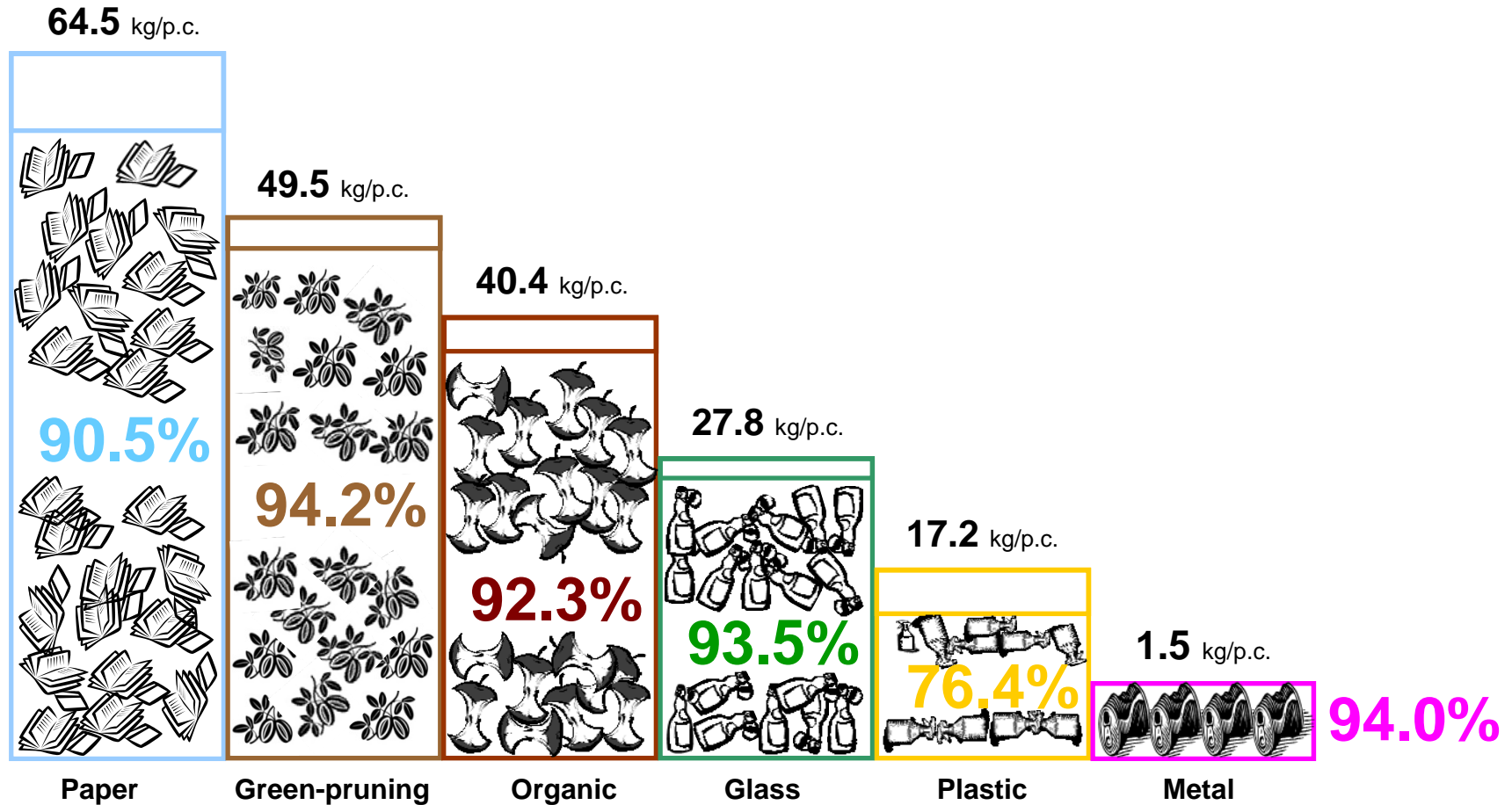
(post other treatments)



Where does the sorted waste collected go?

Recycling 2009 in Hera

Per capita collected materials (2009)

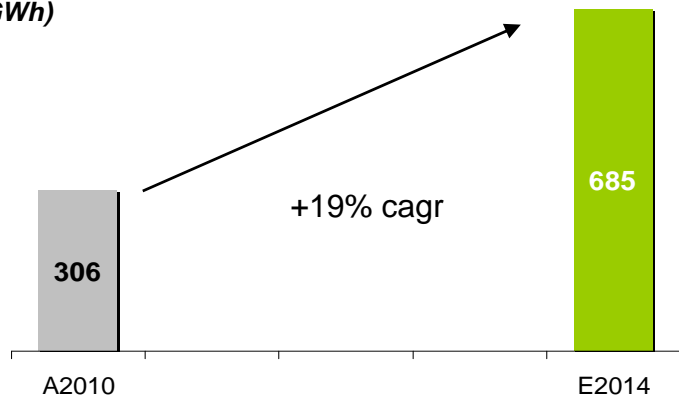


Source: Hera report on the destination and quantity of waste collected and recycled

Expected benefits

Electricity produced from renewables

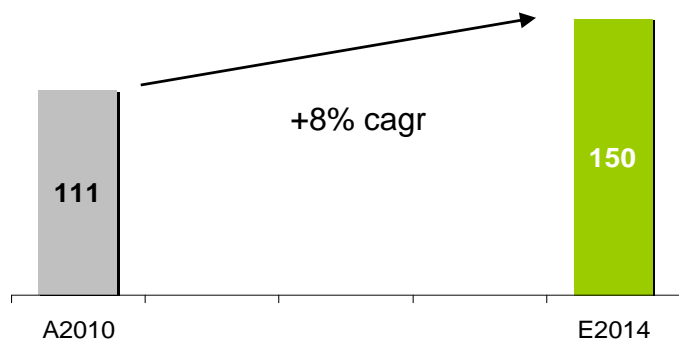
(GWh)



Above 77% of power gen from “green sources”

Heat produced from renewables

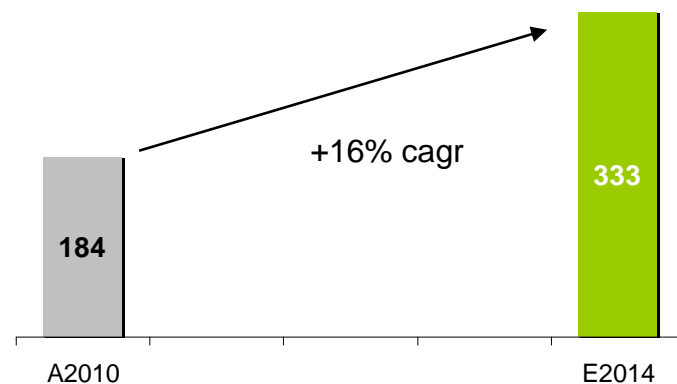
(GWh)



Above 50% of heat gen. from “green sources”

Green house gas emissions

(CO2 kton equivalent avoided)



Energy savings, renewables, cogeneration and leakages



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.

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.

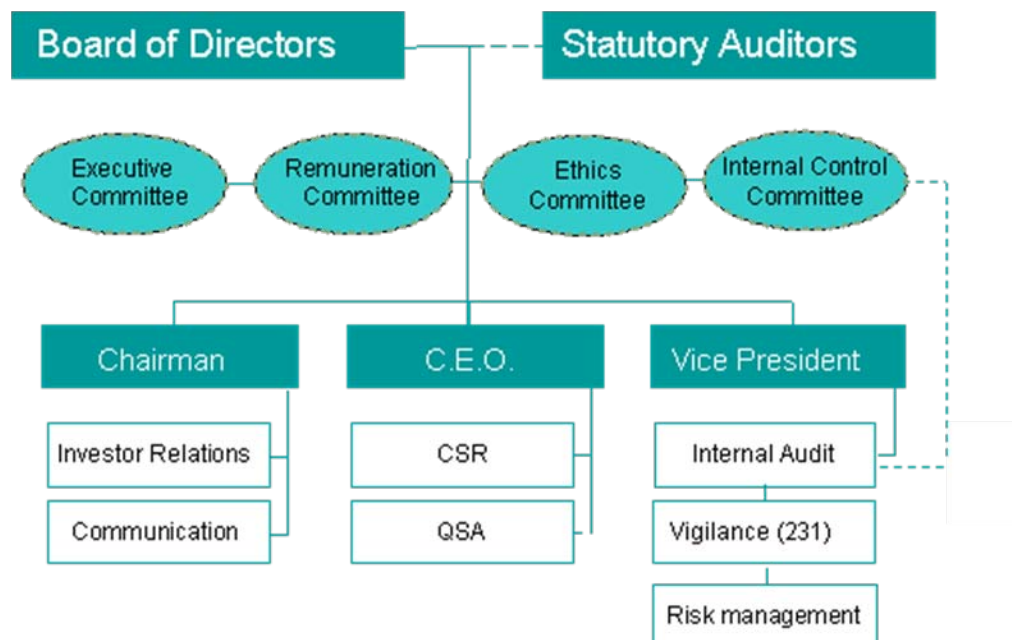
Hera website (www.gruppohera.it) sets out further information for SRI investors.

Hera Group Sustainability

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Organizational evolution to enhance continuous dialog



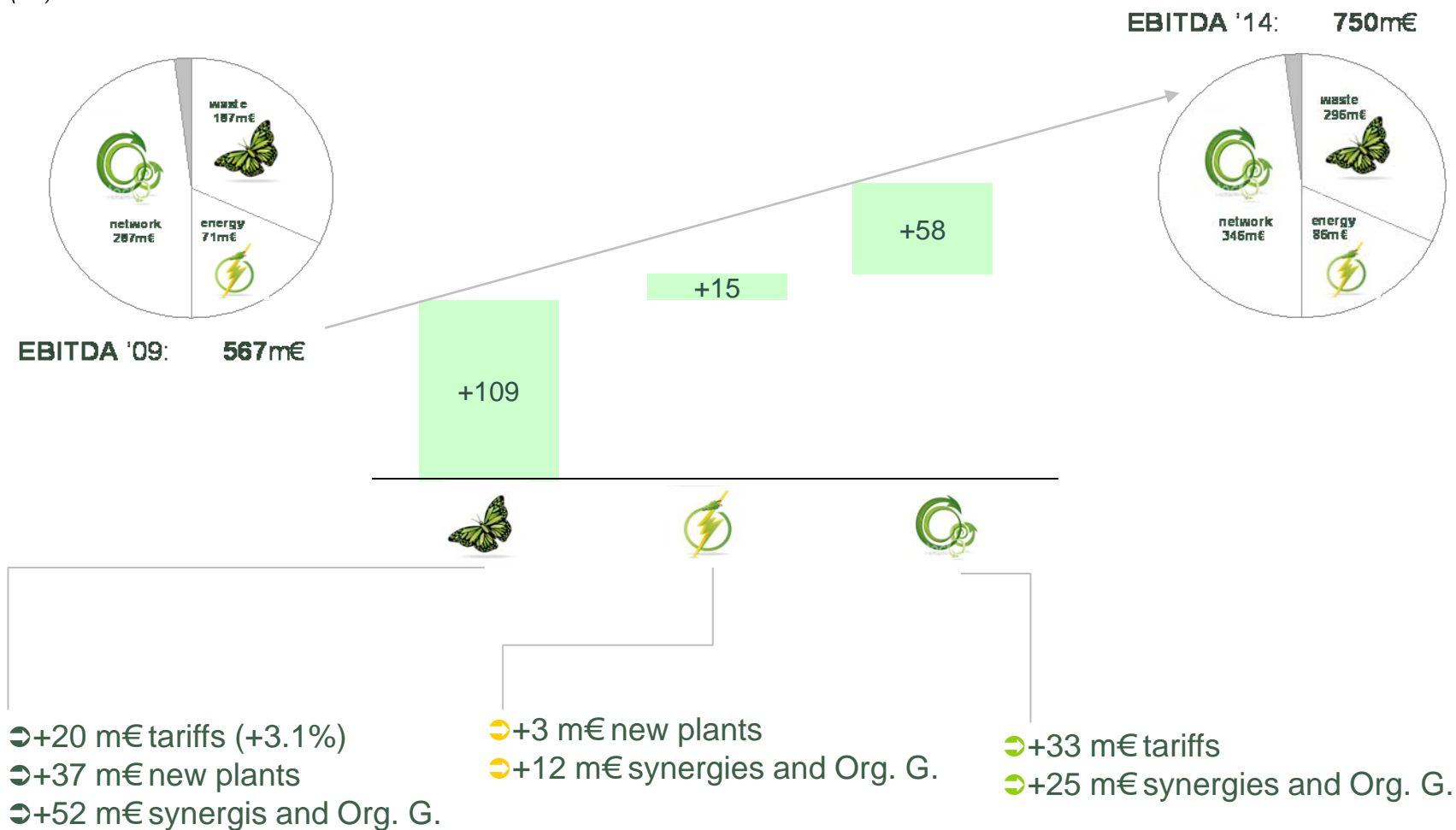
- > All main functions focused on stakeholders are directly in staff to Top Management.
- > MBO system (BSC) include both financials and KPIs.
- > Further more other main Organizational Units are in place:
 - > Supervisory Board on corporate crime prevention (legislative decree 231/2001).
 - > Integrated management of Quality, Safety and Environmental policies (QSA).



Ebitda growth with the contribution of all strategic areas

Ebitda by strategic area

(m€)



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.*