



joint press release

Bologna-Trieste, 25 July 2012

Hera – AcegasAps: approved integration project

The BoD of Hera and the shareholders' meeting of AcegasAps Holding met this afternoon and approved the framework agreement for the integration of the Trieste and Padua multi-utility company into the Hera Group.

Today the Board of Directors of Hera S.p.A. and the shareholders' meeting of AcegasAps Holding S.r.l., the company that controls AcegasAps S.p.A., approved a Framework Agreement outlining the main aspects for the integration of the two Groups, setting out the various terms and conditions required for complete combination. The respective Chairmen subsequently signed the Framework Agreement.

The new Group's business prospects

The AcegasAps Group and the Hera Group share several characteristics, not only of business and historical nature but even their ownership structures and the development paths that would favour the integration process.

Indeed, the merger of the two entities allows for optimally efficient use of their respective business platforms, particularly in Energy, Water and Waste, in terms of size as well as the extent of coverage of the value chain allowing the enhancement of the competitive positioning toward market challenges.

Moreover, the new entity will have a size and business soundness that will enable potential future integration of other entities within the territories, leveraging upon the industrial and operating footprints of the integration.

The combined entity is designed to fulfil a "strong" business rationale that focuses on the consolidation of the leadership in Waste and Network Services, based on the industrial infrastructure of the two Groups; the improved investment capacity and service efficiency/quality in the regulated and competitive sectors; the consolidation of their respective commercial presences in the Energy sector; the expanded presence and the business synergies, due in part to the proximity of territories; the consolidation of financial structure and the presence in Eastern Europe.

The positioning of the new Group

The new entity will have a value of production exceeding €4.5 billion, EBITDA in excess of €750 million and a net profit of approximately €140 million, with financial solidity proven by debt cover ratio of approximately $3.2x^1$, making this the second largest *Local Utilities* group, with a very significant leadership and competitive positioning profile:

- the leading Italian waste treatment operator (5.4 million tons, of which 3.7 from third parties);

¹ The data presented in this paragraph were calculated on the basis of the aggregate results from the consolidated financial statements as at 31 December 2011, approved by Hera and Acegas Aps.



- the second largest operator in terms of water sold (300 million m³);
- the third largest gas distributor (about 1.5 million points of delivery and volumes of 2.9 billion distributed);
- the fifth largest operator in terms of electricity sales to end-users (~11 TWh of electricity sold, with over 650,000 customers);
- the seventh largest retailer seller of natural gas (2.8 billion m³ sold, to almost 1.4 million customers).

The composition of the Group's business portfolio after the merger will not change significantly, given the strong similarity between the two entities, and it shall maintain the equal balance between regulated and free market balancing which recently ensured good economic results despite the particularly difficult phase Italy is going through.

The additional synergies arising from the new Group have been preliminarily estimated at € 25-30 million/per annum at regime, achievable in various areas of operation, given the complementarity of the business portfolio, to which will be added the effects of the Group's potential post-merger growth, whether at the territorial level or in individual business areas. Attaining these synergies will improve earnings per share for all shareholders.

The structure of the transaction

Acegas Aps Holding's will be merged by incorporation into Hera. The merger is expected to enter into effect on 1 January 2013, at which time Hera will hold a controlling interest in Acegas Aps' share capital of 62.69%. Thus, upon completion of the merger, Hera will launch a public cash and stock tender offering on all Acegas Aps shares pursuant to art. 106, par. 1 and 2-bis of the Consolidated Finance Act (TUF). The purpose of the offering is the delisting of Acegas Aps.

The share exchange ratio for the merger of Acegas Aps Holding into Hera

The Framework Agreement provides that the share exchange ratio for the merger of Acegas Aps Holding into Hera will equal approximately 0.763 new Hera shares for Acegas Aps Holding shares equalling a nominal value of Euro 1.00 (equal to € 188 million).

Acegas Aps Holding owns 34,466,941 shares of Acegas Aps (of a total of 54,978,830, of which 118,883 treasury shares) with a net financial debt as at 30 June 2012 of about € 6.0 million.

Based on the aforesaid share exchange ratio, the Municipalities of Trieste and Padua which are the sole shareholders of Acegas Aps Holding shall receive approximately 143.38 million Hera shares in total.

The shareholders of Acegas Aps Holding shall also receive a balance in cash of € 3.4 million.

The exchange ratio was determined on the basis of specific Fairness Opinions issued by the financial advisors Lazard&Co for Hera and Unicredit for AcegasAps Holding. The valuation process conducted by these advisors is based, by procedure, on valuation methodologies commonly used for transactions of this type.

The terms and conditions agreed upon for the share exchange take into account the business fundamentals referring to the value of Acegas Aps as well as the growth prospects that relate to the recent investments in the thirty-five year concession for the distribution of gas in Bulgaria, worth approximately € 40 million, and the Group's post-merger prospects, overcoming certain limitations consisting of the market valuations due to the modest capitalization, the low level of the share's liquidity and the particular situation that the financial markets are currently going through.

The Framework Agreement requires that the Boards of Directors of Hera and Acegas Aps Holding meet by 28 August 2012 for approval of the "formal merger project" and the aforementioned share exchange ratio. It



shall be subject to the opinion of the independent appraiser to be appointed by the Court of Bologna pursuant to applicable laws.

The merger shall be executed on the basis of the balance sheets as at 30 June 2012, prepared pursuant to article 2501-*quater* of the Italian civil code.

The public cash and stock tender offering

Through the public cash and stock tender offering to be executed by Hera upon completion of the merger, the exchange ratio implicitly indicated for the merger will apply to the minority shareholders of Acegas Aps; this is approximately 4.16 newly issued Hera shares for each Acegas Aps share and a portion in cash equal to approximately €0.27 per Acegas Aps share. This cash component involves an amount of consideration payable in cash in the case of full participation in the tender and share exchange offer of €5.6 million at most, which reflects the balance in cash payable to Acegas Aps Holding shareholders at the time of the merger and the net financial debt of Acegas Aps Holding as at 30 June 2012.

In the event of full participation in the public cash and stock tender offering, the new Hera shares issued for the merger and the public cash and stock tender offering will equal approximately 228.21 million or 16.99% of the post merger share capital, of which 10.67% will be held by the Municipalities of Trieste and Padua; while the cash part, within the merger and the public cash and stock tender offering won't exceed €9.0 million, taking also into consideration Acegas Aps net financial debt equal to €6.0 million.

The main elements of Corporate Governance

The Framework Agreement requires, for it to be effective, that by the date the merger deed is executed and in any case by 15 December 2012, the Municipalities of Trieste and Padua become part of the Shareholders' Pact between Hera's public shareholders signed as at 21 December 2011. Once the Municipalities have entered into the Shareholders' Pact, according to their shareholdings in Hera, these Municipalities will acquire the right to be represented within the Shareholders' Committee and to each appoint a director to sit on Hera's Board of Directors, which shall be expanded to include a corresponding number of members.

The percentage of shares contributed to the Shareholders' Pact and subject to the relative Block Agreement shall correspond to 51% of Hera's share capital upon completion of the various phases of the transaction, as they do currently.

It is furthermore provided that, in time for the execution of the merger deed, Hera's Extraordinary Shareholders' Meeting be called to approve the amendments to the articles of association required to ensure that Hera's Board of Directors will be increased to 20 members, of which 16 shall be elected by the majority. Furthermore, with the adhesion to the Shareholders' Pact, it is provided for that upon expiration of the current Board of Directors' mandate, at the shareholders' meeting called to approve the financial statements as at 31 December 2013, the total members of Hera's Board of Directors will be reduced to 15, of which 12 shall be appointed by the majority.

The Framework Agreement provides that, for it to be effective, by the date of execution of the merger deed and in any case by 15 December 2012, the Municipality of Trieste, the Municipality of Padua and Hera must enter into an agreement that, provides for, *inter-alia*, that Acegas Aps, controlled by Hera, maintains its registered offices in Trieste and that upon renewal at the time the 2012 financial statements are approved, the Board of Directors shall have 10 members, of which a total of 4 will be appointed by the Municipalities of Trieste and Padua.

With the execution of the above mentioned agreement, the Chairman of the Board of Directors will be selected from among the members designated by the Municipality of Trieste and the Managing Director will be selected from among the members designated by the Municipality of Padua, while Hera will appoint the General Director.

Timeline

As an indication, the execution of the transaction currently requires that the following timeline be followed:

- 28 August 2012: Meetings of the Boards of Directors of Acegas Aps Holding and Hera for approval of the merger project. The reports for Hera Extraordinary Shareholders' Meeting and Acegas Aps Holding Shareholder's Meeting will also be approved on this date. Hera will approve the Group's half-year report ;
- From 1 September to 14 October 2012: resolutions of the Municipal Boards for Shareholders' Meetings;
- 15 October 2012: Shareholders' Meetings of Acegas Aps Holding and Hera for approval of the merger project and Hera's post-merger articles of association;
- December 2012: execution of the merger deed;
- 1 January 2013: date on which the merger enters into effect;
- January 2013: Approval by Hera's Board of Directors of the disclosure required by art. 102 of the TUF and fulfillment of the obligations for execution of the public cash and stock tender offering.

Further elements and information relating to the transaction shall be duly disclosed to the market and the Supervisory Authorities pursuant to applicable laws.

Effects of the Framework Agreement and merger terms and conditions

The effectiveness of the Framework Agreement is specifically subject to the fulfilment of the following conditions:

- exemption or approval or non-prohibition of the merger by the Italian Antitrust Authority [*Autorità Garante della Concorrenza e del Mercato*] by 29 December 2012;
- approval by the municipal councils of the Municipalities of Trieste and Padua of the merger project, participation in the Hera Shareholders' Agreement between public shareholders and the governance agreements for AcegasAps no later than 14 October;
- approval of the merger project by the shareholders' meetings of Acegas Aps Holding and Hera by 20 October 2012;
- signing by Hera and the Municipalities of Trieste and Padua of the governance agreements relating to Acegas Aps by 15 December 2012;
- participation of the Municipalities of Padua and Trieste in the Hera Shareholders' Agreement between public shareholders by 15 December 2012.

For this transaction, Hera received the assistance of the financial advisor Lazard&Co, Studio Legale Grimaldi and Studio Legale Lexjus Sinacta acting as legal advisor; Acegas Aps Holding was assisted by the financial advisor Unicredit and Studio Legale Gusso as legal advisor.



This joint press release is available also on Acegas-Aps S.p.A. website, in the name of the latter's controlling company, AcegasAps Holding S.r.l.

The Acegas-Aps Group

This Group was created in 2003 following the merger of Acegas (listed on the Milan Stock Exchange from 2001) and APS, a multi-utility company operating in the provinces of Trieste and Padua. Acegas-Aps is currently one of the major multi-utility companies in North-Eastern Italy, employing approximately 1,800 employees and covering approximately 500,000 inhabitants; it is active in the management and distribution of water, the distribution and sale of gas and electricity, the production of electricity, the collection and treatment of waste and other services (funeral services, public lighting, cable placement for telecommunications, district heating, facility management, pipe re-lining, O&M for integrated water plants). The Acegas Aps Group is also active in the Serbian and Bulgarian gas sectors, as it was awarded two long term concessions in these countries. The Acegas Aps Group is organized along business lines which allows for a natural openness to processes involving combinations or the creation of partnerships focusing on a single or multiple services, while continuing to maintain its ties with the territories it operates in.

The Hera Group

Hera was created in 2002 from the union of the public services of Emilia Romagna and continued thereafter to grow within the territory through sequential combinations, to currently cover a territory consisting of more than 2.5 million inhabitants. This development was made possible through its organisational structure, consisting of a parent company and operating units located in the territories and the shareholder structure, which makes the system "open" to the entry of new shareholders. In 2011, Hera was the leading Italian multi-utility company in the Waste Collection and Treatment area, the second in the Water area, among the leading five Italian operators in the distribution of gas and the eighth largest operator in the electricity sector insofar as electricity sold. The Hera Group employs 6,500 persons and operates in the territories of Bologna, Ravenna, Rimini, Forlì-Cesena, Ferrara, Modena and Imola and Pesaro-Urbino. The company has been listed on the Milan Stock Exchange since 26 June 2003.

Direttore Relazioni Esterne Hera
Giuseppe Gagliano
tel. +39- 051-287138
e-mail: giuseppe.gagliano@gruppohera.it

Responsabile Relazioni Esterne e comunicazione AcegasAps
Maurizio Stefani
tel. +39-040-7793534 (Trieste) 049-8280551 (Padova)
e-mail: mst@acegas-aps.it