

Drawing the future

Business plan to 2019



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Hera Business plan up to 2019

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Our ambitions

Scenario

Scenario's change

Low interest rates
Economic recovery
Low inflation

Sector's change

Consolidation "momentum"
Volatile commodities

Industry's change

Regulated tenders & tariff review
Increased competition

Strategic framework

Multi-utility Platform

Pursue Efficiency

Expand markets

Risk protection

Goals

Continue growth through consolidation

Operational excellence

Leverage innovation

Enhance efficiency



Lower uncertainties

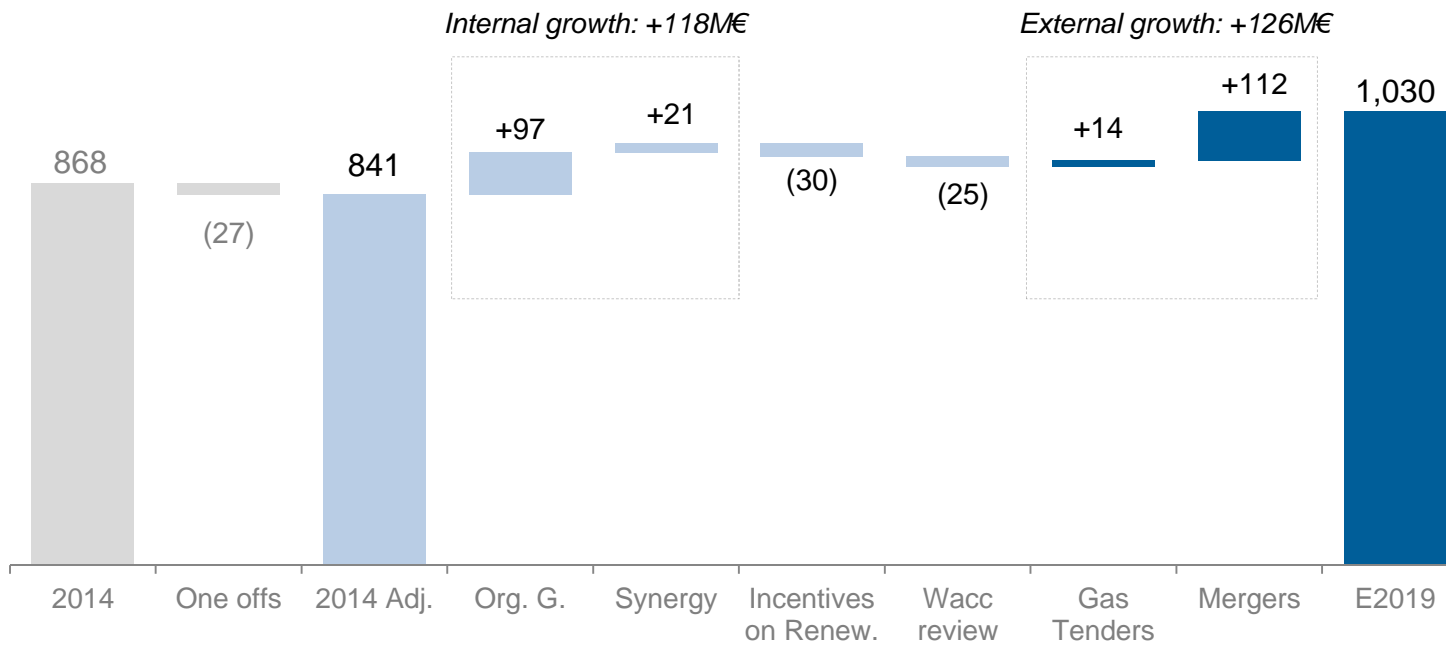
A consistent strategy...

...to create value

Harvest from the past, blossom for the future, exploit market momentum

Growing with our “two Pillars” model

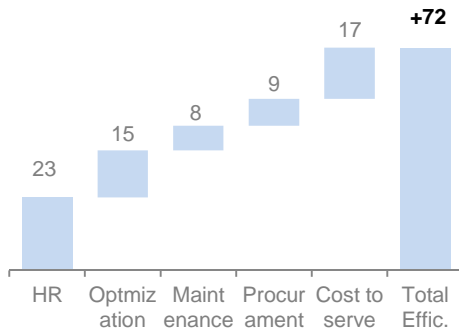
 **Ebitda 5Y growth**
(M€)



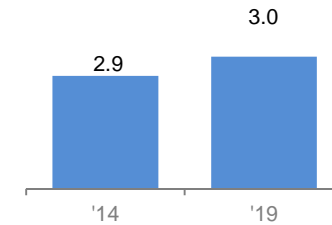
Proven track record, low risk, higher visibility

“Internal growth” levers: Efficiency, Synergies and Org. growth

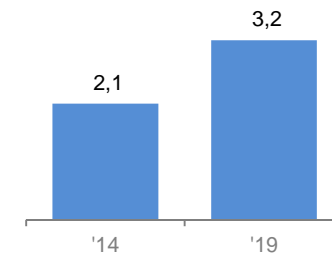
Resource&Process efficiency (M€)



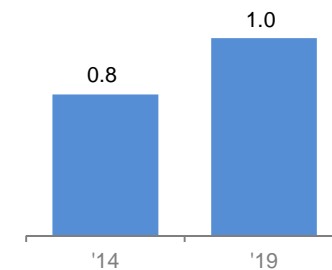
Property RAB dev. (B€)



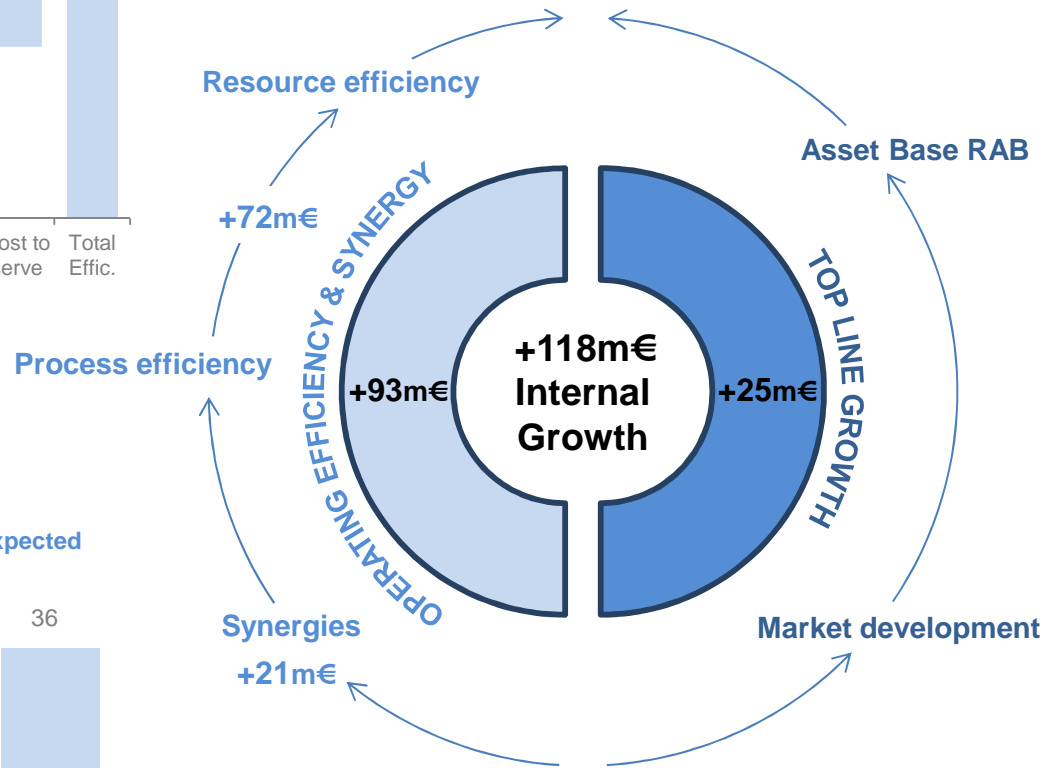
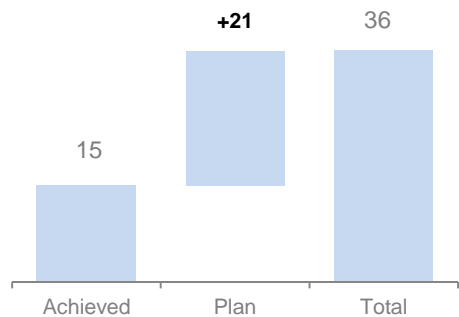
Special Waste exp. (Mton)



Elect. customers exp. (M unit)



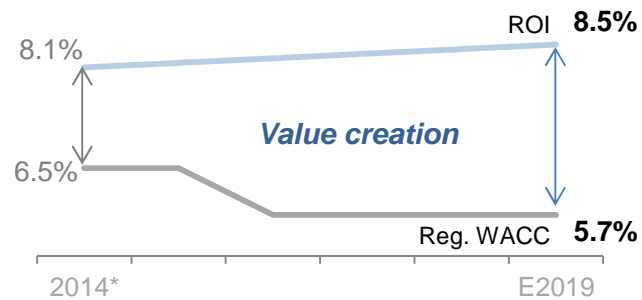
Synergies achieved and expected (M€)



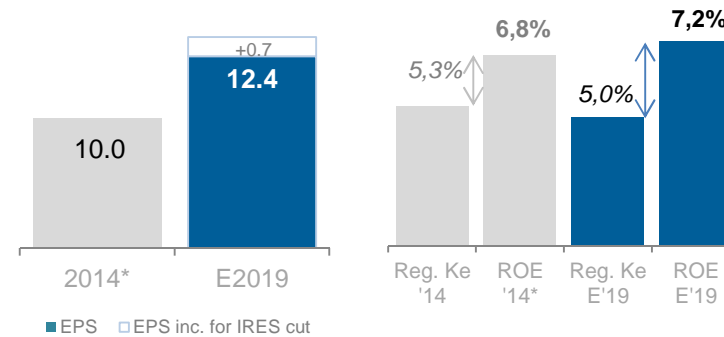
10% of Operating Efficiencies and of Synergies relates to Innovation

“Internal growth” highlights the value creation of Hera as for ‘14 perimeter

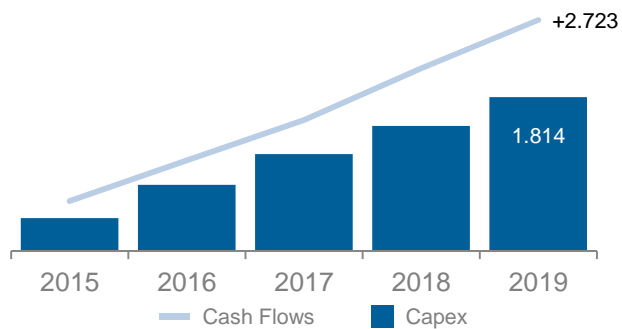
ROI & value creation
(%)



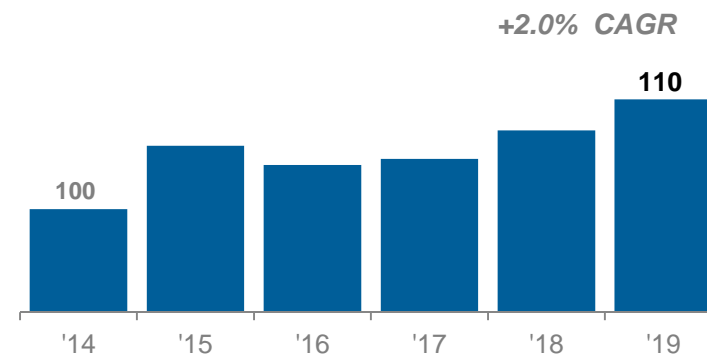
EPS growth and ROE
(c€, %)



Capex and operating cash flows
(M€, cumulated)




Ebitda per Employee
(K€ per capita)



Value creation and cash generation potentials of “Hera” model

* Adjusted for positive one offs: 27 m€

External growth potential to deploy Hera's model

	 Mergers of multi-utilities	Tenders Gas distrib. Waste collection		Acquisitions Energy supply Waste treat.	
		~ 700	220	~400	~250
Market fragmentation	~ 700	220	~400	~250	~ 600
Enabler	<ul style="list-style-type: none"> Government incentives Municipal financial constraints Gas tenders Larger waste collect. concessions 	<ul style="list-style-type: none"> Compulsory at national level No further delays expected Territorial rationalization opportunity 		<ul style="list-style-type: none"> Increased competition 	<ul style="list-style-type: none"> Competition pressure on Small-sized
Enabler expected	<ul style="list-style-type: none"> "Madià" law 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Tenders on provincial basis 	<ul style="list-style-type: none"> Increased competition 	
Potential Targets in Ref. territory	<ul style="list-style-type: none"> 11 companies 	<ul style="list-style-type: none"> 13 Ref. ATEMs Ebitda 14 M€ (additional) 		<ul style="list-style-type: none"> Ebitda ~40 M€ in tot ~ 580K customer in tot 	
Selection criteria	<ul style="list-style-type: none"> Neighbourhood, same mix, sound >20m€ Ebitda Non dilutive multiples Full integration of operations 	<ul style="list-style-type: none"> Reference ATEM 	<ul style="list-style-type: none"> In 10-12 Reference provinces 	<ul style="list-style-type: none"> National scope Non dilutive multiples Full integration of operations 	

Market momentum offers several opportunities for external growth

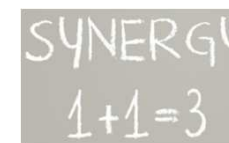
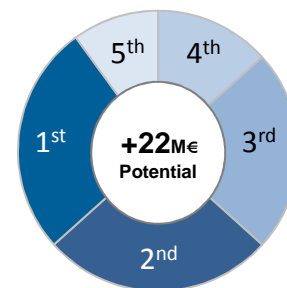
Solid premises to deploy Hera's accretive model with "visible targets"

Business plan external growth Ebitda targets (M€)

	Potential	Business plan
MERGER in ref. territory	11 Targets	+112M€ Ebitda 4 Targets
TENDERS	177 ATEMs at national level	13 ATEMs only in reference territory +14m€ Ebitda
ACQUISIT.	Large number of potential targets High fragmented markets and increasing competitive pressure on small/mid sized companies	NONE (only those already executed)



Merger value creation: Synergies (Ebitda increase M€, years post merger)

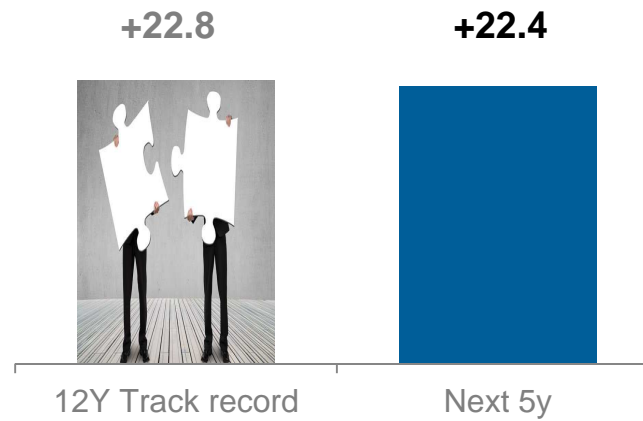


Historical avg. of synergies: +20% Ebitda of target companies merged in 5Y

Value creation from expected M&A goes "ON TOP"

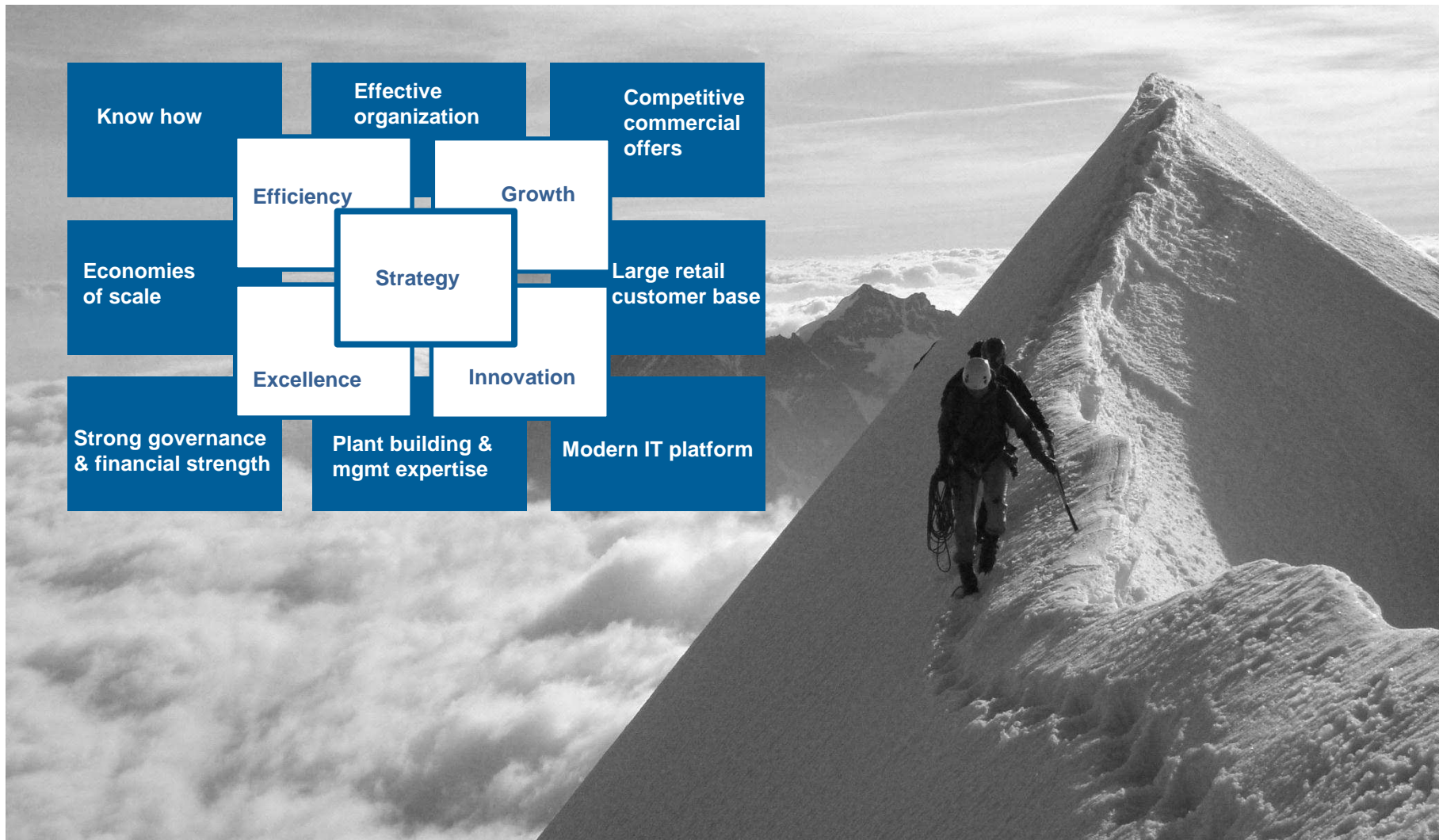
M&A targets rely on a *solid-12 year* track record

 Annual average Ebitda contribution from M&A (M€)



Visible targets, aiming at even better ones

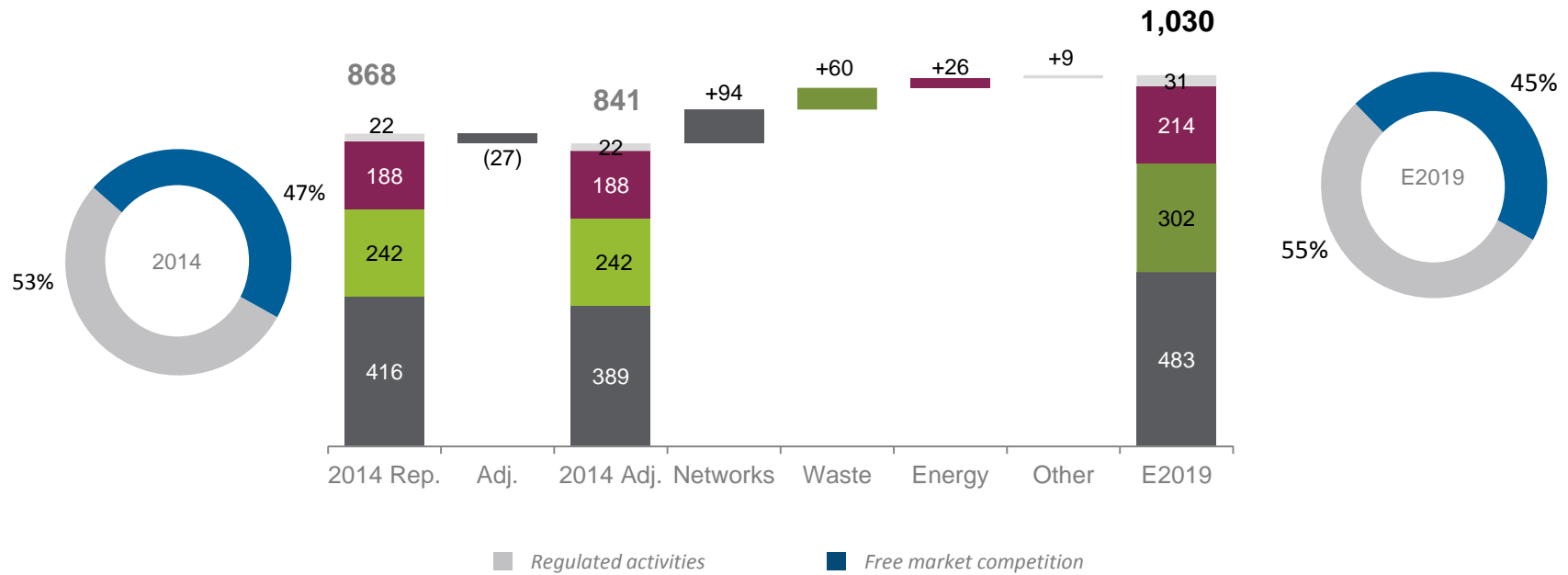
Building up value leveraging upon our strengths



Changing environment: a threat for the many, an opportunity for us

Above 1 Billion Ebitda growth comes from core businesses

Ebitda by strategic area
(M€)



Maintaining a solid and balanced growth

Sensitivity analysis on key drivers



Sensitivity to oil prices

(dollar per barrel impact in M€, % impact on Group Ebitda)

1\$/Barrel → GROUP EBITDA
0.05M€
(0.01%)



Sensitivity to GDP

(plus or minus 1%, impact in M€, % impact on Group Ebitda)

1% → GROUP EBITDA
4.00M€
(0.5%)



Sensitivity to PUN prices

(plus or minus 1€/MWh, impact in M€, % impact on Group Ebitda)

1€/MWh → GROUP EBITDA
0.50M€
(0.06%)



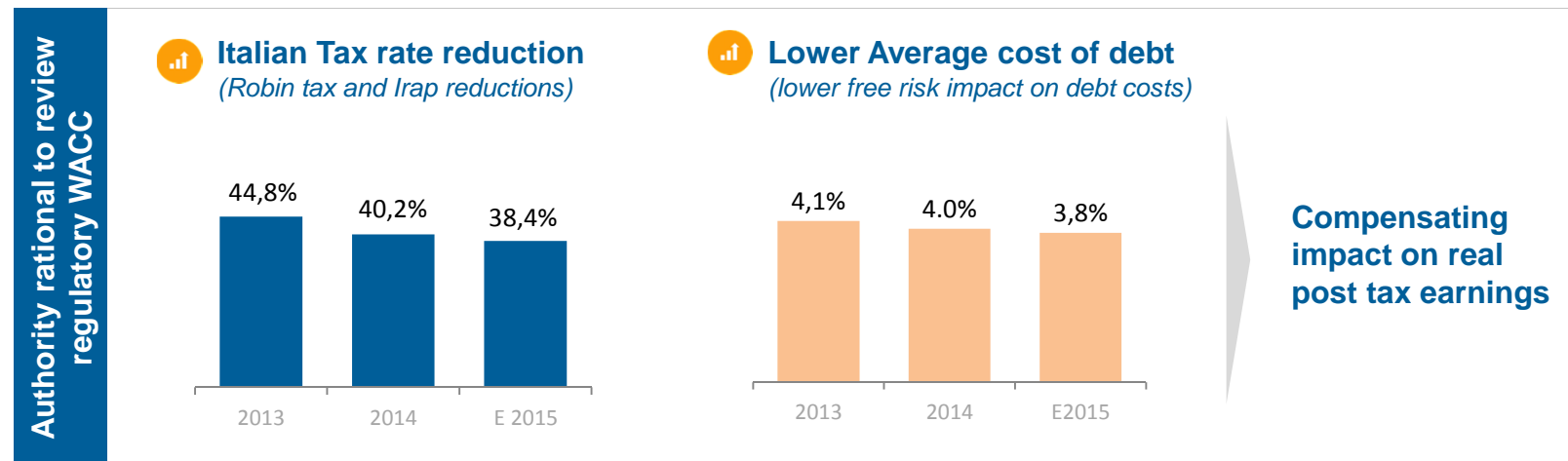
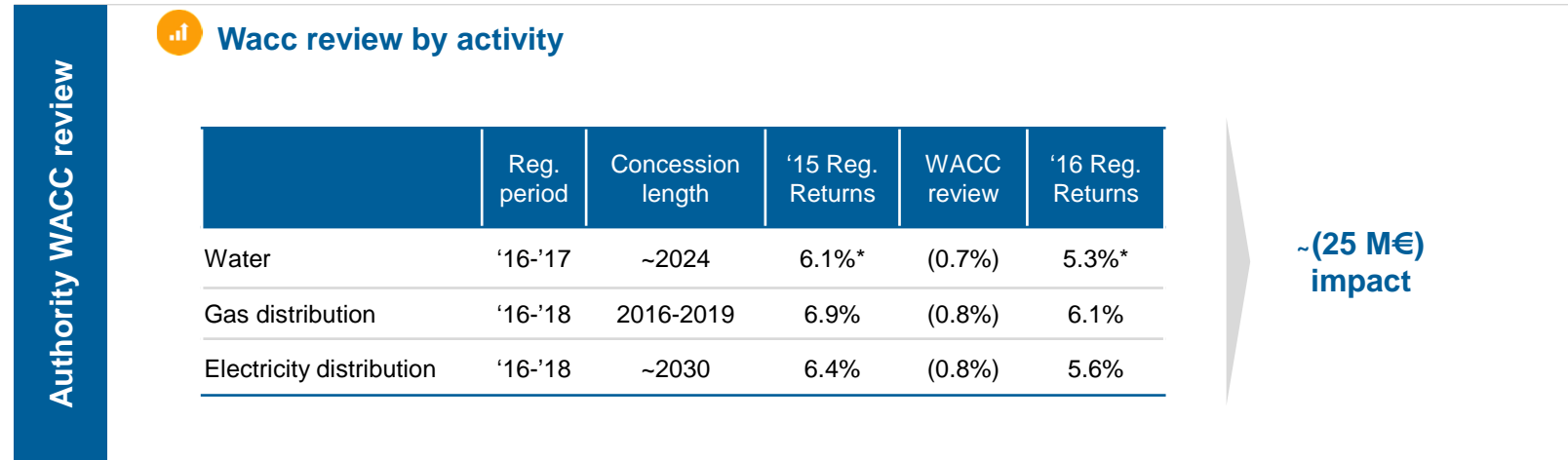
Sensitivity to Gas prices

(plus or minus 1 Eurocent per cubic meter, impact in M€, % impact on Group Ebitda)

1c€/M³ → GROUP EBITDA
1.00M€
(0.12%)

A low exposure to macro variables built up by risk adverse strategies

Wacc review reflects macroscenario positive changes

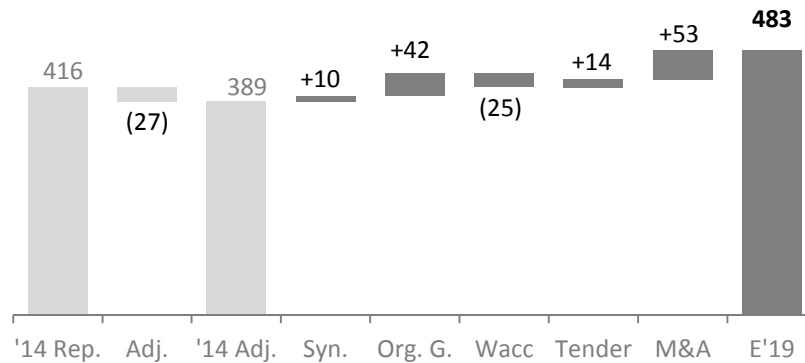


Higher visibility, negligible effect on earning

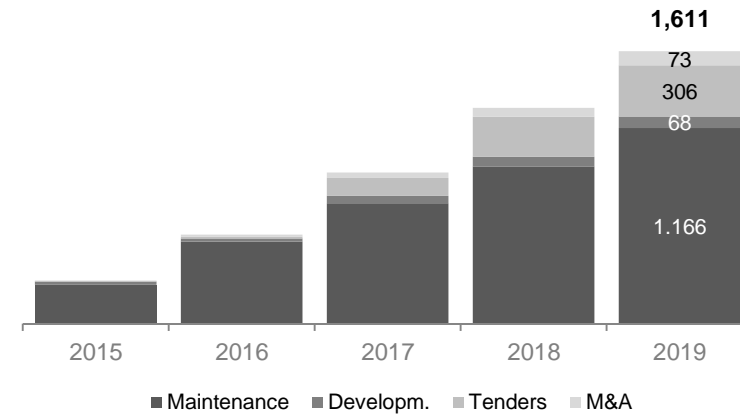
* Return pre-IRAP

NETWORKS: low risk cash generator

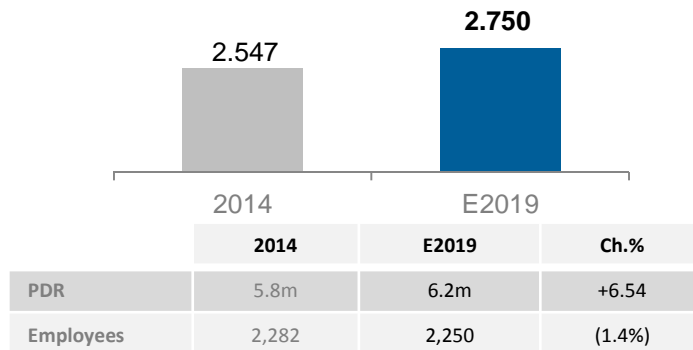
Ebitda growth drivers
(M€)



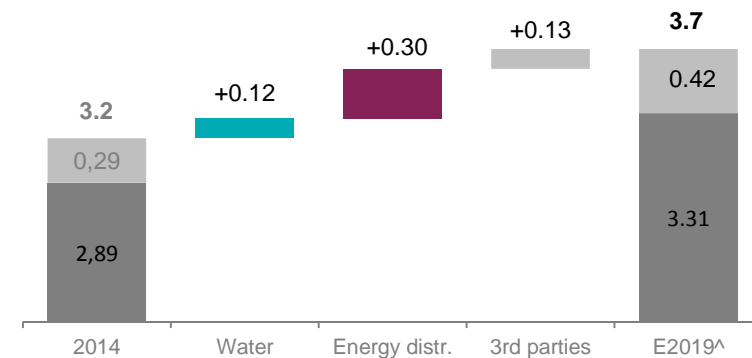
5Y Capex plan: 55% of 2014 property RAB
(M€)



PDR/Employee
(K unit)



RAB evolution in next 5Y
(B€)



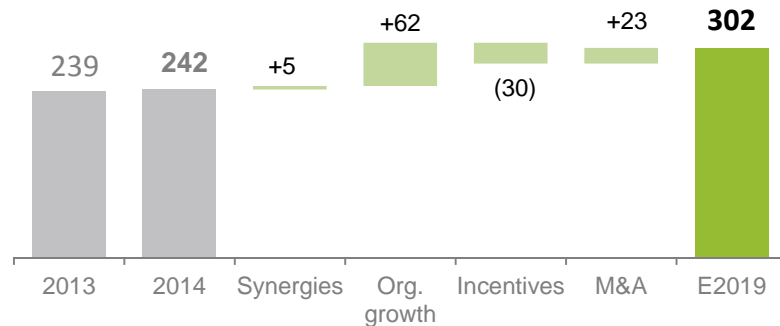
Developing our “safety box”

^ Excluding RAB from M&A included in Business Plan targets

WASTE: a further expansion of presence at national level

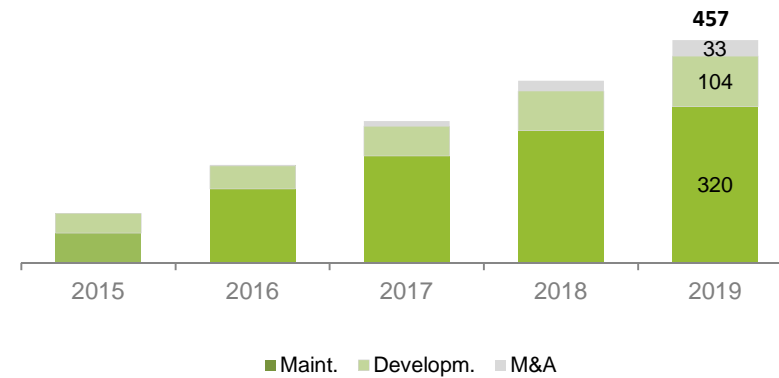
Ebitda growth drivers

(M€)



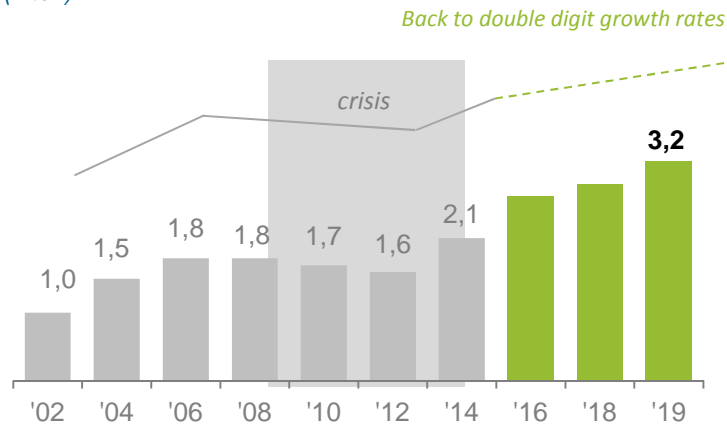
Cumulated Capital expenditures

(M€)

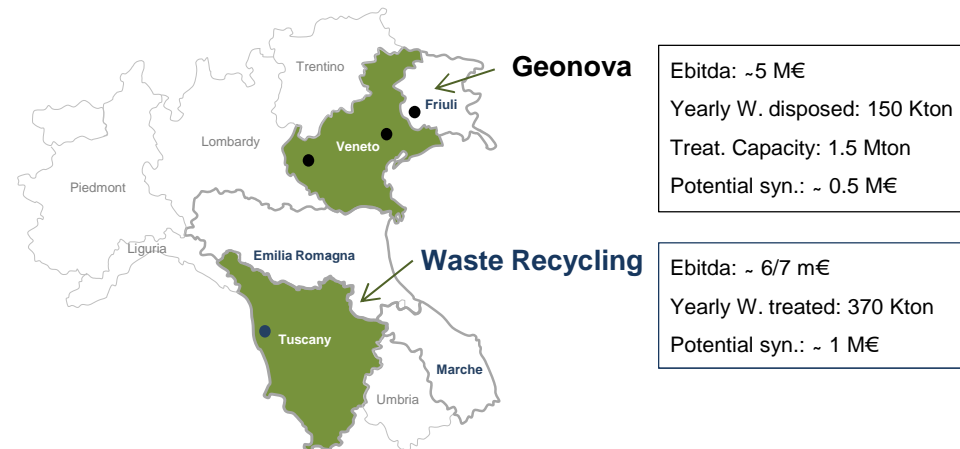


Expected demand increase for S.W. treatment

(Mton)



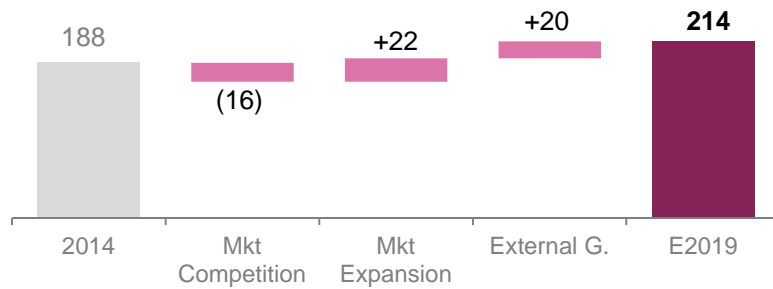
Achieved expansion in strategic areas/assets through M&A



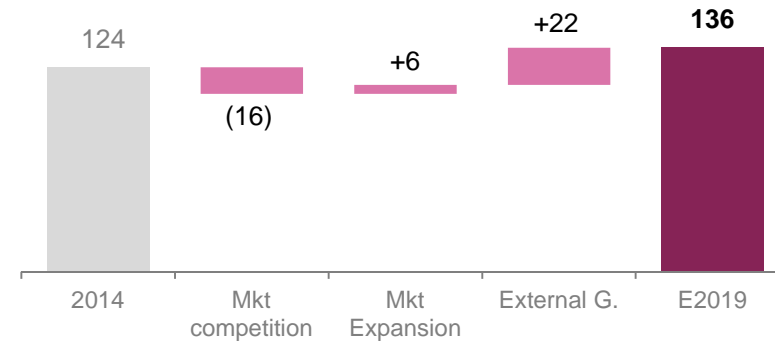
Back to track records growth and full load factors

ENERGY: keeping low risk profile

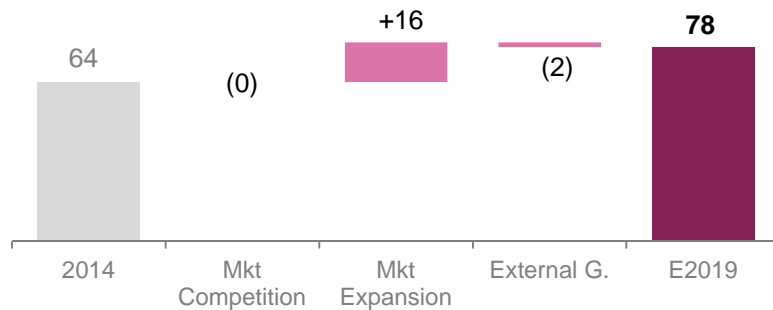
ENERGY Ebitda growth factors
(M€)



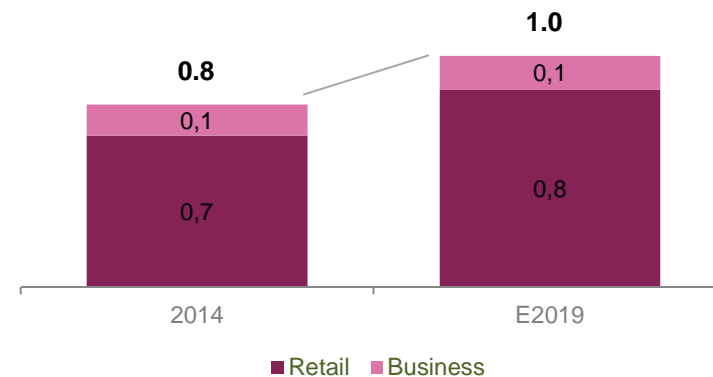
Gas Ebitda growth factors
(M€)



Electricity Ebitda growth factors
(M€)



Business / Retail electricity customers
(M Unit)



Offsetting pressure on margins

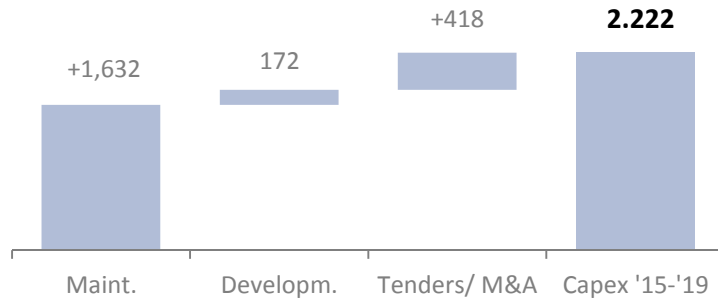
The 3R approach to sustainability



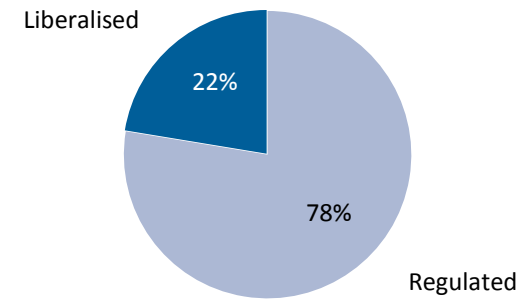
Exploring innovative sustainability paths

The capital expenditures

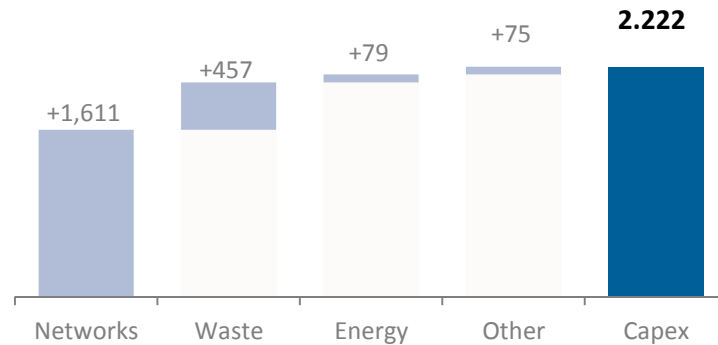
Capex breakdown by driver
(M€)



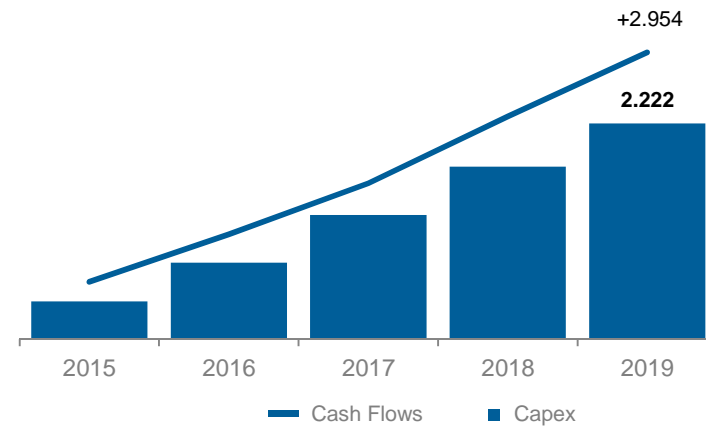
Regulated/liberalised
(%)



Capex breakdown by business
(M€)



Cum. capex and cash flows before dividends
(M€)

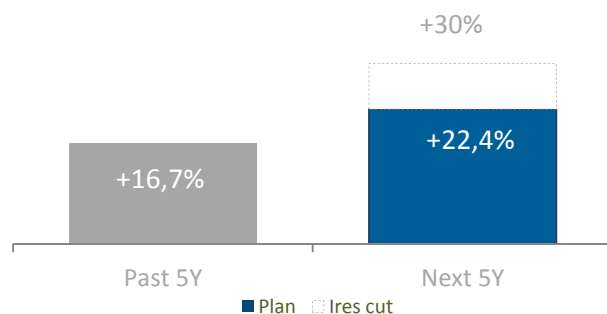


Fully funding Group expansion

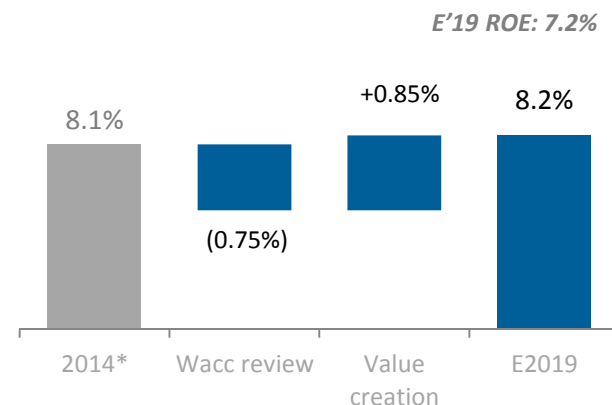
Financial highlights



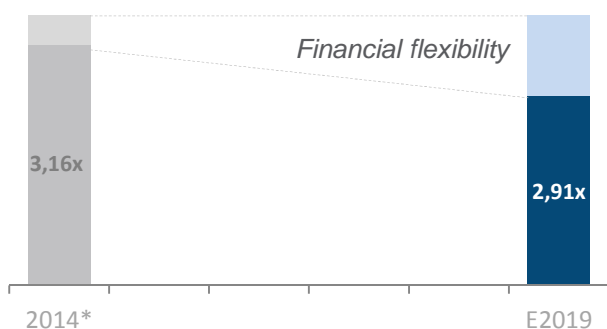
EPS growth (cumulated increase %)



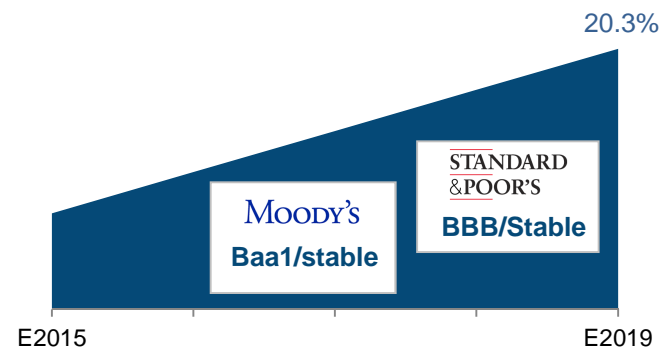
Return on invested capital & value creation (%)



Debt/Ebitda decrease enhance flexibility (x)



FFO/Net Debt and current ratings (%)



More fire power to fund M&A opportunities guaranteeing dividend flows

*Adjusted 2014 figures

Closing remarks

*Targeting a **further constant growth** in line with track records compensating re-basement of regulated returns **maintaining** our peculiar **low risk profile**.*

*Scenario improvement underpins better “visibility” on targets of the **internal growth** and the **external growth**, the **2 proven “pillars”** of our growth model.*

***First year** of Business plan (2015) highlights a solid growth in both “pillars”.*

***Cash generation** assuring enhanced financial solidity, full coverage of Capex plan and of the Mergers embedded in the plan, **leaving room for further external growth**.*

***Dividend policy** remains consistent: a floor of 9 Euro cent per share.*

*A plan that **in a nut shell** confirms ...*

GROWTH, LOW RISK, ENHANCED VALUE

ANNEX

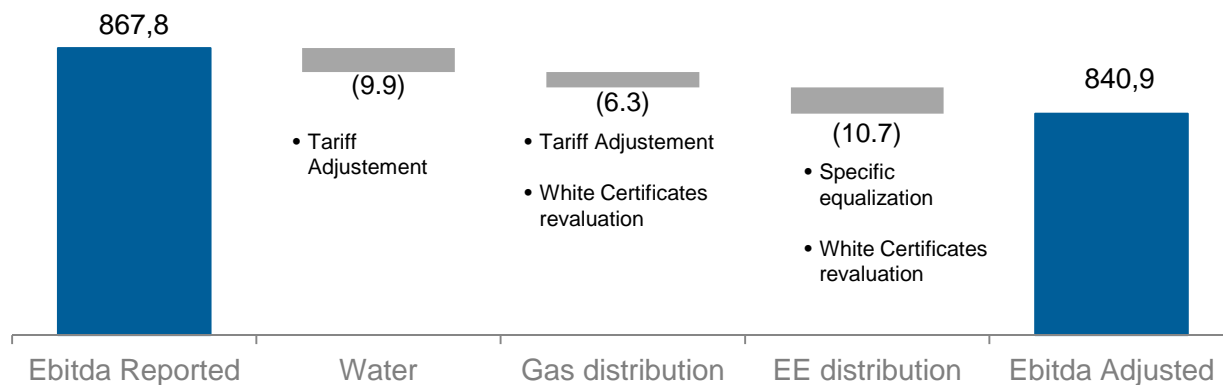
*For further information please contact
the Investor Relation team*

ir@gruppohera.it



2014 Adjustments and Business Plan assumptions

FY2014 Ebitda Adjustments



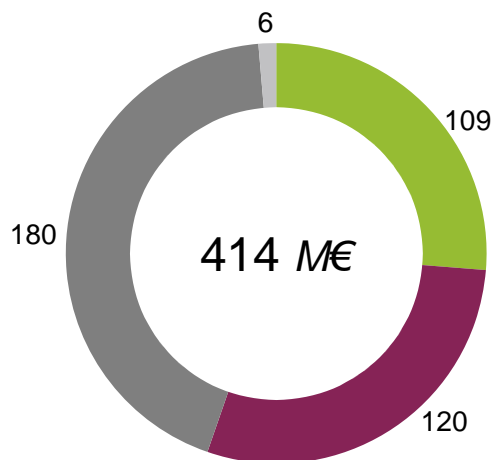
Business Plan assumptions

	2014	E2016	E2019
Brent (Dollar/Barrel)	99.5	63.0	90.0
Exchange ratio €/€	1.33	1.13	1.20
PUN (€/MWh)	52.1	52.5	67.6
Inflation (5Y moving average)	0.2%	1.0%	1.0%
Italian GDP trend (%CAGR)		1.1%	
Green certificate – biomass plants (€/MWh)	97.4	80.3	80.3
Green certificate – other plants (€/MWh)	97.4	97.3	81.7
White certificates (€/TEP)	106.6	108.5	109.5
CO₂ certificates (€/ton)	4.2	7.0	8.0
Tax rate (%)	40.2%	37.5%	37.5%
Cost of Debt (%)	4.0%	3.8%	3.7%

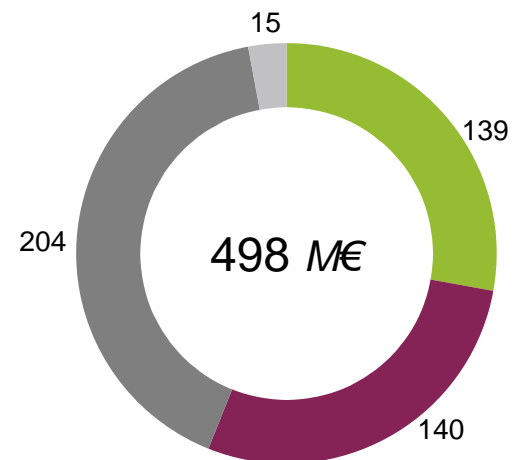
Consolidated Group Ebit target

Ebit by strategic area
(M€)

Ebit 2014*



Ebit E2019

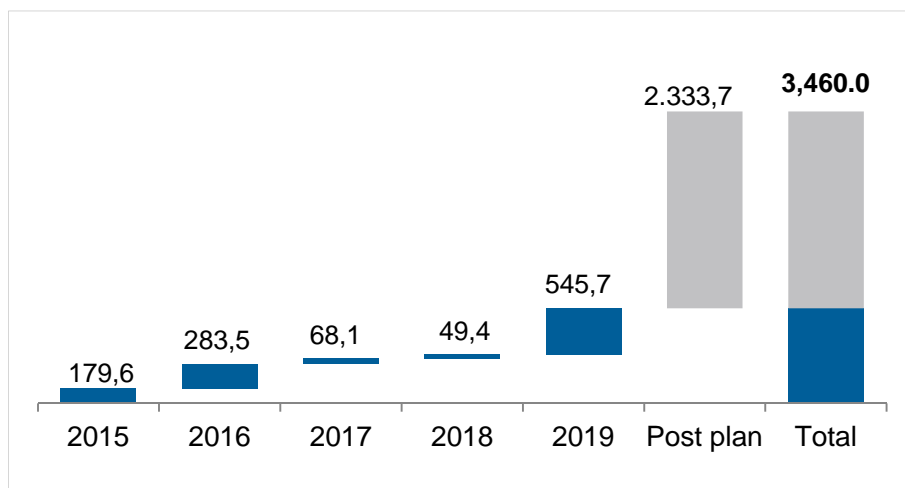


- Networks
- Energy
- Waste

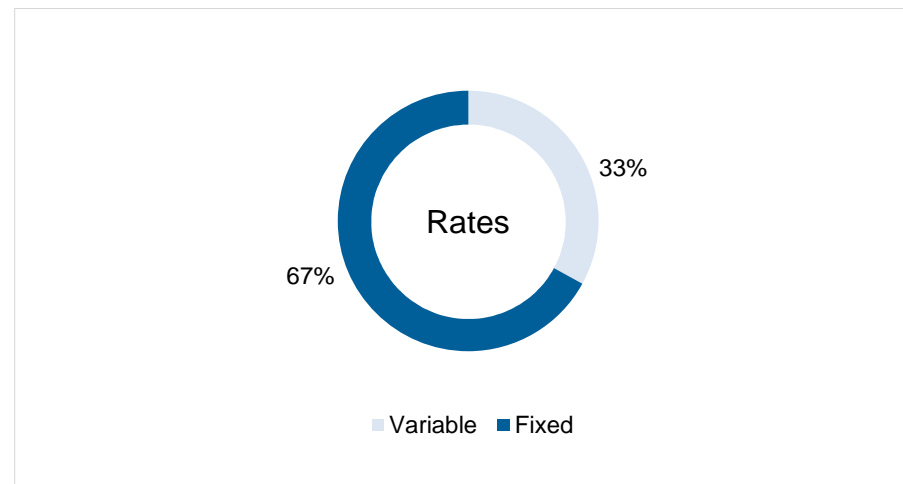
* Adjusted for positive one offs: 27 m€

Financial strategy

Refinancing needs to 2019
(M€)



Pursuing balanced interest nature
(M€)

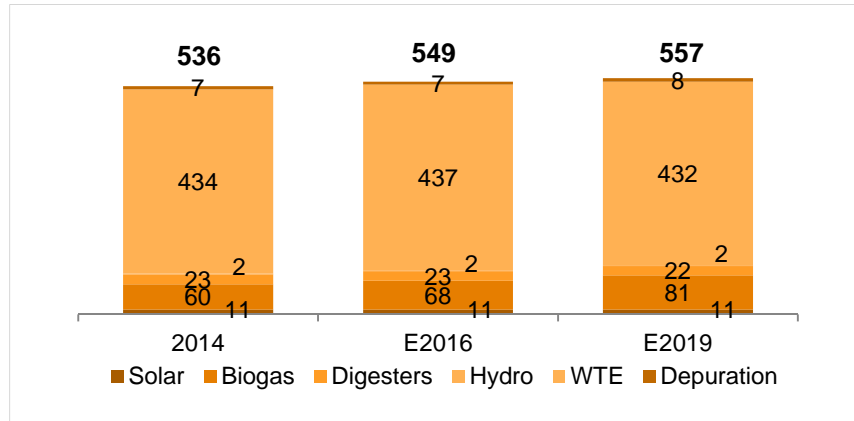


Hera Group financial strategy

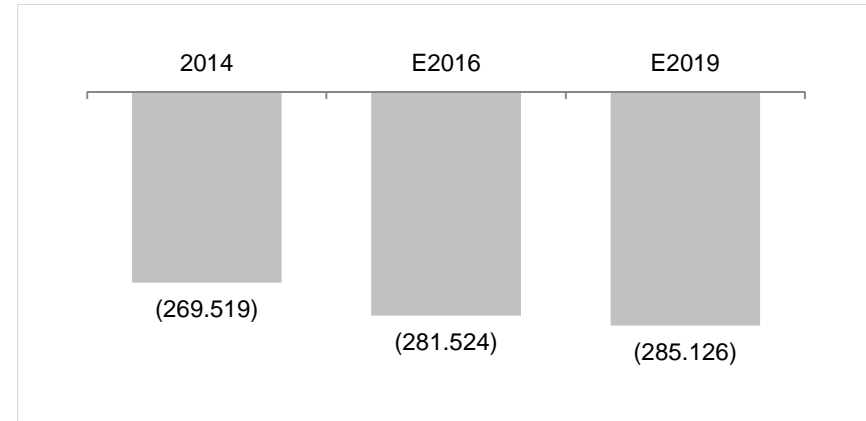
- Maintain financial liabilities homogeneous with investment time horizons
- Non speculative financing
- Optimize mix variable/fixed to stabilize related cash flows

Sustainable development

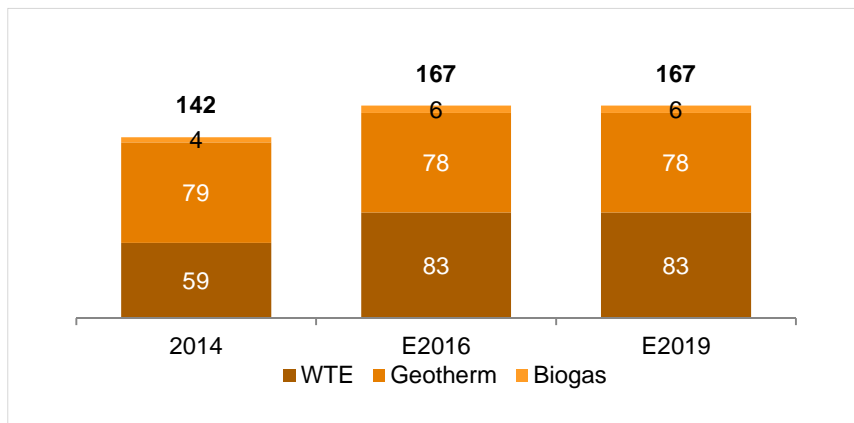
Electricity production - renewable
(GWh)



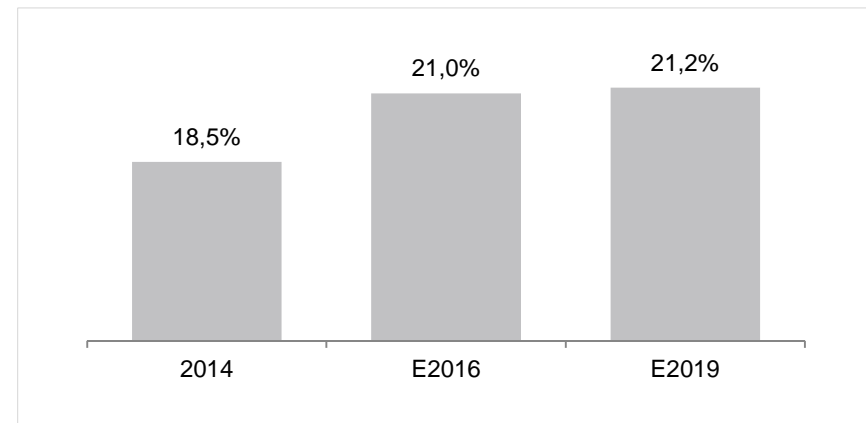
CO2 emission avoided
(Ton)



Thermal energy production - renewable
(GWh)



Low emission vehicles
(%)



Disclaimer

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

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

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

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

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

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