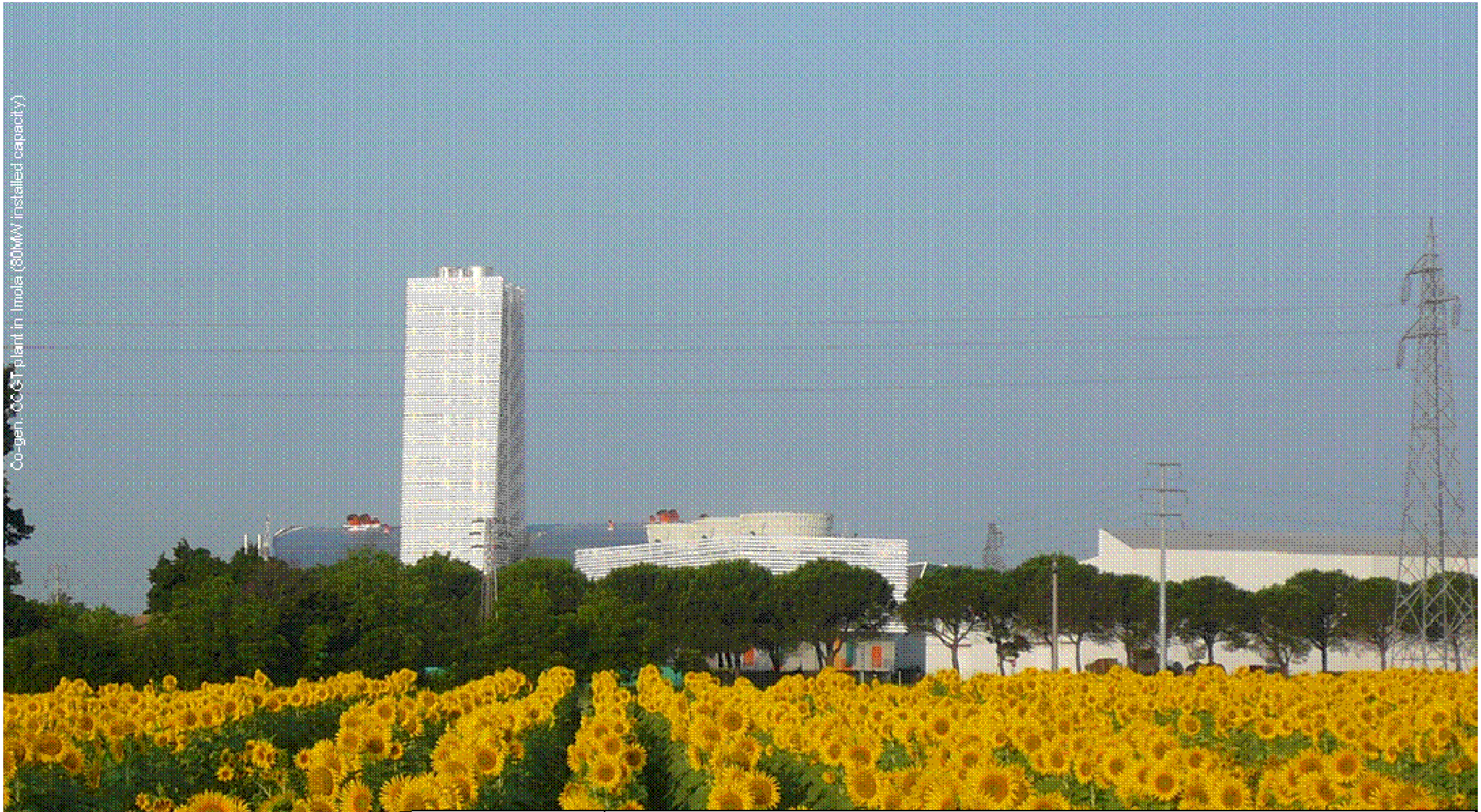

Co-gen. CCGT plant in Imola (80MW installed capacity)

Hera Group Business Plan 2009 > 2013

15th September, 2009

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Business plan to 2013

Annex

Hera next 5Y targets

> Develop energy upstream and trading activities to support development in scale of down-stream.

> Exploit potential of Herambiente strong standing and asset base.

> Strengthen presence in regulated activities.

> Increase free cash flows and maintain sound financial profile.

> Targeting enhanced financial return and earnings.

> External growth opportunities in the radar screen.

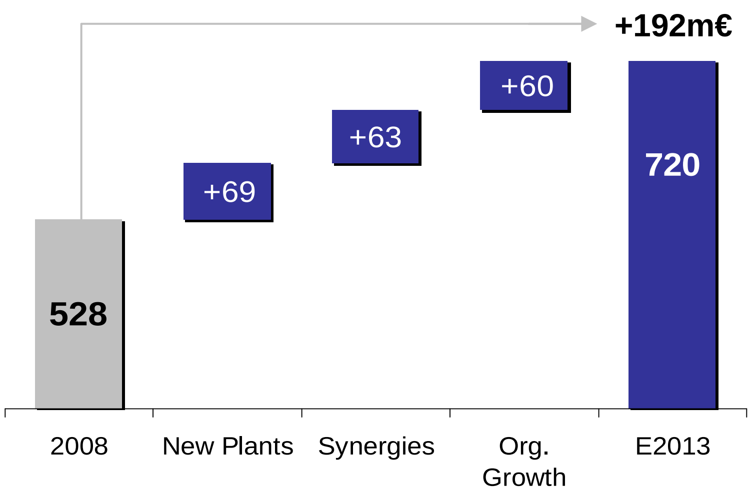
Business plan 2013 at a glance

Financial highlights

	2008	E2013
Ebitda (m€)	**528**	**720**
Net invest capital	3.2	3.8
ROI	9%	11%
ROE	7%	10%
D/E	1.0x	0.9x
NFD/Ebitda	3.0x	2.7x

- **Ebitda** increase by 192 m€ confirming capability to generate value and to tackle with:
  - Economic downturn and industry changes.
  - Expiring of Cip6 for WTE Bologna in 2012
  - Upcoming tenders for gas distribution and waste collection.
- Confirming **double digit return** ratios and a sound financial profile.

Ebitda growth drivers (m€)



- **New Plants** relate to WTE Rimini and Modena, Cogen. Imola, JV Tamarete (CCGT), JV in Biomass and other renewables projects.
- **Synergies** are related to labour cost (19 m€) and other efficiencies on operating territorial model and commercial operations (cost to serve -10%).
- **Organic Growth** targets are based upon tariff increases* (Water +3.5%, Waste +1.6%), market expansion and additional contribution from existing plants.
- **Synergy and Organic Growth target** are in line with track record (about 25 m€ on avg. per year).

* Percentages refer to cagr over the period '08-'13

2009 progressive achievements

H1 Achievements

- Energy commercial expansion achieved fully offset demand downturn (+30% in Electricity sales) and regulated tariffs in line with development scheduled.
- Herambiente established 1st July concentrating Group Waste treatments and disposal assets.
- Bottom line growth underpinned also by new plants contribution and suffering from 4.8 m€ of fiscal moratoria.
- Further extended Net Debt maturity through a 150 m€ 15 years bond.

Upcoming accomplishments

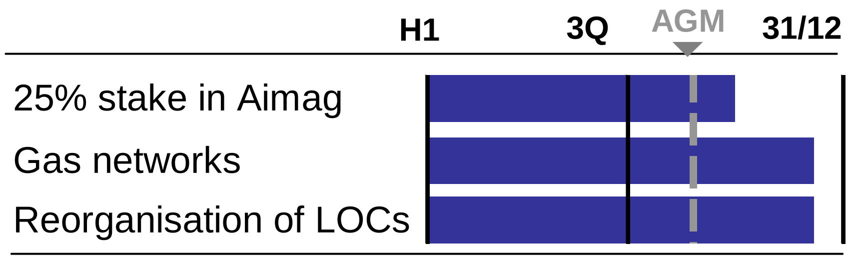
- Acquisition of 25% stake in AIMAG (tender outcome expected within September).
- Energy asset rationalisation through acquisition of Gas and District Heating networks (submitted to the approval in next AGM).
- Increase limit in the voting rights to 5%.
- Territorial operating units reorganisation (submitted to the approval in next AGM).

H1 Financial Highlights

M €	**H1 2008**	**H1 2009**	***Ch.%***
Revenues	1,784.2	2,177.9	*+22.1%*
Ebitda	257.6	271.3	*+5.3%*
Ebit	142.7	143.7	*+0.7%*
Net Profit*	41.2	46.8	*+13.5%*

* post minorities

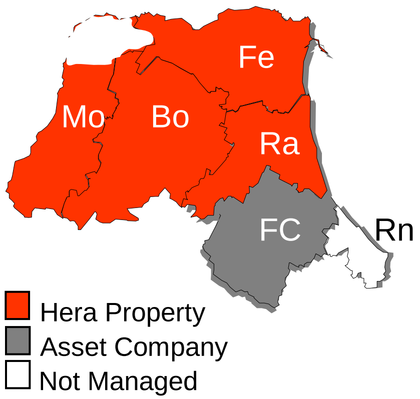
Time table



Initiatives to be accomplished by year end (1)

Energy asset rationalization

Gas network managed by Hera*



- Acquisition of Gas and District Heating networks through share capital increase up to 82 m shares (about 8% of current Hera share capital).
- Hera will achieve almost full ownership of Gas network (~85%) in preparation for new tenders.
- Asset valuation in line with RAB (about 145 m€).
- Economic effects:
    - Saving of lease cost (from 7 m€ to 10 m€) effective from January 1st 2009.
    - Netting of restoring cost at the end of lease contracts.
    - Neutral on EPS 2009.

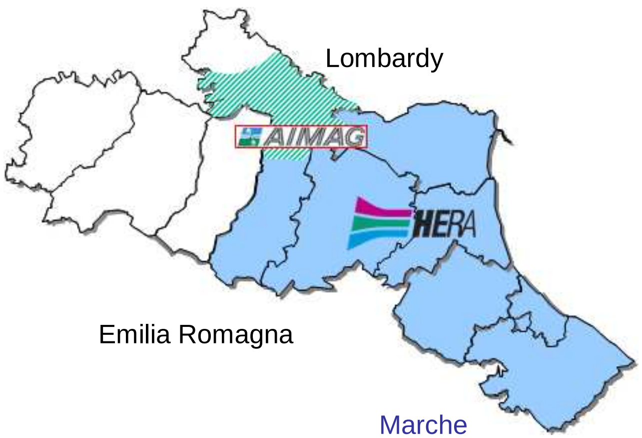
Territorial operating units reorganization

- Current Local Operating Companies (LOC) will be transformed into (territorial) organizational units.
- Customer management (contract points) will be transferred to HeraComm (commercial co.).
- Cost saving from 3 m€ to 8 m€ throughout next 2 years.

* Referred to the areas where Hera has the Gas distribution concessions

Initiatives to be accomplished by year end (2)

Acquisition of 25% stake in Aimag



- Aimag public shareholders decided to sell 25% stake of share capital through a public tender.
- Binding offer submitted at the end of July; final decision expected by end of September.
- Tender minimum price 35 m€.
- Post acquisition Hera will be the largest single shareholder, whilst public shareholders will hold 65%.

Aimag '08 industrial performance

KPI	2008
Waste Treated (m ton)	134
Water sold (mm^3)	21
Gas Clients (k unit)	91
Gas Sold (mm^3)	213
Gas Distributed (mm^3)	290

Aimag key financial figures (m€)

Economics (m€)	2008	F2009
Ebitda	26	31
Net profit	6	8
NFP (31/12/'08)	41	

Portfolio evolution in line with market developments and regulation

Industry evolution

> Waste emergency has been opening up development opportunities

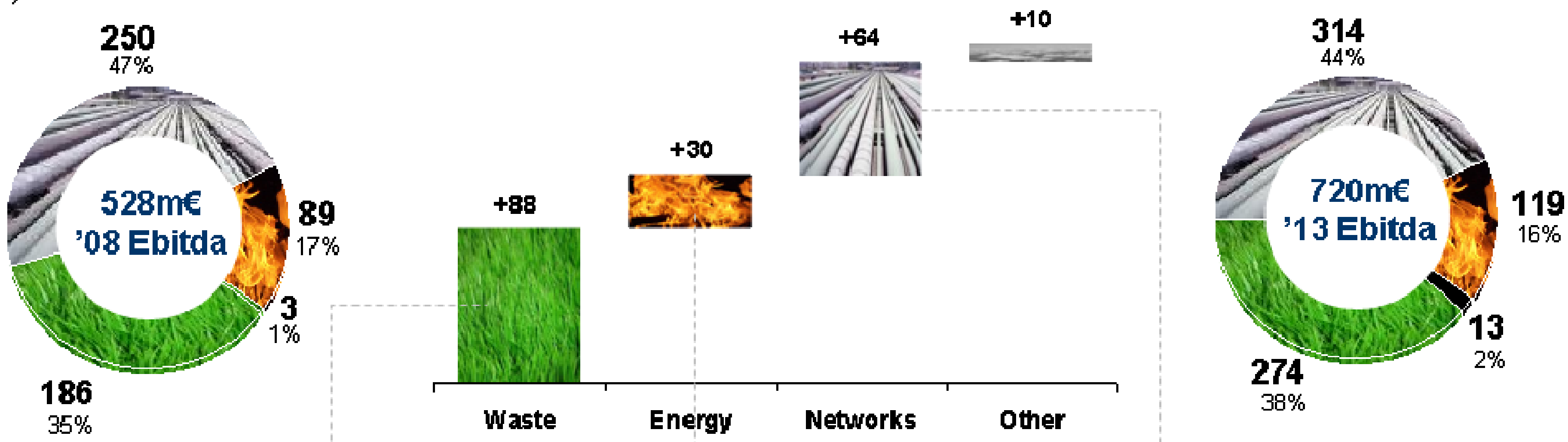
> Progressive integration of Energy commercial markets

> Unbundling with new Independent Operator

	Opportunities	Strategy	Targets
Waste: Treatment, Collection	Market cagr +7.1% over last 7 years Demand for new assets and mgmt model development	Further develop treatm. capacity to sustain mkt expansion Exploit unique expertise Strengthen bio-energy potential	> **4.8% cagr Special W. volumes** > **2 new WTE and revamp one old WTE line (MO)** > **Others plant develop. adding "Green" 22 MW**
Energy: Electricity, Gas	Fall in commodity prices "Real" opening of residential market Reverted balancing in industry supply vs. demand	Expand market presence & territorial coverage Tackle competition through further enlargement of electricity upstream and gas procurem. mix	> **+200K clients doubling Elect. sales (5 to 9 TWh)** > **+100K gas clients** > **+100MW capacity (to 950 MW)** > **+0.6 bcm direct Gas import**
Network: Water, Gas, District H., Electricity	Agreed tariff to '12 New tariff system Gas bids upcoming Increased heat source "Smart" network	Enhance cash flows Retain profitability and enhance service quality Expand customer base Optimize operations	> **Increase cash flows** > **Strengthen presence and enhance efficiency** > **Enhance service quality to benefit from "bonuses"**

Growth drivers: Visible in Liberalised markets and reliable in Regulated activities

(m€)



- 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.

Regulated **51%** | Liberalised **49%**

0% — 100%

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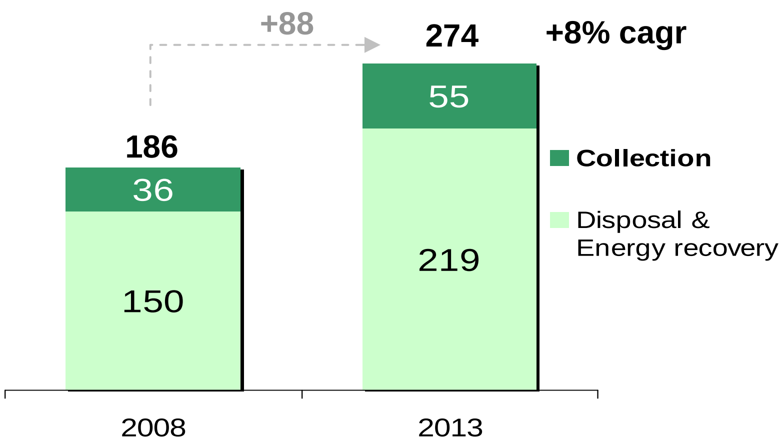
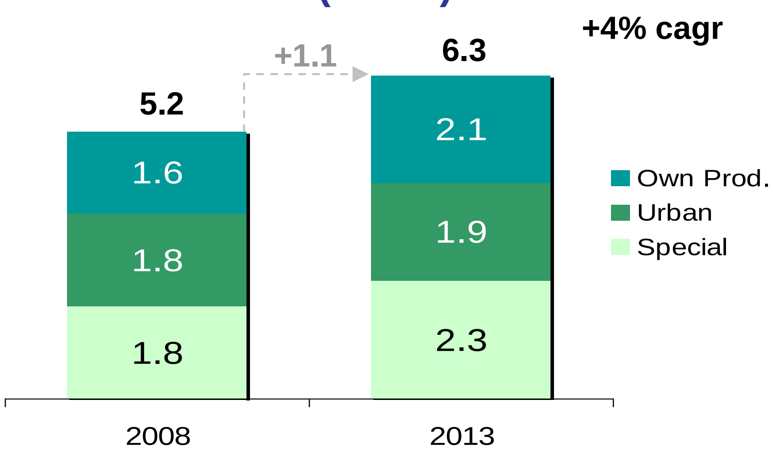
Strong development in Waste management

Contribution to Group Ebitda (m€)



Volumes treated (m ton)



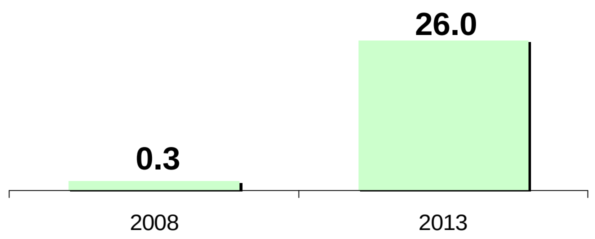
- **Development of the integrated value chain**: from Waste collection to energy & material recovery and disposal.
- **Urban Waste** business benefits from +1.6% cagr in tariffs (agreed up to 2012), from physiological growth in volumes (+1.3% cagr) and efficiency gains on collection operations.
- **Strengthening of asset base** more than offset expiry of WTE FEA Cip6 incentive (-18 m€).
- **Special Waste** managed increases by 4.8% cagr thanks to new plants capacity and commercial development also related to regulatory changes.
- **Sorted Urban Waste** collection will increase (from 0.7 to 1.1 mton) freeing room in plant capacity and providing organic waste for green power generation.

Herambiente focus on plant development and on Bio-waste to energy

Plants Time Schedule

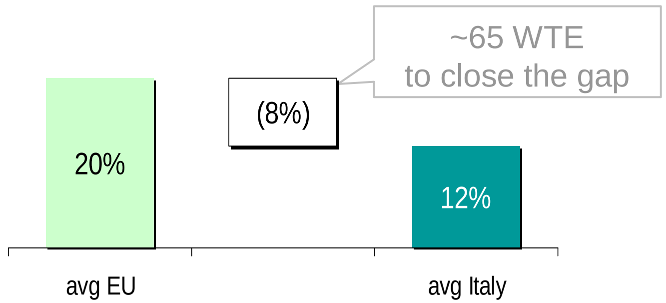
WTE Modena	H1 2009
WTE Rimini	H1 2010
WTE Modena revamp.	H1 2012

Ebitda from Bio-waste to energy (m€)



WTE development opportunities

(percentage of waste treated in WTE)



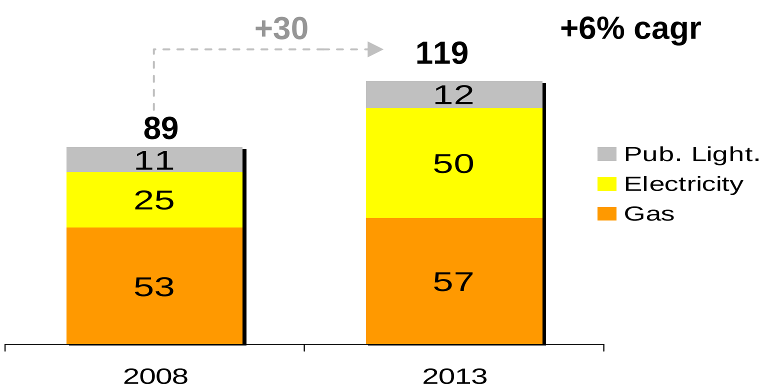
- **Completion of new WTE** plants by H1 '10 will bring treatment capacity to almost 1.0 mtons.
- Revamping of 3rd WTE Modena line.
- Future development projects: FEA 3rd line (120,000 tons/y) and revamping Ravenna WTE.
- Platform for Special Waste treatment planned for '11.

- **Exploit WTE Spare capacity** (~8.5 MW) fed with biomass waste content.
- **New Bio-digestor** with "state of art" technology (11 MW) and additional biogas (4 MW).
- **New Biomass plant** (13,5 MW; Hera stake 50%).

- **Deploy WTE unique expertise** outside E-R region, where asset shortage is critical.
- **Opportunity for a new WTE** in Tuscany (JV with local player).
- **New opportunities selection criteria**:
  - Waste disposal tariff development fully transparent and guaranteed.
  - Opportunity to contribute engineering know-how.
  - Adequate financial return.

Expand the commercial Energy presence

Contribution to Ebitda (m€)



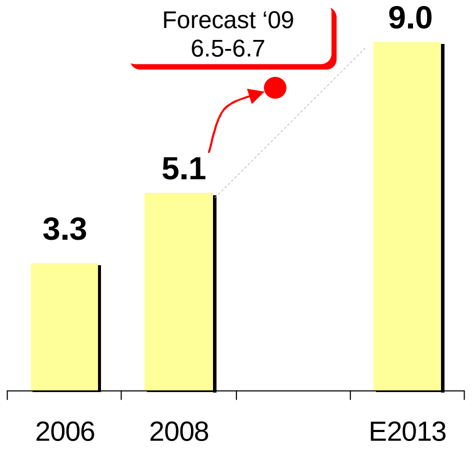
Tackling with multiregional development

Core Target

- **Strong development of Energy sales**, creating value from asset base, trading platforms and expertise.
- **Targeting 500k contracts in Electricity and 1,100k contracts in Gas** on track forward 2m contracts.
- **Further development of industrial cogeneration** (from 48 to 162 GWh in 2013).
- **Consolidation of Public Lighting** business (up to 360k lighting towers managed).
- **Commercial structure deployed in all target regions.**
- **Cross selling to core Gas market** with dual-fuel offers in E.R. region and viceversa in other regions.
- **Leveraging upon quality of services of multichannel CRM** (90 sec. waiting time for call center, 12 min. waiting time at Hera contact points) and upon overall cost to serve (benefiting from more than 4m contracts managed in 2013).

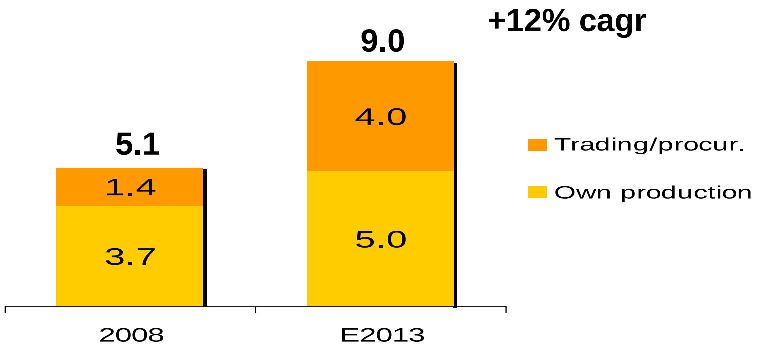
Energy: Strong volumes growth in Electricity market

Sales Development to Final Client (TWh)



Additional sales from own plants +0.5 +1.6

Own Production (TWh)



- **1 Year ahead** vs. target '09 in Electricity sales.
- Strong development on SME and SOHO (about 1.5 TWh increase by '13).
- Pursued a diversified portfolio on mid merit, base and peak loads. Further potential opportunities to fit own production on sales profile.
- Leverage upon strategic asset and trading know how to exploit opportunities in new wholesale market conditions.
- Net positive balancing on CO_2 (~15% on allocated).

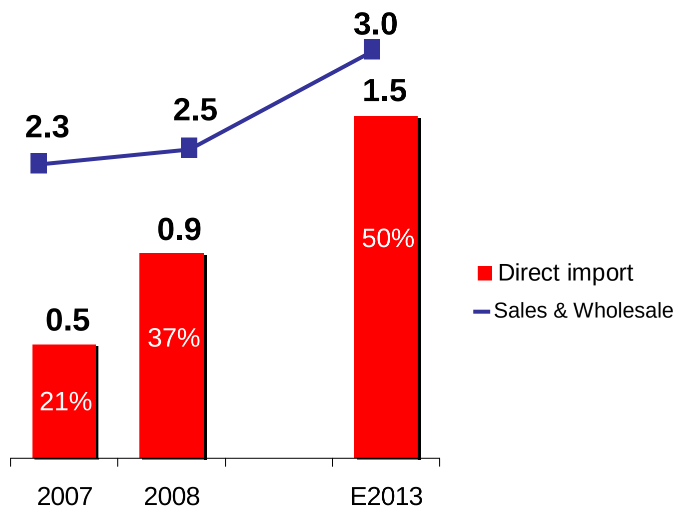
'13 Target Plant Portfolio

Source	Band	MW inst.*
Tamarete	Peak load	42
Sparanise Teverola	Mid merit	276
Renewables CHP Tirreno Power Atel	Base load	484

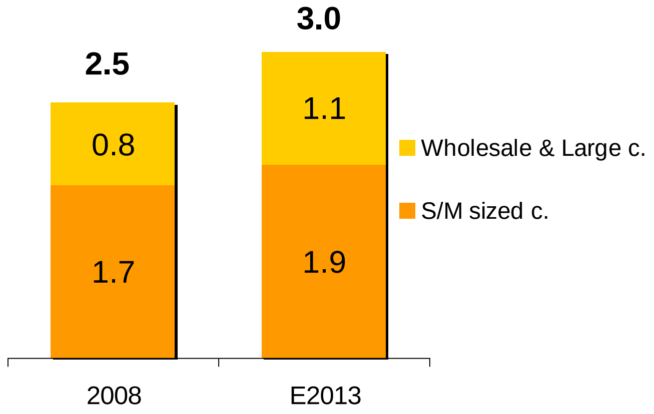
* *Hera pro quota*

Energy: Gas sales and upstream development

Gas import coverage of sales (bcm)



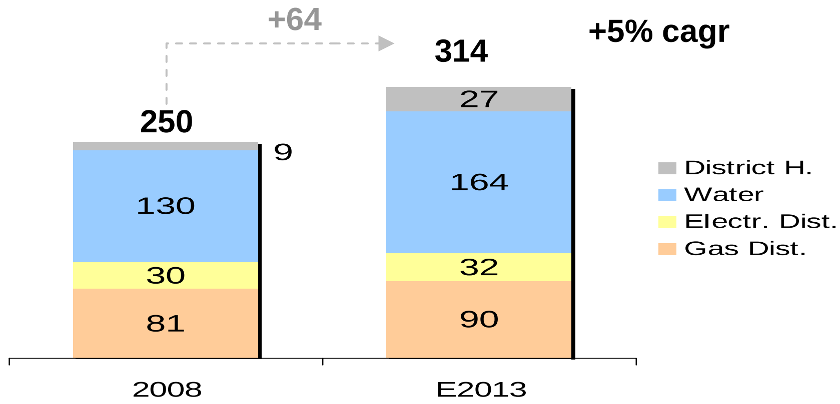
Sales by customers (bcm)



- **Sales & trading** increases mainly pursued on mid sized business client (65% of sales remain on residential and small-mid sized business clients).
- Sales expansion will be covered by additional gas **import through Galsi and Tag** pipelines by 2013.
- Defend market position in reference territories.
- **Reposition of Hera Trading sourcing strategy** to tackle with wholesale market conditions in Italy and abroad.
- Exploit opportunities in trading logistic and balancing activities in different countries.

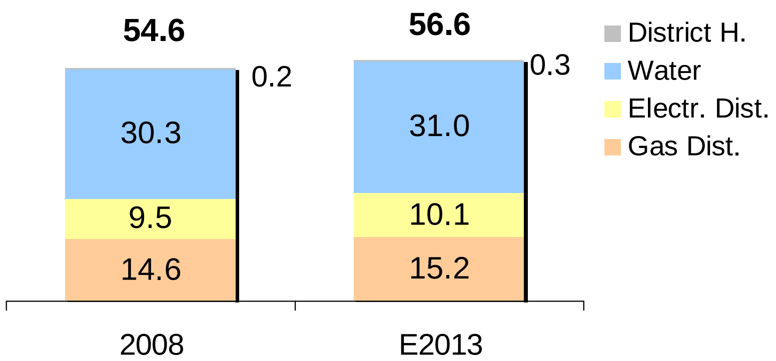
Consolidation in the Network businesses (Regulated)

Contribution to Group Ebitda (m€)



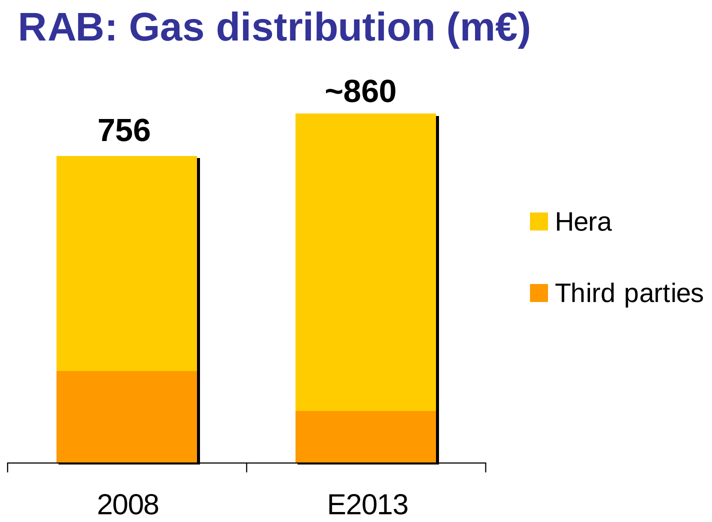
- **Multi-utility portfolio**: first player in reference territories.
- **Deployment of full unbundling.**
- **Growth** related to tariffs increase and synergies exploitation (new operational model, workforce management, quality of service).

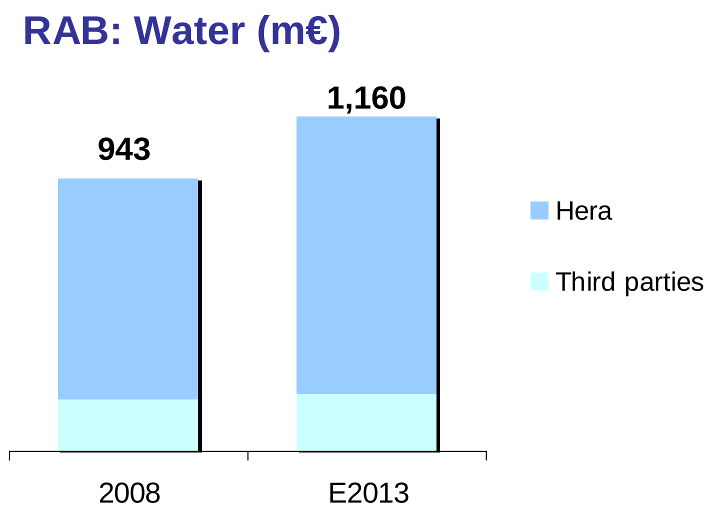
Networks length ('000 km)



- **Relevant network systems** significantly interconnected and managed by unique remote control unit.
- **Development** of the network (mainly District H.) to increase market and territorial penetration.
- Cross competence underpinning **efficiency gain** potentials.
- Enhancement of **meter reading operations.**

Networks: Gas and Water



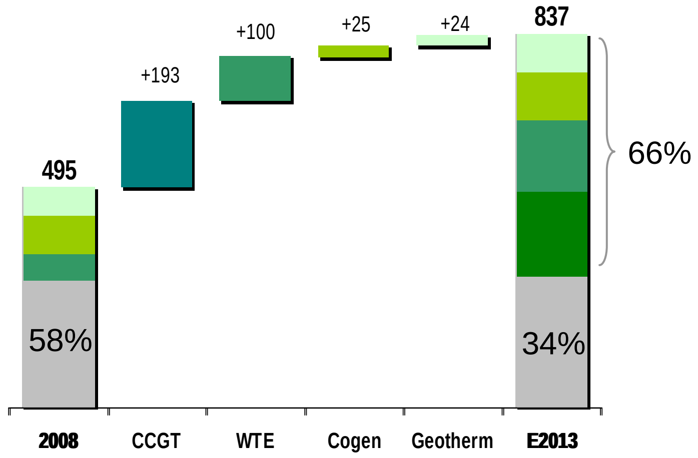


- **Gas** network extension (~84 m€ develop. capex*) underpin increases in tariffs (+1.0% cagr) and volumes (+1.7% cagr). New tariff system introduces "Recognised revenue" mechanism protecting from volume cyclicality.
- Efficiency gains and service standards expected above Authority yard-sticks.
- Concessions expected to be maintained or extended in reference territories leveraging upon sizable and homogeneous territorial presence.
- **Water** network extension (~284 m€ develop. capex*) underpin tariff increase.
- Agreed tariffs (+3.5% cagr) allow to reach full return provided by law (7% on RAB) in 2012 and to fully apply normalised tariff system (Galli law).
- Efficiency gains expected from lower energy and water consumptions and from leakage reduction (24% in 2013 vs. 39% national average).

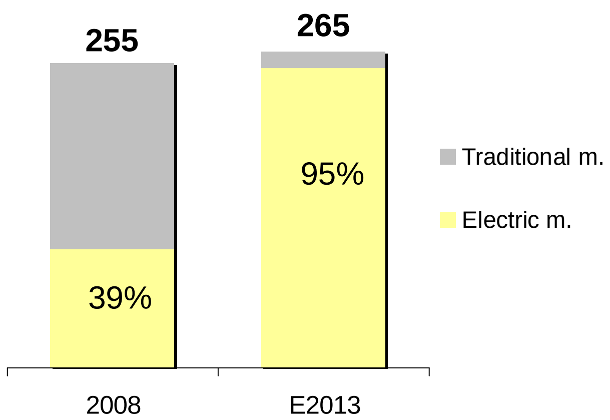
** Includes new connections*

Networks: District Heating and Electricity

District Heating source mix *(GWht)*



Electricity metering (k unit)



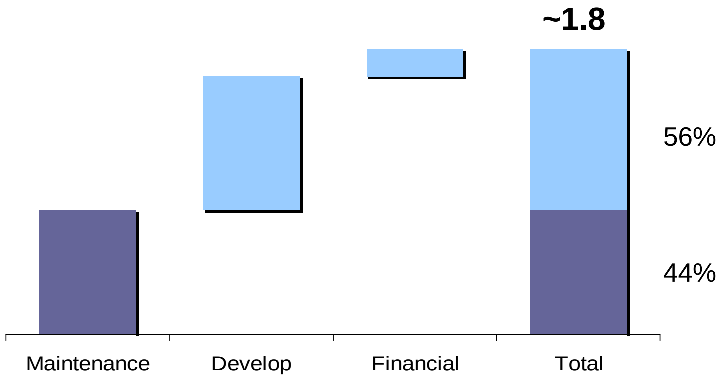
- Opportunistically expand networks in reference territory to enhance exploitation of heat (new Cogen. and new WTE plants) increasing contribution of renewable sources.
- Pricing scheme to stabilise unit margins.
- Almost tripling Ebitda (from 9 m€ in '08 to 27 m€ in '13).

- "Smart grid" management to enhance efficiency and reduce capex commitments.
- Extension of network (~62 m€ capex*) underpin +2% cagr in volumes (from 2.37 to 2.50 TWh).
- Efficiency standards maintained above Authority yard-sticks.

** Includes new connections*

Decreasing capex and positive cash flows from '09

Capex plan '09-'13

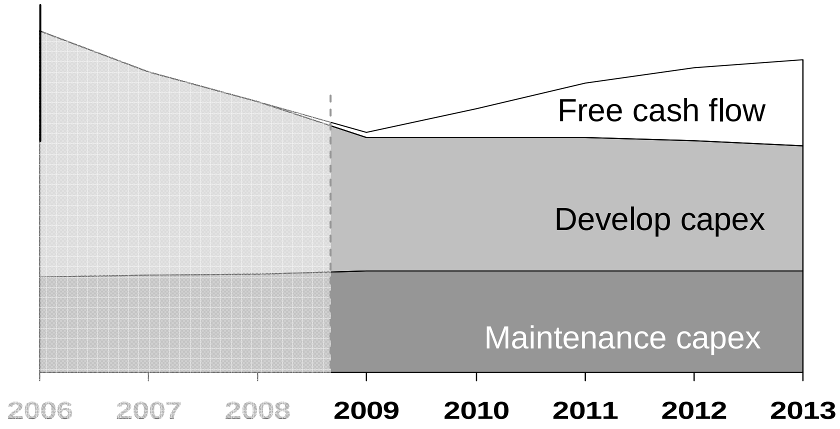


- With respect to the track record a more selective policy on capex has been adopted (350 m€ on average in next 5Y vs. 458 m€ of last 3 years).
- Development capex fund further asset expansion mainly in Waste treatment and Regulated Networks.
- Maintenance capex of about 160 m€ per year.
- Positive free cash flows starting from this year even without full contribution of some new assets.

Capex plan '09-'13 by strategic area

Capex	'09-'13	*Develop.*	*Maint.*
Waste	0.5	*0.3*	*0.2*
Energy	0.2	*0.1*	*0.1*
Networks	0.9	*0.5*	*0.4*
Holding	0.2	*0.1*	*0.1*
Total net capex	**1.8**	***1.0***	***0.8***

Positive Free Cash from 2009



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M&A: Still in the radar screen

Hera pursues the usual external growth strategy on multi-business companies in surroundings also extra E-R region and aims at moving upstream in Waste and Energy sectors with a national scope.

Business	In progress	Potentials/scope
> Waste	> JV Biomass project (ref.Territory).	> Bid for WTE in Florence, acquisitions in northern Italy and other upcoming bids in Italy.
> Electricity	> JV Tamarete CCGT (Abruzzo region).	> JV on power gen. from conventional and renewable sources (Italy).
> Gas	> Acquisition of Municipality owned assets (ref. territory).	> Tenders for Gas Distribution in reference territories and surroundings. > Acquis. of energy sales companies.
> Multi-business	> Acquisition of first 25% of Aimag (ref. territory/ Lombardy region).	> Marche, Tuscany, Lombardy and Veneto are reference regions.

Closing remarks

Confirm multi-business approach and pursue a growth strategy in all core business areas balancing risk and cash flows.

Targeting 1.9 m customers in the commercial activities through balanced upstream integration and almost 2.5 services per customer.

Strengthen leadership in Waste Management through the further development of Bio-Energy and focused initiatives in the Italian territory.

Visible growth levers enhance cash generation and, consequently, higher dividends and a sound balance sheet.

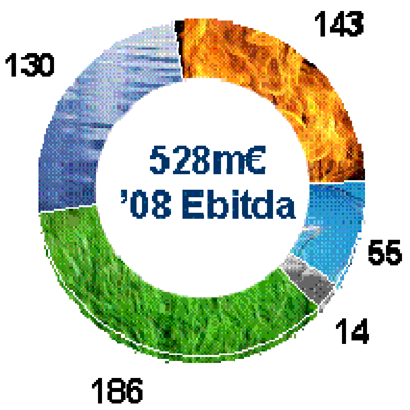
Relay on the achievement of a solid industrial platform to reinforce the pattern of development in the new business environment

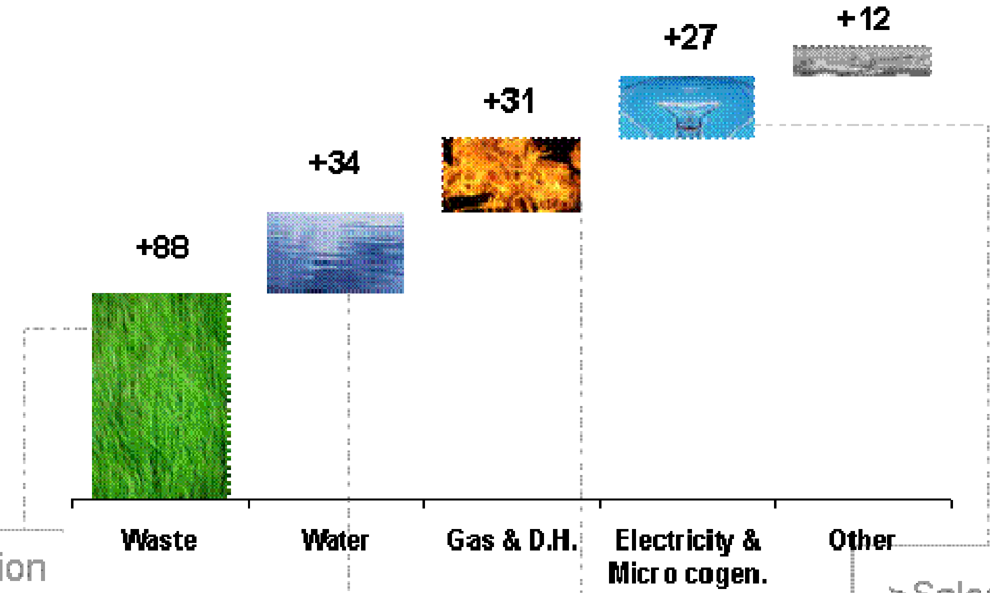
Annex

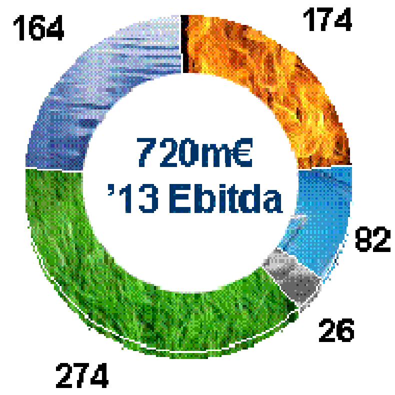
Business plan assumptions

	Plan up to '10	Plan up to '11	New Plan up to '13
Inflation	2%	2%	2%
Brent \$/B	50	70	75
fx \$/€	0.76	0.71	0.71
Avg Electricity price	62.3	71	81
Green Certificates (MWh)	120	80	92
% of MWh from WTE awarded with G.C.	100%	56%	66%
CO2 (€/ton)	18	24	20

A balanced Ebitda Growth on core activities Business







>Waste collection (regulated)
>Waste treatment (free competition)

>Water management (regulated)
>Liberalised W. services (such as New connections)

>Sales and Trading (liberalised)
>Distribution (regulated)
>District Heating

>Sales and Trading (liberalised)
>Distribution (regulated)
>Micro-cogen activities

Waste

M €	2008	E2013	*Cagr.%*
Revenues	**632**	**792**	***+4.6%***
Oper.cost	(328)	(364)	*+2.1%*
Personnel	(142)	(158)	*+2.2%*
Capitaliz.	24	4	*(31.5%)*
Ebitda	**186**	**274**	***+8.0%***

Ebitda +8.0% cagr

Tariff increase *+1.6% cagr*
Volumes *+1.3% cagr*

Tariff increase agreed with Local Authorities to reach full return (6% on RAB) within 2012. From that year the normalised mechanism of tariff will be fully applied.

New plants contribution (WTE Modena, WTE Rimini and WTE Modena revamp.) together with Bio-waste energy recovery projects are the main contributor to Ebitda growth. FEA Cip6 incentives expire at the end of 2011 (-18 m€ impact on Ebitda).

Further contribution expected from Special Waste volume increase.

5Y Capex: 592 m€

Water

M €	2008	E2013	*Cagr.%*
Revenues	**459**	**515**	***+2.3%***
Oper.cost	(359)	(327)	*(1.8%)*
Personnel	(101)	(117)	*+3.0%*
Capitaliz.	131	94	*(6.5%)*
Ebitda	**130**	**164**	***+4.8%***

Ebitda +4.8% cagr

Tariff increase *+3.5% cagr*
Volumes *(0.3%) cagr*

Tariff increase agreed with Local Authorities to reach full return (7% on RAB) within 2012. From that year the normalised mechanism of tariff will be fully applied.

2008 revenues affected by slowdown new connections which is recovered within 2013.

Remote control roll out continue on networks.

2013 RAB 1.16 b€

5Y Capex 609 m€

Gas

M €	2008	E2013	*Cagr.%*
Ebitda	**143**	**174**	***+4.0%***
Gas Sales& Distr.	*128*	*140*	*+1.8%*
District H.	*9*	*27*	*+25.3%*
Other services	*6*	*7*	*+2.7%*

Revenues

Gas distr. tariff *+1.0% cagr*

Gas distribution volumes *+1.7% cagr*

Gas sales&wholesale vol: *+4.0% cagr*

Gas sales prices based upon assumption of 75$ per oil barrel (fx 1.4 $/€).

Ebitda +4% cagr

Ebitda reflects distribution tariff decrease (new tariff system up to 2012).

RAB ~860 m€ (increase of property RAB driven by +140m€) related to acquisition of third parties assets.

Benefit from direct import through Galsi pipeline.

5Y Capex: 367 m€

Electricity

M €	2008	E2013	*Cagr.%*
Ebitda	**55**	**82**	***+8.4%***
Electricity	*51*	*77*	*+8.4%*
Micro-cogen.	*4*	*5*	*+9.0%*

Revenues

Elect. distr. tariff *(0.2%) cagr*

Elect. distr. volumes *+2.0% cagr*

Elect. sales volumes: *+12.2% cagr*

Market expansion (25% of already contracted in Dec. '08)

Ebitda +8.4% cagr

Mainly underpinned by market expansion.

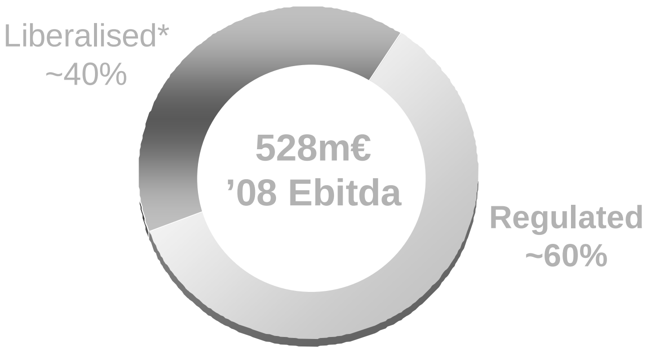
Upstream in power generation:

>Imola cogen 80MW (on stream in Q4).

>JV (42%) Tamarete 100MW (on stream in '11).

5Y Capex 212 m€

Moving to a perfect balance between regulated and liberalised



Hera regulated businesses

	Urban Waste Coll.	Water mgmt.	Gas Distrib.	Elect. Distrib.
Concession Length	2012	2024	2010	2030
Return on RAB	6.0%	7.0%*	7.6%	7.0%
'05-'08 avg tariff (*Rev./vol.)*	+7.3%	+5.5%	+2.3%	+1.7%
Regulatory period	'08-'12		'09-'12	'08-'11
Authority	7 ATO (local)		AEEG (National)	

** 7.2% on new investments*

GRUPPO HERA