

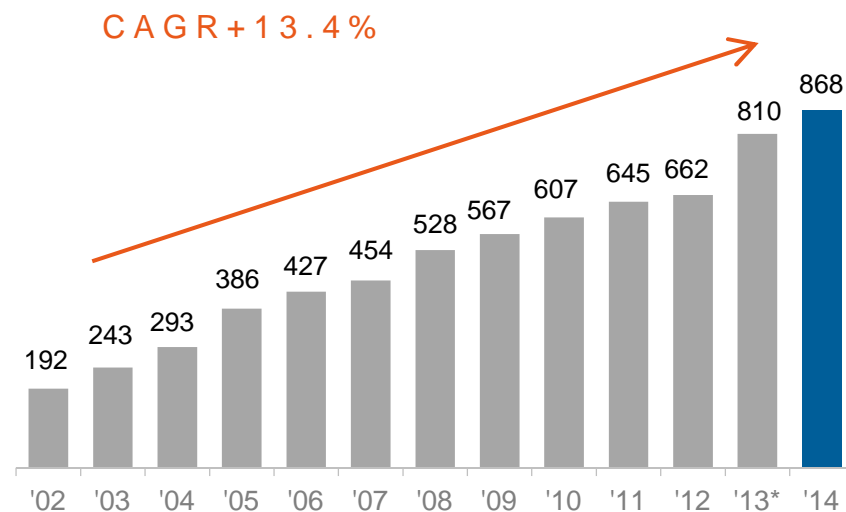
Analyst Presentation

HERA GROUP Y14 FINANCIAL RESULTS

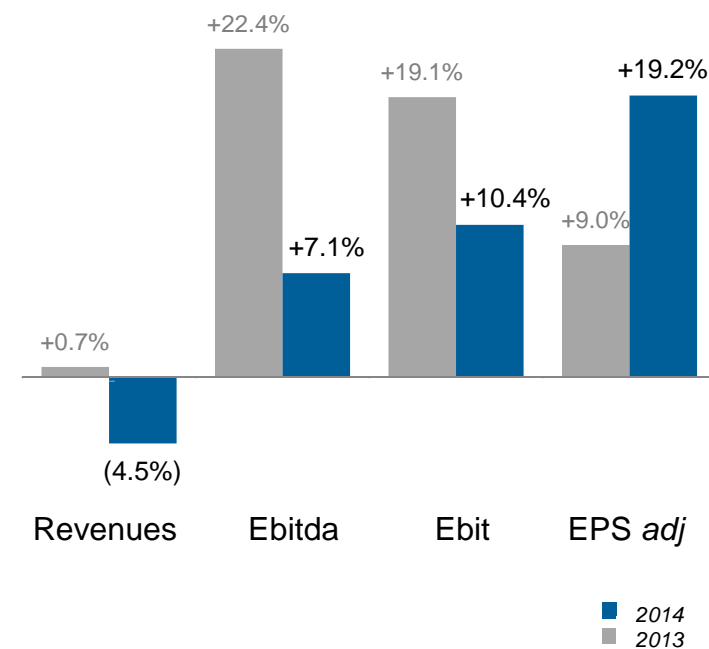
■ 25 MARCH 2015

Outperforming even in a challenging scenario

+ Ebitda track record (M€)



+ Growth rates 2013/2014 (M€ and %)



Moving Ebitda growth down to EPS

*Restated 2013 figures applying IFRS11 criteria in force starting from 1/1/2014

Topline the sole affected by scenario

+ 2014 RESULT HIGHLIGHTS (M€)

	2013*	2014	
Revenues	4,727.5	4,513.6	(4.5%)
EBITDA	810.2	867.8	+7.1%
<i>Ebitda margin %</i>	<i>17.1%</i>	<i>19.2%</i>	
Depreciation	(312.7)	(339.1)	
Provisions	(97.8)	(87.5)	
EBIT	399.7	441.2	+10.4%
Cost of Debt	(134.1)	(132.8)	
Figurative interests (IAS)	(13.6)	(13.0)	
Income from Associates & J.V.	11.5	7.8	
PRETAX PROFIT ADJ.	263.4	303.2	
Tax	(118.1)	(122.0)	
<i>Tax rate</i>	<i>(44.8%)</i>	<i>(40.2%)</i>	
Minorities	(16.8)	(17.6)	
NET PROFIT POST MINORITIES ADJ.	128.5	163.6	+27.3%
Extraordinary income	36.4	1.2	
Net profit & Extraord. Income <i>reported</i>	164.9	164.8	

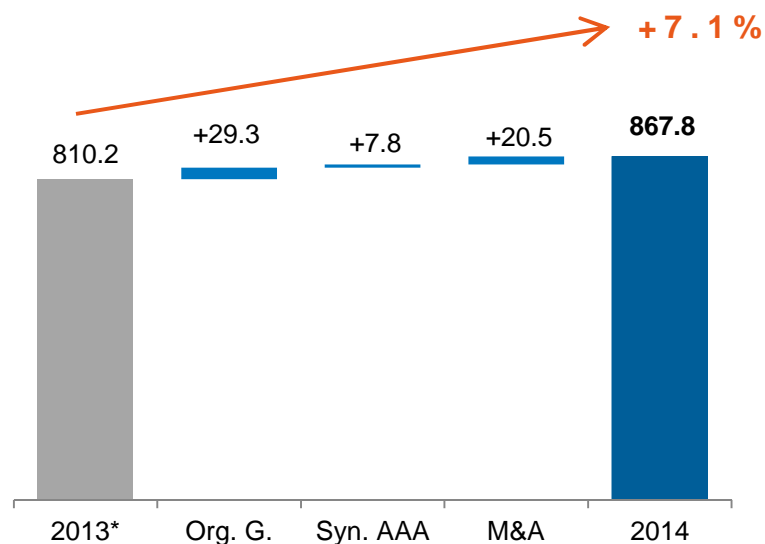
- **Mild winter and commodity prices affected revenues** (-200 m€ gas sales).
- **Better margins:** market expansion, enhanced efficiency and lower trading activities contributed to higher Ebitda/Ebit margins.
- **Cost of debt** reduction thanks to liability management in last 18 months.
- **Income from associates & J.V.** affected by mild winter and full mergers of IRG e ERE (3.7€m).
- **Tax** benefit from lower Robin Tax and review of IRAP.
- Extraordinary income mainly relates to AcegasAps merger in 2013.

Positive contribution from business, financial and tax management

*Restated accounting IFRS 11. Details set out in appendix

Proactive management for a constant growth

+ 2014 EBITDA growth drivers (M€)



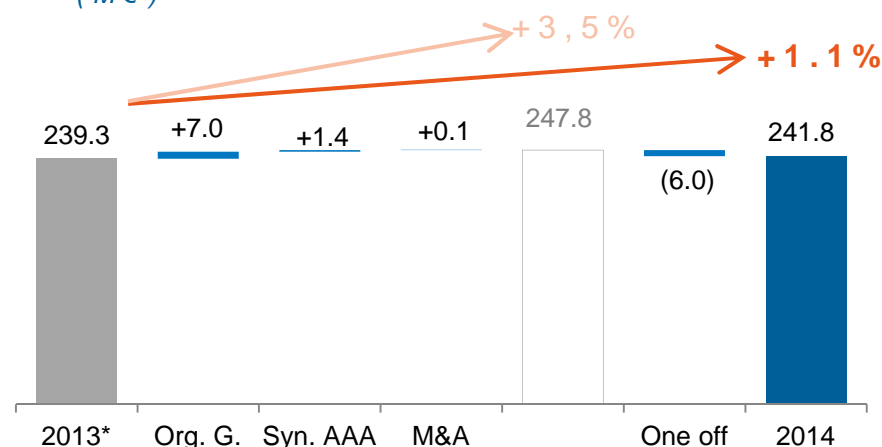
- **Organic Growth** mainly relates to market **expansion** in Waste and Electricity and **positive performance in Water** activities. Growth from latters partly offset by mild winter impact.
- **AcegasAps integration on track**
(15.8m€ synergies since Jan. 2013).
- **M&A relates to Gorizia energy operations, AMGA Udine** (merger effective from 1/7/'14) and **minors** (Ecoenergy e Fucino Gas).

All growth drivers more than compensate climate impact

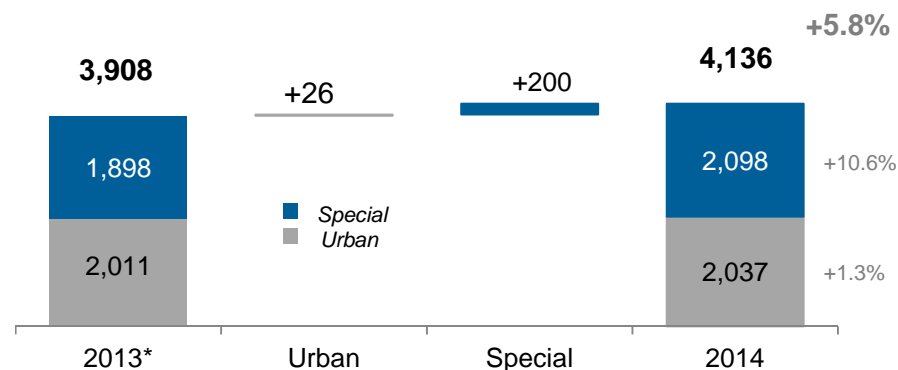
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Tangible market expansion

+ WASTE Ebitda (M€)



+ WASTE volumes (k ton)



- Organic growth solely driven by commercial expansion that benefitted also from effective marketing actions of HASI (+10.6% special waste volumes).

- Existing capacity exploited in all main green plants:

- ~1TWh electricity produced;
- Increased volumes in sorting, WTE plants;
- Recycled urban waste enhanced, up to 54%.

- Ebitda up by +1.1%:

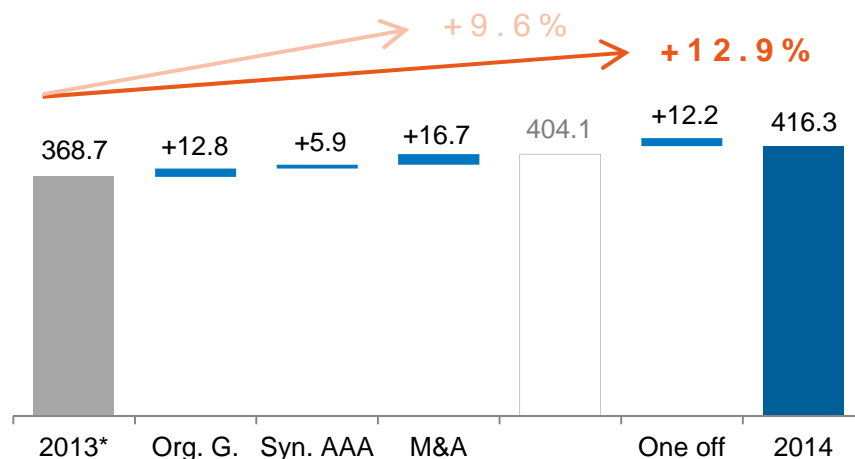
- Unexpected stop of Trieste WTE and one off contribution on '13 Ebitda from G.C. (3.3m€) impacted negatively.

Ebitda growth in line with targets

*Restated accounting IFRS 11. Details set out in appendix

Networks: portfolio's best performer

+ NETWORKS Ebitda (M€)



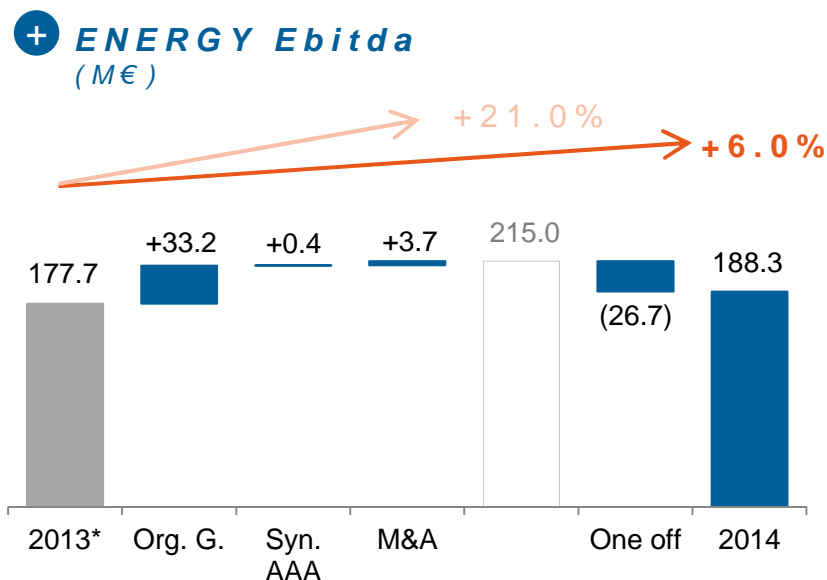
Breakdown by business	RAB (b€)	Reg. period	Concession length	Allowed returns
Water	1.36	'14-'15	~2024	6.5%
Gas distribution	1.05	'14-'19	2015-2018	6.9%
Electricity distribution	0.34	'12-'15	~2030	6.4%
District Heating	0.20			
Total proprietary RAB	2.95			

- **Visible growth** underpinned by new **Water tariffs** and **efficiency improvements**. New connections still declining.
- **Tariff increase benefit also from *one off* revenue recovery of prior years** (water and electricity).
- **M&A relates to AMGA Udine** (6 months), and **Gorizia operations** (Isontina and Est Reti).
- **District Heating sole activity impacted by the mild winter**, due to exposure to volumes sold.

Regulated assets fully protected from volume fluctuation risks

*Restated 2013 figures applying IFRS11 criteria in force starting from 1/1/2014

Market actions: +70k clients offsetting mild weather



Volume sold	2013 Restated	2014	Ch.%
Gas sales (bcm)	2.202	1.809	(17.8%)
Gas trading (bcm)	0.956	0.807	(15.6%)
Electricity sales (TWh)	9.378	9.136	(2.6%)

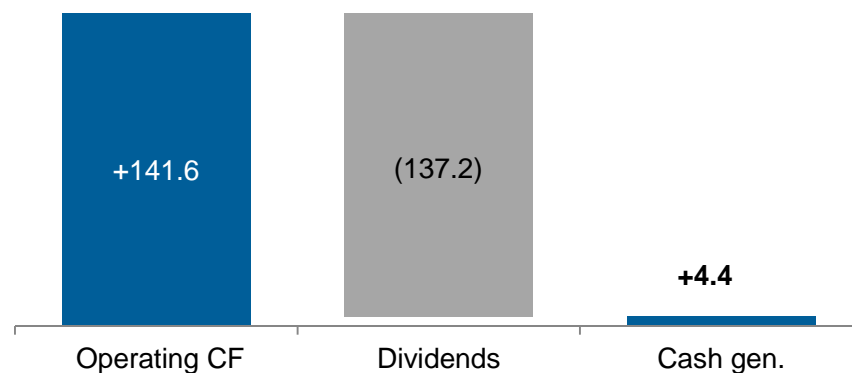
- **HERACOMM expansion continues** highlighting solid competitive advantages.
- **+70k** electricity customers in 12 months, reaching a customer base in Electricity of ~800k clients (including *safeguarded clients*) and more than 1,300k gas customers.
- **Tariff review on gas fully deployed its effect.**
- **Mild winter impact on gas domestic market.**
- **Volumes** still affected by lower consumptions.
- **Benefits from safeguard service on electricity market** (doubling in size).

Energy division continues to benefit from strong market expansion

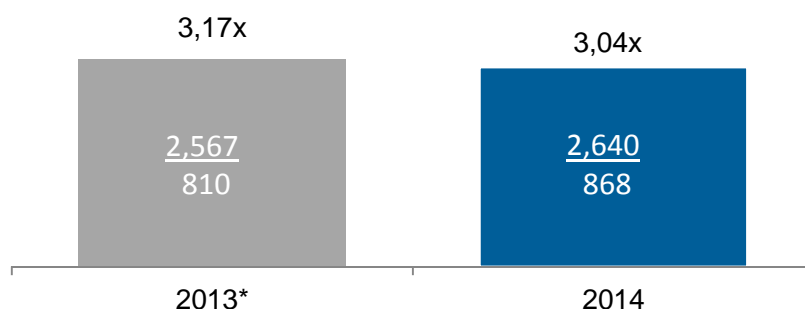
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An even more sound financial structure

+ 2014 cash flows (excl. M&A) (M€)



+ 2014 Debt/Ebitda (x, M€)



- **Positive cash flows after dividends and share buyback** (before M&A -78.2m€).
- **43% of working capital increase of 1H** (+128m€) **reduced by 2014 end.** The rest (~70 m€ receivables from safeguard clients) cash in at the beginning of 2015.
- **'14 Capex amount to 326.5m€** (vs 302 m€ in 2013).
- **Net debt reduced in 4Q** from 2.70b€ of 3Q to 2.64b€ at year end (vs 2.57 in '13). Debt increase related to M&A.
- **Debt/Ebitda reduced** from **3.17x to 3.04x**;
- **About 1/3 of gross debt was refinanced in last 18 months.**
- **Hera issued first italian Green bond:**
 - 500m€, 10 years, 2.37% fixed rated;
 - 40 basis lower spread vs. Italy.

Cash generation enhancement in line with targets

*Restated 2013 figures applying IFRS11 criteria in force starting from 1/1/2014

“In the spotlight”: closing remarks

- **Organic Growth and synergies achieved**, quarter by quarter, confirm the resilience of Hera balanced portfolio mix.
- **Sector consolidation** progressed and is providing the synergies planned from integration. AMGA Udine integration started 1st July.
- Both **financial** and **tax** management provided **contribution to** bottom line **growth**.
- **DPS** proposal of **9c€**
- Laws recently introduced **incentives** for Municipalities divestments. **Further laws should come to finalise the initiative** of the Government to **promote sector consolidation**.

Well on track on business plan targets

Q & A SESSION

Appendix

- IFRS 11 restatement
- IFRS 11 and overheads new allocation criteria by Division and by Business
- Ebitda by Business

Catch up soon...

2013 restatement on “like for like” basis accounting IFRS 11

+ 2013 Profit and Loss restatement (M€)

	2013 <i>Reported</i>	IFRS 11	2013 <i>Restated</i>
Revenues	4,851.3	(123.8)	4,727.5
Operat. Costs	(3,556.1)	+99.2	(3,456.9)
Personnel	(482.7)	+4.1	(478.6)
Capitaliz.	18.2	(0.1)	18.2
Ebitda	830.7	(20.6)	810.2
<i>Ebitda %</i>	<i>17.1%</i>		<i>17.1%</i>
D&A	(316.0)	+3.3	(312.7)
Bad Debt	(65.5)	+4.3	(61.2)
Provisions	(33.4)	(3.2)	(36.6)
Provision	(98.9)	+1.1	(97.8)
D&A + Prov.	(414.9)	+4.4	(410.5)
Ebit	415.8	(16.1)	399.7
Financials	(136.8)	+2.7	(134.1)
Figurative interests (IAS)	(14.4)	+0.8	(13.6)
Associates	4.9	+6.6	11.5
Financial inc./(exp.)	(146.3)	+10.1	(136.2)
Pre tax Profit	269.5	(6.1)	263.4
Tax	(124.3)	+6.1	(118.1)
<i>Tax rate</i>	<i>-46.1%</i>		<i>-44.8%</i>
Net Profit	145.3	+0.0	145.3
Minorities	(16.8)	+0.0	(16.8)
Hera Profit	128.5	+0.0	128.5
Other non oper. Tax income	45.2	(0.0)	45.2
Write off	(8.8)	+0.0	(8.8)
Net profit post min. reported	164.9	0.0	164.9

- IFRS 11 relates to J.V. in **Enomondo** (biomass thermo-electric plant) and **EstEnergy**.
- IFRS 3 affects only Extraordinary income.

2013 EBITDA with overheads new allocation criteria and IFRS 11 impact

+ 2013 EBITDA by DIVISION (M€)

	2013 <i>Reported</i>	IFRS 11	Rialloc.	2013 <i>Restated</i>
Networks	417.2	(2.4)	(46.1)	368.8
Energy	166.7	(13.5)	+24.4	177.6
Waste	237.7	(4.7)	+6.3	239.3
Other	9.2	-	+15.3	24.5
Group	830.7	(20.5)	-	810.2

+ 2013 EBITDA by BUSINESS (M€)

	2013 <i>Reported</i>	IFRS 11	Rialloc.	2013 <i>Restated</i>
Gas	276.2	(14.7)	+4.1	265.6
Electricity	85.5	(1.2)	+3.0	87.3
Water	222.3	-	(28.8)	193.5
Waste	237.7	(4.7)	+6.3	239.3
Other	9.2	-	+15.3	24.5
Group	830.7	(20.5)	-	810.2

Financial highlights breakdown



Strong market Expansion

	2013	2014
	Restated	
Revenues	873.7	910.4
Ebitda	239.3	241.8

	2013	2014	Ch.%
	Restated		
Urban W. Volumes	2,010.6	2,036.9	+1.3%
Special W. Volumes	1,897.5	2,098.7	+10.6%
Total from 3rd parties	3,908.1	4,135.6	+5.8%
Internal W. Volumes	2,310.9	2,290.2	(0.9%)
Total Volumes Treated	6,219.0	6,425.8	+3.3%
<i>Of which:</i>			
Landfill disposals	1,252.3	1,137.3	(9.2%)
WTE treatment	1,372.9	1,393.9	+1.5%
Sorting plants	378.1	445.6	+17.8%
Composting treatment	521.8	478.3	(8.3%)
Inhertisation & Chi-Fi.	1,094.3	1,182.3	+8.0%
Other plants	1,599.6	1,788.4	+11.8%
Total Volumes Treated	6,219.0	6,425.8	+3.3%



Tariffs underpinned a solid growth

	2013	2014
	Restated	
Revenues	736.7	780.2
Ebitda	193.5	217.4

Data	2013	2014	Ch.%
	Restated		
Aqueduct (mm ³)	306.8	294.6	(4.0%)
Sewerage (mm ³)	250.9	244.8	(2.4%)
Purification (mm ³)	248.5	242.7	(2.3%)
Total mgmt	806.2	782.1	(3.0%)

Financial highlights breakdown



Climate impact offset by Networks

	2013	2014
	Restated	
Revenues	1,659.1	1,481.0
Ebitda	265.6	276.0

Data	2013	2014	Ch.%
	Restated		
Volumes distrib. (mm ³)	2,826.0	2,550.0	(9.8%)
Volumes sold (mm ³)	3,158.5	2,616.1	(17.2%)
of which trading (mm ³)	956.4	807.0	(15.6%)
of which retail	2,202.1	1,809.1	(17.8%)
District Heating (GWh)	531.9	424.4	(20.2%)
Customers ('000)	1,221.2	1,316.2	+7.8%



Commercial expansion and Networks

	2013	2014
	Restated	
Revenues	1,495.6	1,442.3
Ebitda	87.3	111.4

Data	2013	2014	Ch.%
	Restated		
Volumes sold (GWh)	9,377.8	9,136.4	(2.6%)
Volumes distrib. (GWh)	2,932.0	2,948.0	+0.5%
Customers ('000)	725	795.2	+9.7%