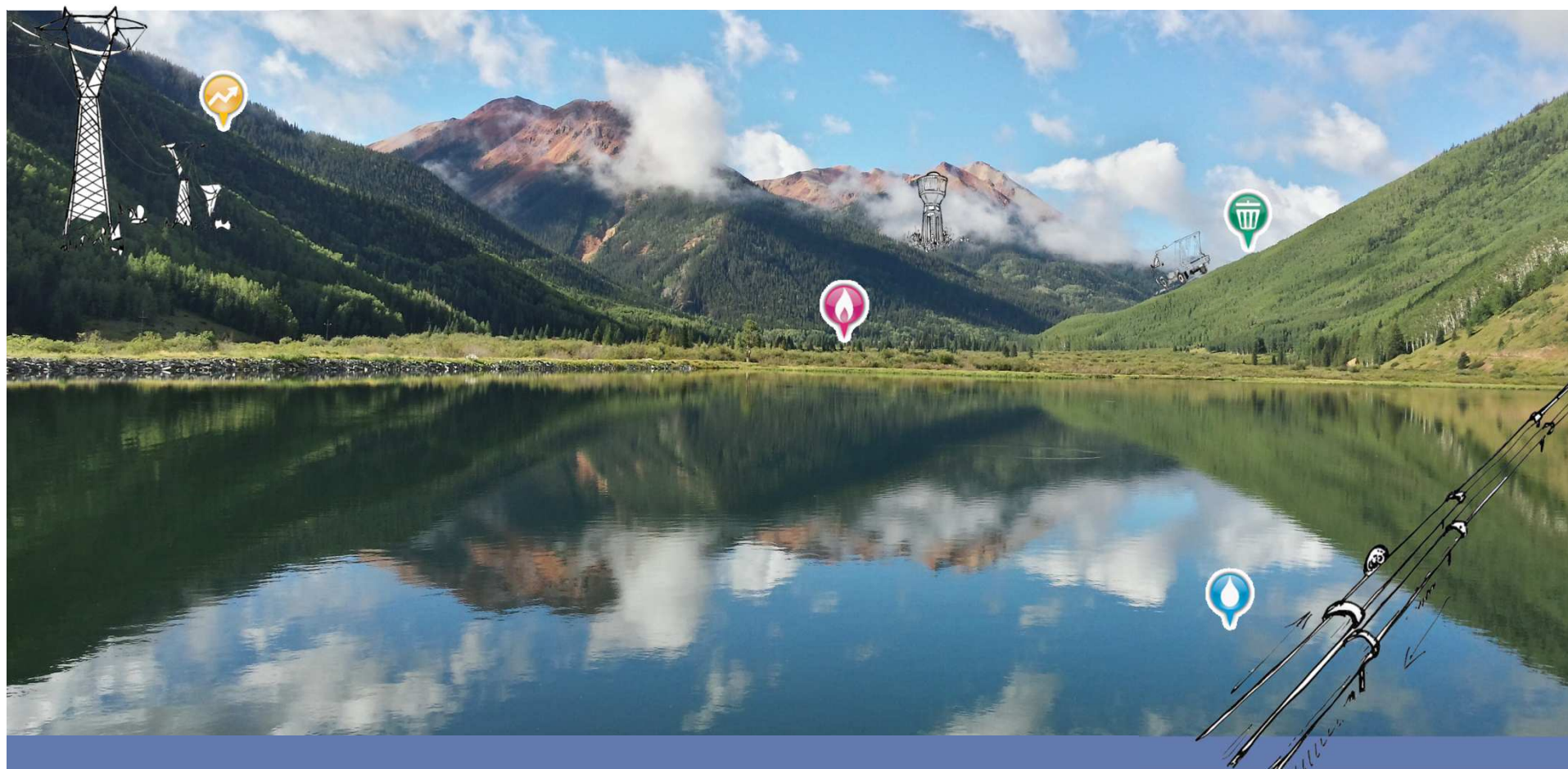


2014-2018 business plan

1st October 2014

A further step above



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Hera strategy

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Hera's key distinctive strengths	8
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Business plan up to 2018

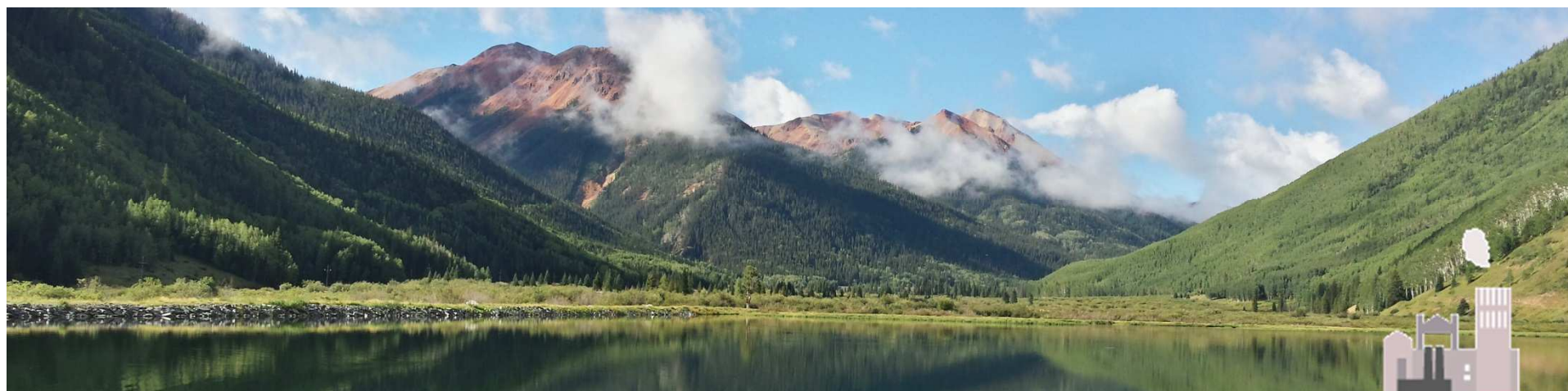
Scenario opportunities/challenges	10
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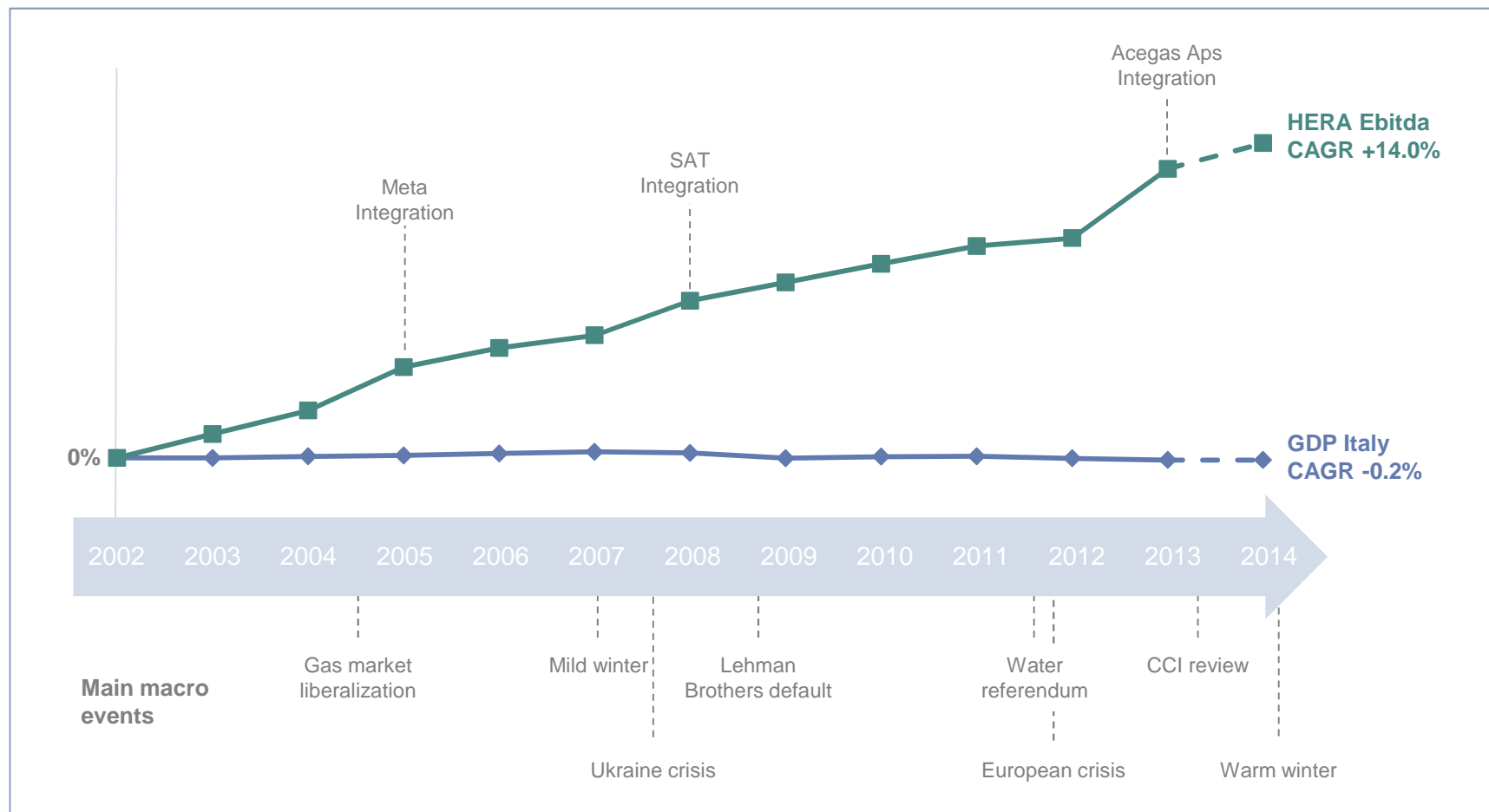


Hera Group's Strategy



Hera's model effectively tackling a turbulent environment

Hera cumulated growth vs. GDP Italy



Hera shows a constant growth despite everything

Our ambitions



Lead sector consolidation process exploiting industry momentum and following a “**multi-utility**” **strategy**. In addition **expand in liberalised markets** (eg. Waste and Energy supply)

Exploit our key distinctive strengths to grow profitability

Plan to reach a scale overcoming 1 billion Ebitda in next 5Y

Leading industry change to become the first Italian multi-utility

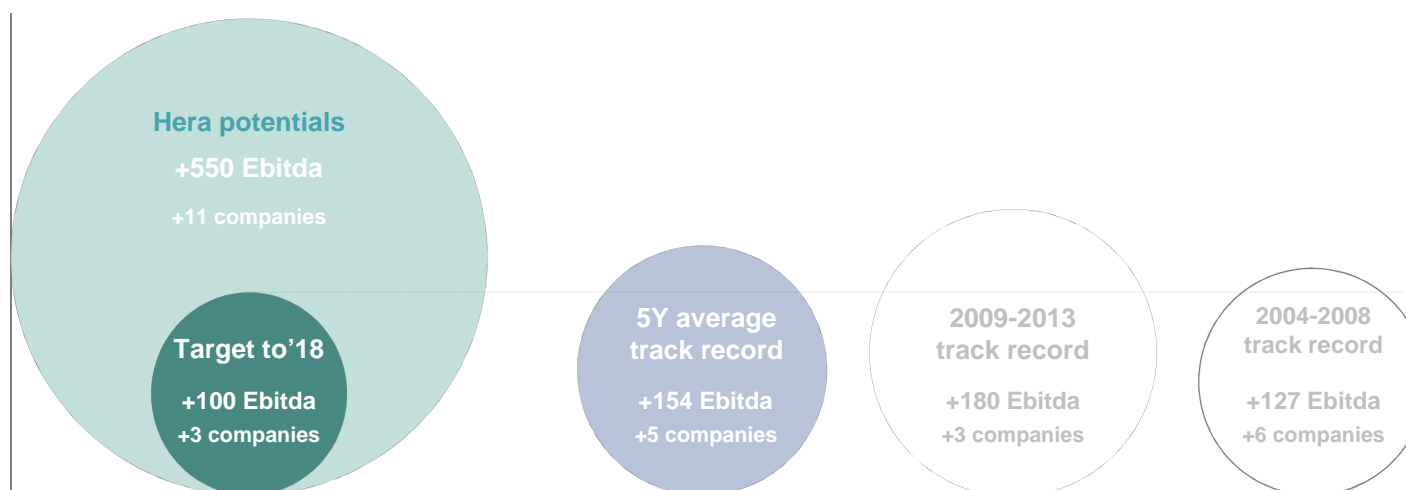
Business plan embeds a few concrete M&A targets out of 5x bigger opportunities

Italian Government discussing to introduce incentives that might reshaped the industry

Industry governance	Italian Government pushing for consolidation
	Incentives for public shareholders to divest from local utilities
	Impact for listed companies: preferred vehicle for municipalities owning local utilities

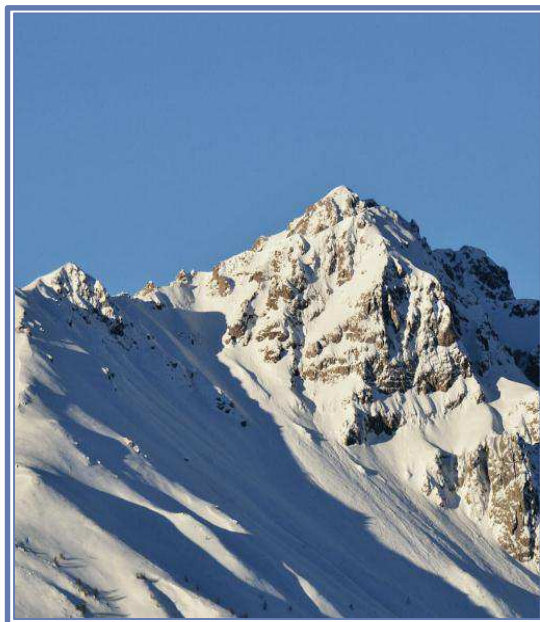
M&A business plan target vs. opportunities and track records

(m€, n. target)



Disciplined selection of several potential targets

Exploit a proven set of strengths



OUR TOP STRENGTHS

M&A execution

Financial soundness

Loyal and large customer base

Business expertise

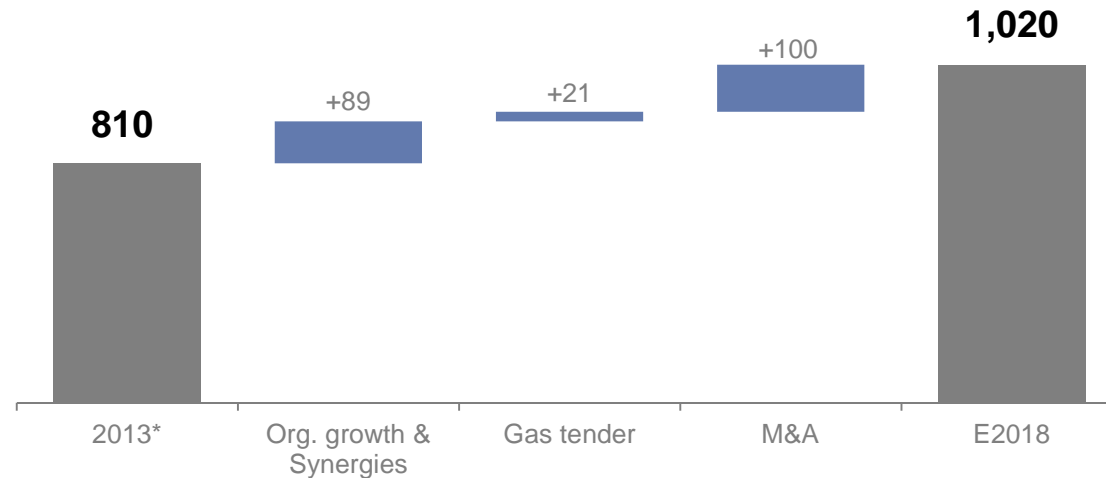
Compact multi-regional presence

Hera Governance

Promptly seize opportunities to further enhance Group's value

Target to go beyond 1 billion Euro Ebitda

Ebitda growth target



Organic Growth	Merger synergies
Waste +56m€	AcegasAps +23m€
Networks +47m€	Amga Udine +5m€
Energy (42m€)	

Gas tenders
Tenders scheduled starting from next year
Aiming at confirming current concessions over contiguous territories

M&A
AMGA Udine +25m€
2 Multi utility targets in reference territory +75m€

All visible levers to replicate growth in line with track record

* Restated applying IFRS11 criteria in force starting from 01/01/2014

Business plan to 2018



Next future combines opportunities and challenges



Water tariff system full deployment

Industry fragmentation/M&A opportunities

Long and liquid commodity markets

Shortage in waste treatment capacity

Higher perception on sustainable issues



Macro-economic scenario

Increased market competition

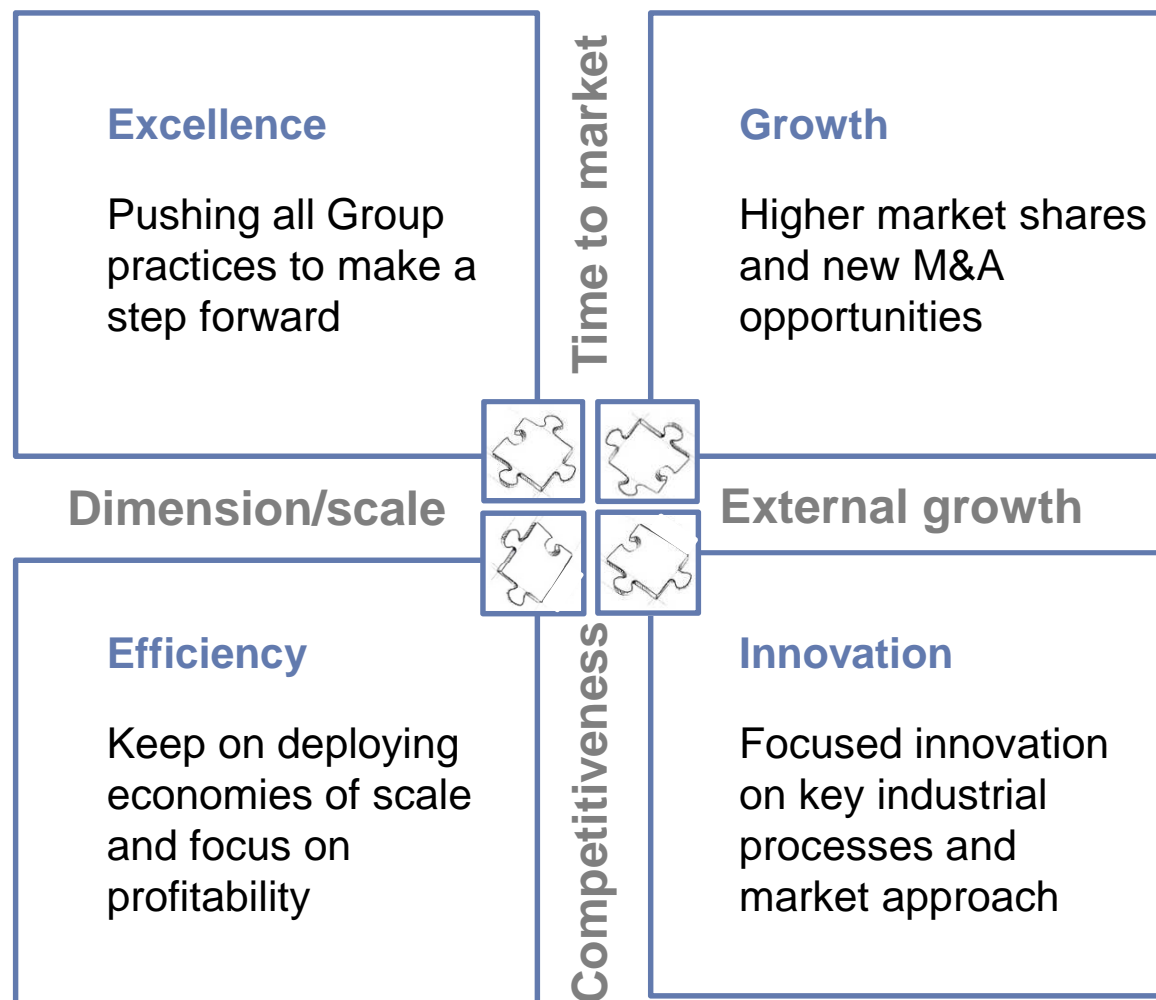
Competitive tender in regulated businesses

Increasing capex requirements

Higher efficiency std request from Authorities

Fast moving, competitiveness, and scale become crucial

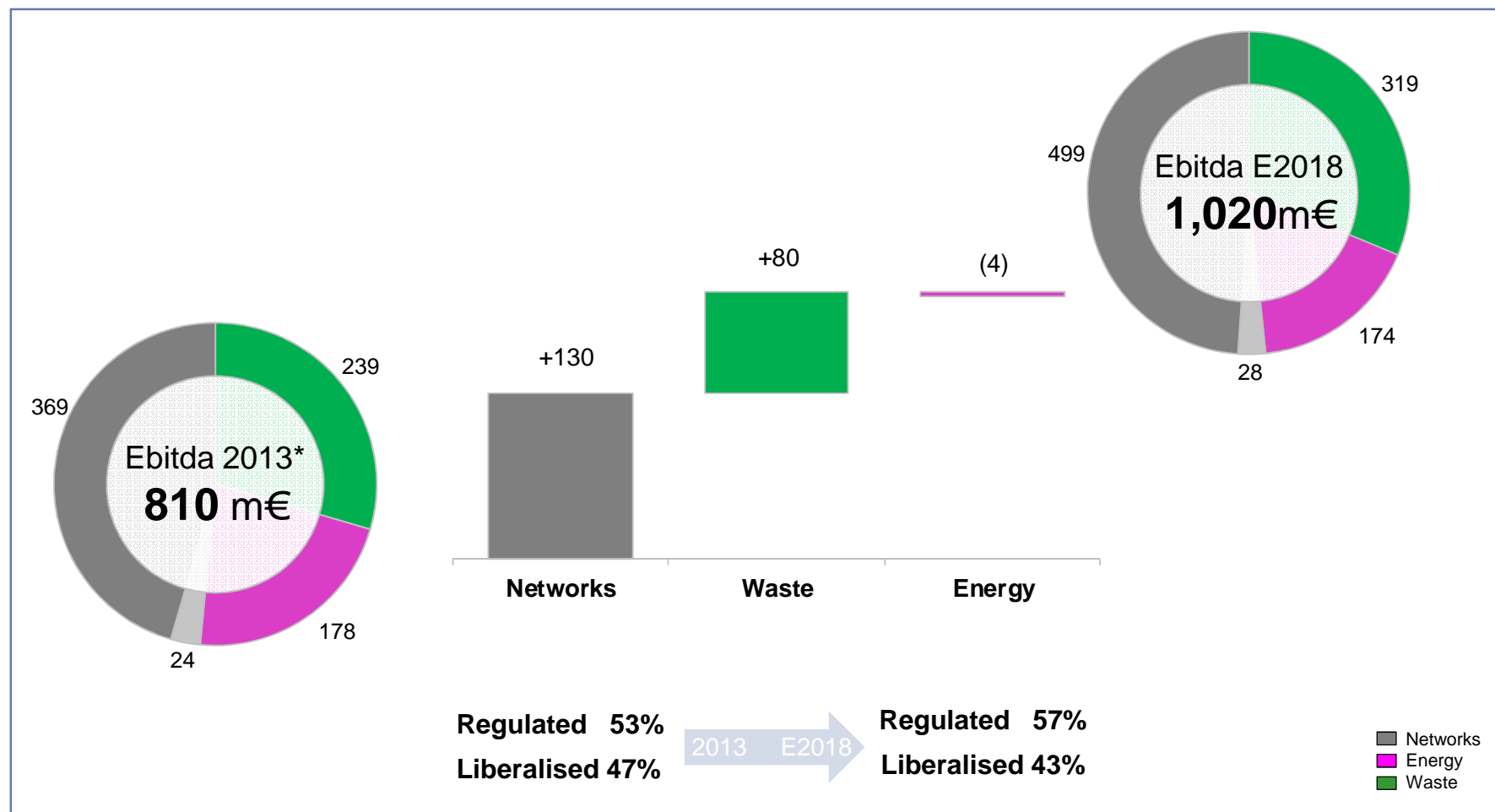
Our 4 strategic priorities



To keep on moving a further step on creating value

Above 1 Billion Ebitda growth comes from all top ranked businesses

Ebitda by strategy area
(m€)



* Restated applying IFRS11 criteria in force starting from 01/01/2014

NETWORKS: step change in management approach to create value

Strategic pillars



EXCELLENCE

Outperform regulatory quality standards
Strengthen commercial culture in all
“regulated” activities



GROWTH

Confirm Hera concessions
Improve margins on services/works for
customers
Exploit opportunities in water tariff
evolution



EFFICIENCY

Increase cost-efficient management
Reduce leakages
Spread out “real-time” WFM

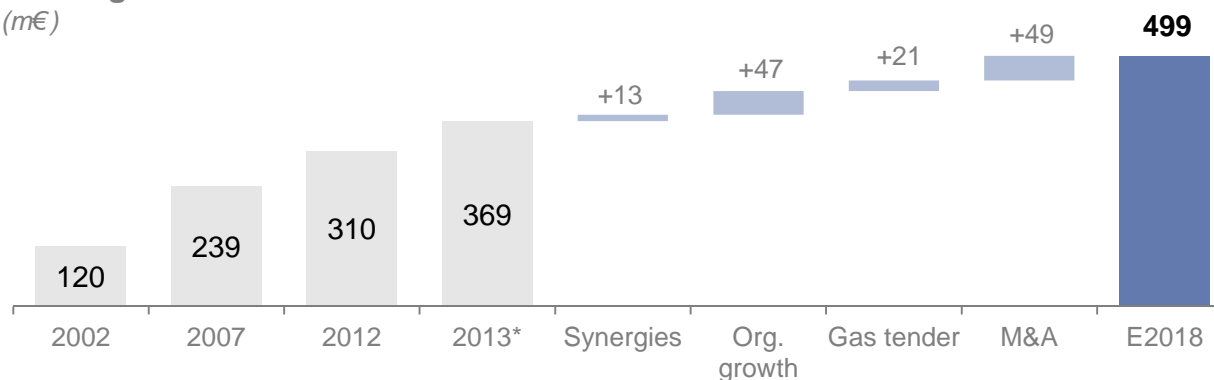


INNOVATION

Smart metering
Technological evolution applied in water
management activities
Become an enabler for “Smart” cities

Ebitda growth drivers

(m€)

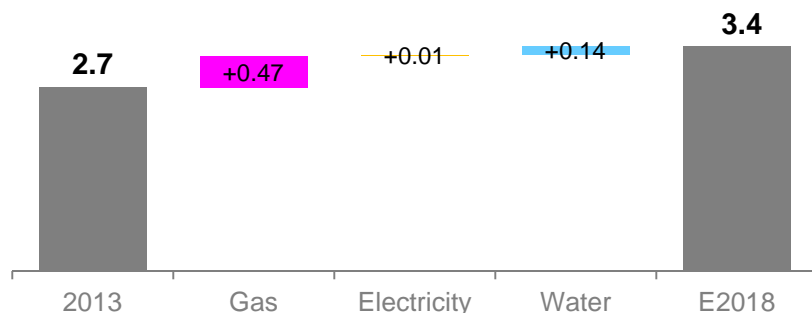


Developing our “safety box”

* Restated applying IFRS11 criteria in force starting from 01/01/2014

NETWORKS: developing our “safety box”

RAB evolution
(b€)

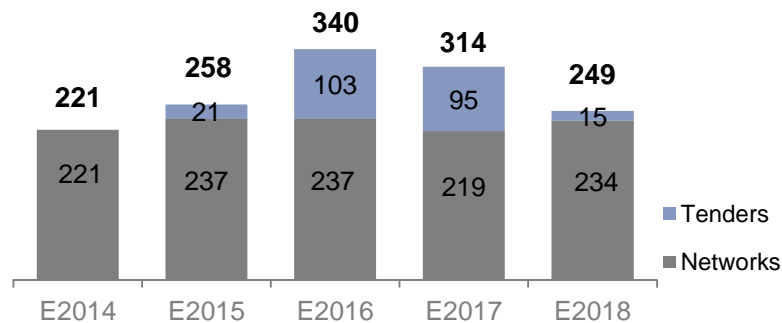


Gas distribution tender schedule

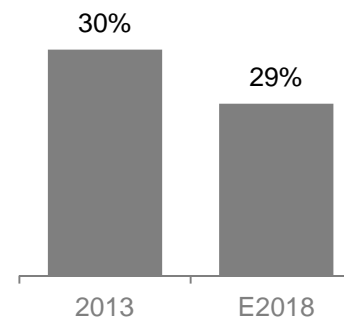


The sustainable enhancement of our business

Capex plan: 1.38 b€
(m€)



Water Leakages
(%)



WASTE: a further step up

Strategic pillars



EXCELLENCE

Further enhance quality of customer service with a “one stop shop” proposal
Target maximum exploitation of value contained into the waste



GROWTH

Complete set of treatment techn./plants
Fine tune effective marketing tools
Confirm Hera concessions in collection
Further evolve collection management



EFFICIENCY

Target higher urban sorted collection std enhancing recycling/reducing disposals
Streamline procedure/organization.
Further rationalize of group structure
Plant optimization

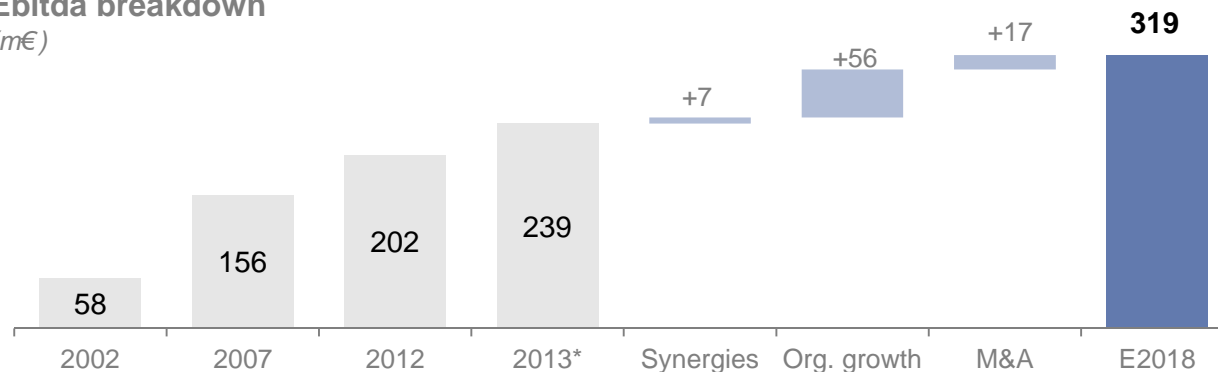


INNOVATION

Exploit new technologies in biogas
Enhance energy efficiency in all plants
Increase recycling quality/profitability
Fully deploy benefit of WFM tech

Ebitda breakdown

(m€)



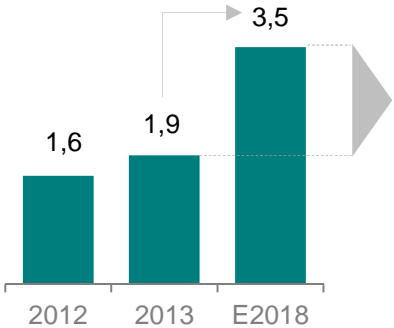
Replicating fast growth track records

* Restated applying IFRS11 criteria in force starting from 01/01/2014

WASTE: exploit our unique expertise

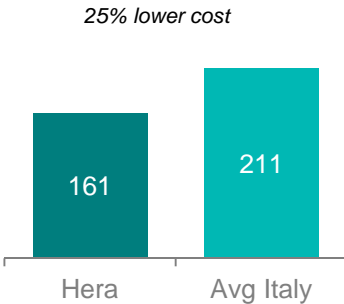
Expand market with a “one stop shop” proposal

S. W. Hera volume treatm.
(mton)



Facing tenders from a strong competitive position

Avg cost per family
(2013 cost €)

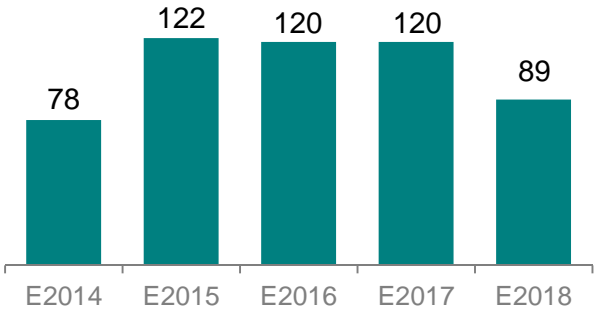


Tender schedule

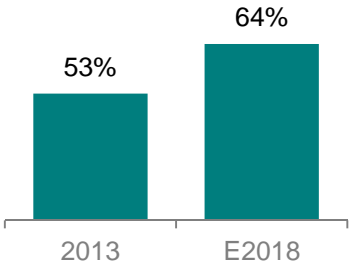
2015	2017	Natural end
Forlì		
Ravenna		
Rimini		
	Bologna	
	Ferrara	
	Modena	
		Pesaro-Urbino
		Padova
		Trieste

The sustainable enhancement of our business

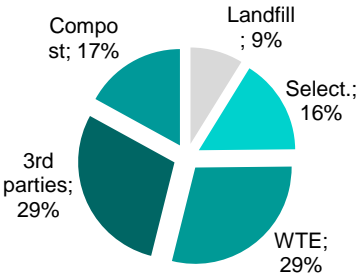
Total capex: 0.53 b€
(m€)



Sorted collection
(%)



'E18 treatm. mix urban W.
(%)



ENERGY: expanding market presence through all levers

Strategic pillars



EXCELLENCE

Further “tailored” commercial offering
Customer care beyond bench mark



GROWTH

Develop markets and reduce churn
Confirm at least 50% of current
“safeguarded” customers served
Further exploit benefit from energy
savings incentives



EFFICIENCY

Keep on serving with high quality and
low cost to serve
Optimize procurement/plant mgmt
Minimize power generation cost

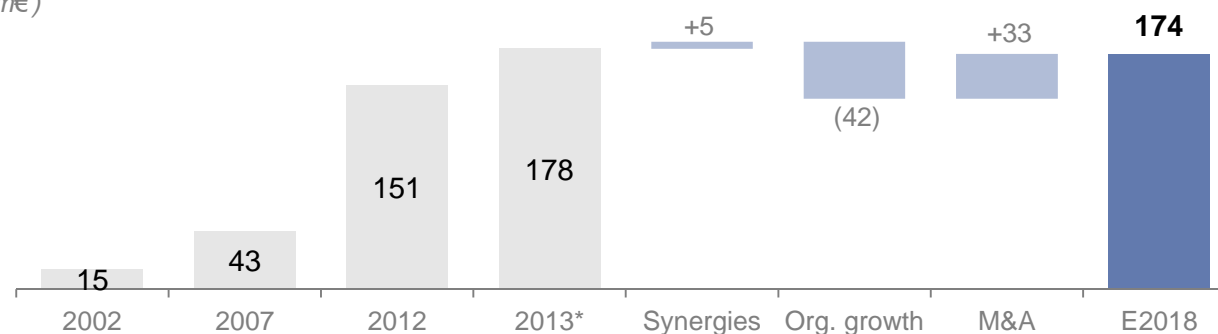


INNOVATION

Create new marketing proposals
Promote partnership with clients in
micro-cogen. and energy mgmt

Ebitda growth drivers

(m€)



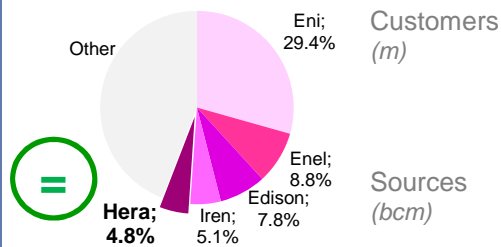
...to tackle margin normalization

* Restated applying IFRS11 criteria in force starting from 01/01/2014

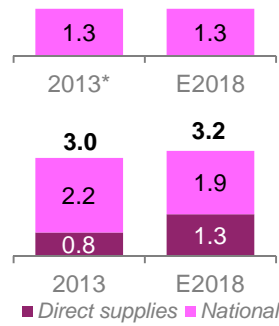
ENERGY: enlarging customer base to offset lower consumptions/margins

Maintain Gas customer base and market share

Gas Market



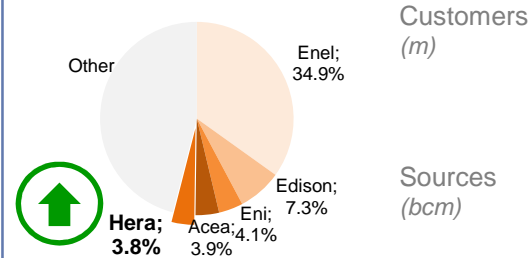
Gas supply



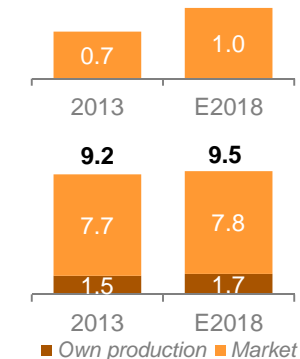
*Includes AMGA Udine

Expanding downstream keeping short upstream

Electricity Market



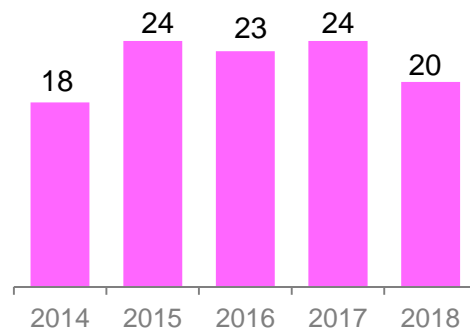
Electricity supply



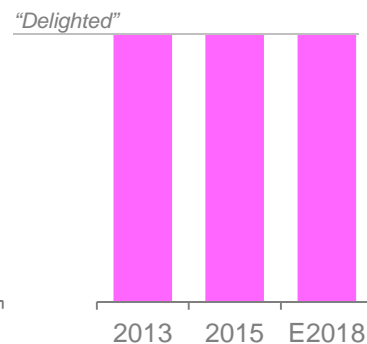
*Includes AMGA Udine

The sustainable enhancement of our business

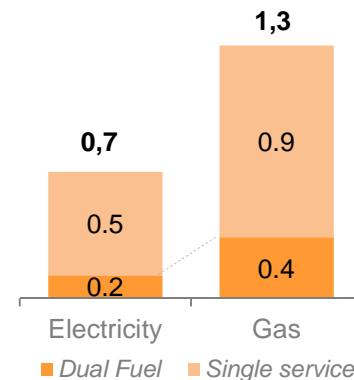
Total capex: 0.11 b€ (m€)



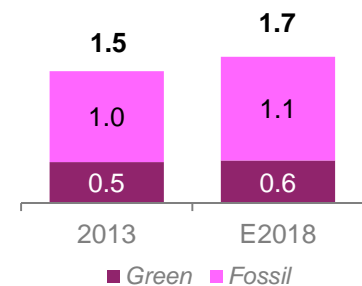
Customer satisfaction



Cross selling potentials

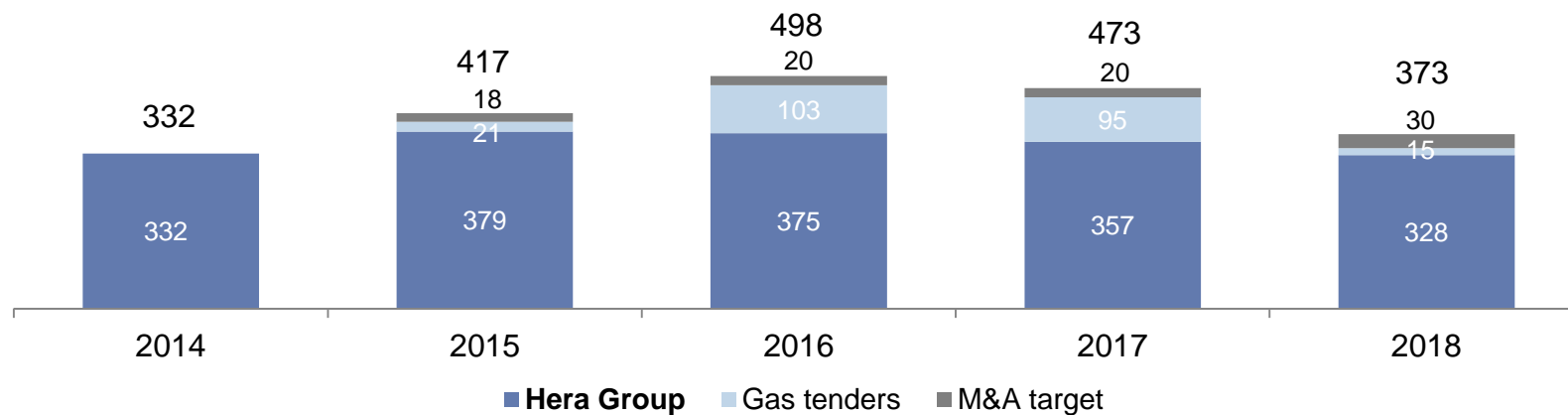


Power generation mix (TWh)

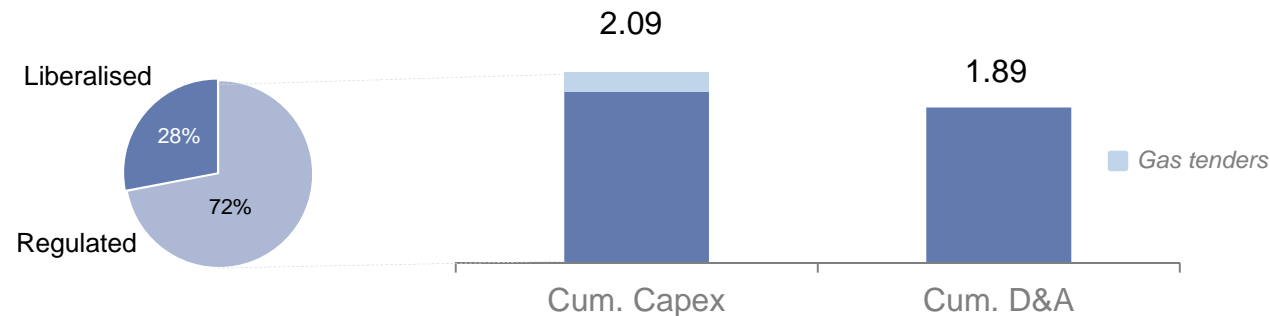


Capex plan: 2.1 b€ to sustain low risk growth and efficiency gains

2.1 b€ Capex breakdown by legal entity
(m€)



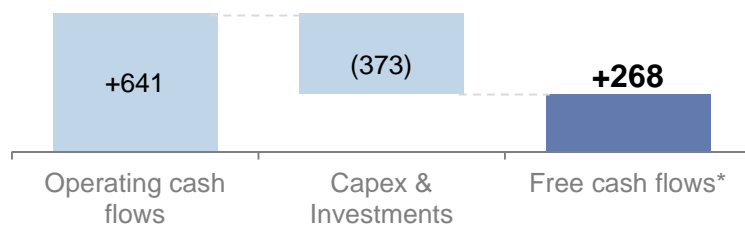
Development/Maintenance & Regulated/liberalised
(b€)



Enhancing return on invested capital by ~100 basis points

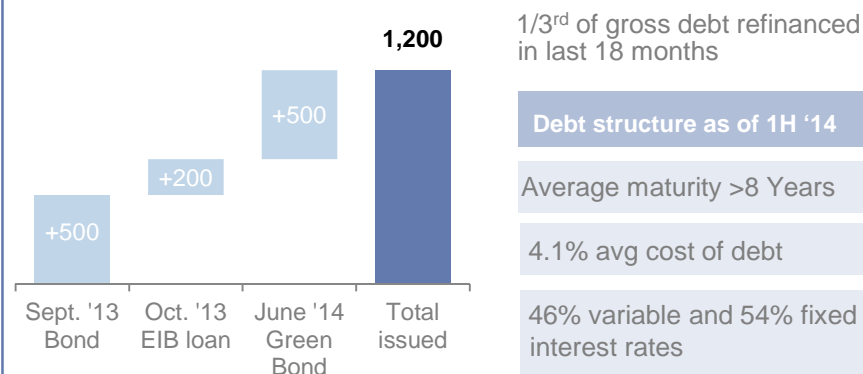
Cumulating financial “firepower” to face future challenges...

E2018 Cash flows (m€)

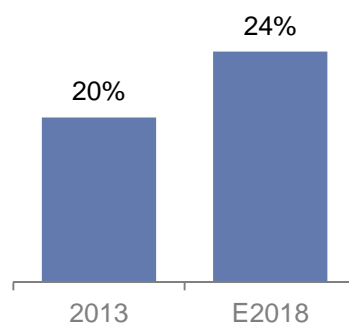


*Before M&A and dividends

Refinanced debt in last 12 months



FFO/Net Debt (%)

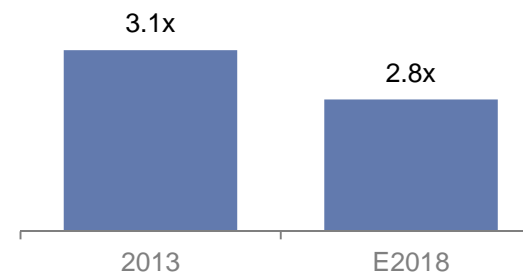


Current ratings

STANDARD & POOR'S
BBB/Stable

MOODY'S
Baa1/negative

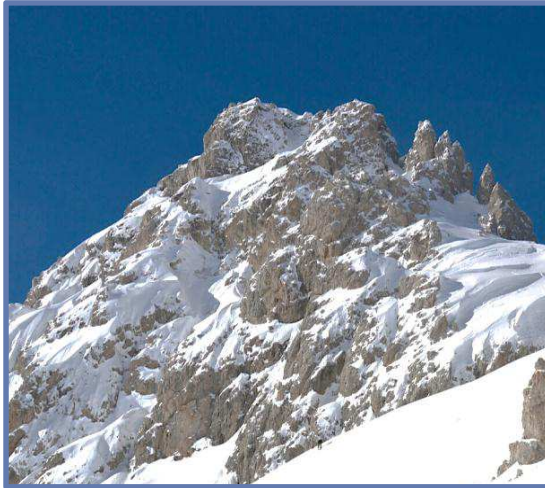
Debt/Ebitda (x)



*FFO calculated as the sum of reported net profit + D&A + provision (non adjusted)

and grow safe and sound

Closing remarks



Hera aims at **leading industry transformation** moving from a **solid** position thanks to the **distinctive advantages** built through a consistent strategy over the past years.

Business plan aims at **reaching a scale of above 1 billion Ebitda** factoring in only visible drivers **balancing** well known **Organic** and **M&A** drivers **in line with track record**. **Ebitda growth transferred down to bottom line** (EPS expected to grow at +5% cagr).

Business mix and proven strategy underpin plan reliability.

Financial soundness targeted to enhance solidity and to create **room for further potential growth opportunities** beyond planned targets.

Dividend policy confirmed at a floor of 9c€ DPS per annum up to 2018.

Ready to lead the industry change and create further value

Annex

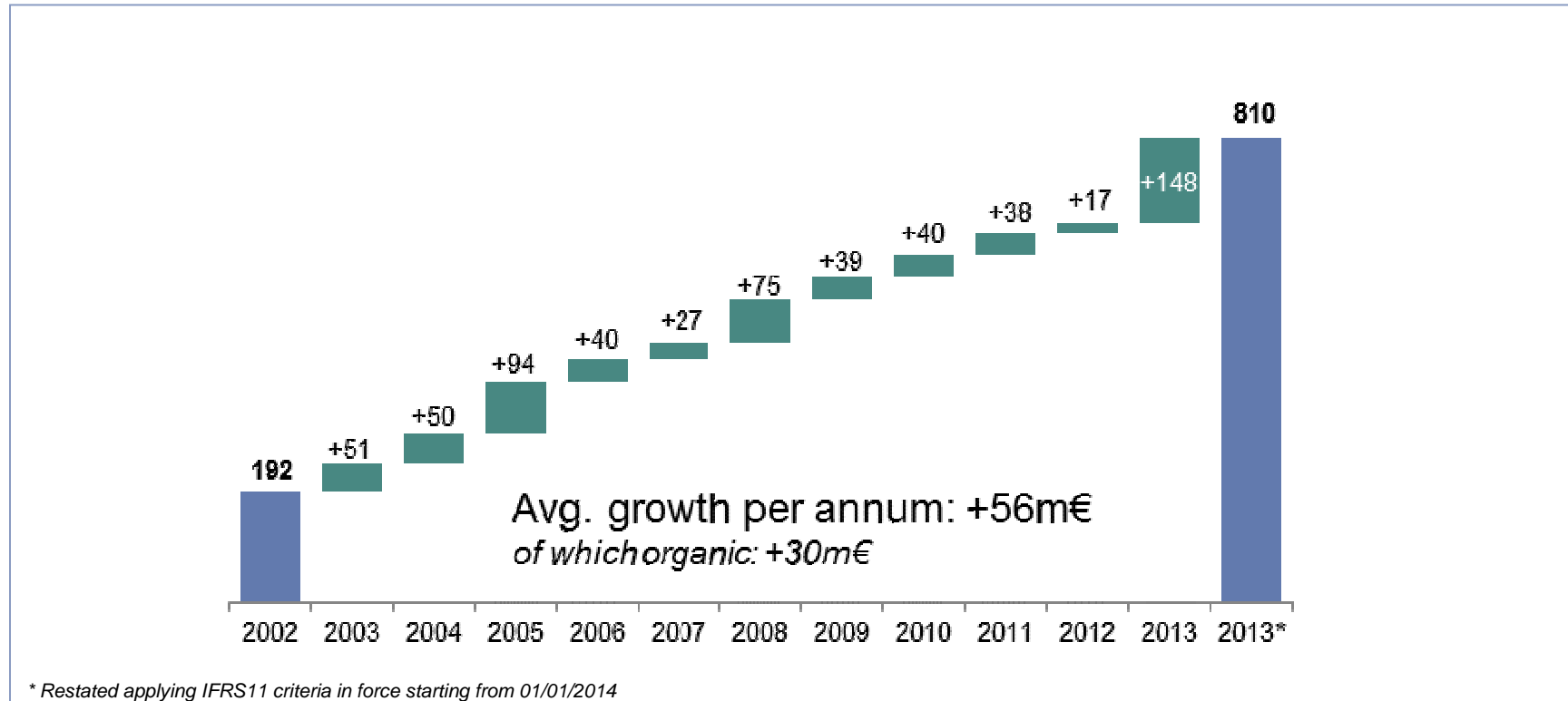


Assumptions

	2013	E2015	E2018
Brent <i>(Dollar/Barrel)</i>	108	103	105
Exchange ratio <i>€/\$</i>	1.33	1.30	1.30
PUN <i>(€/MWh)</i>	63.0	60.5	67.7
Inflation <i>(5Y moving average)</i>	1.9%	1.5%	1.5%
Italian GDP trend <i>(%CAGR)</i>	+1.1%		
Green certificate <i>(€/MWh)</i>	89	91	85
White certificates <i>(€/TEP)</i>	76	119	122
CO₂ certificates <i>(€/ton)</i>	4	8	10

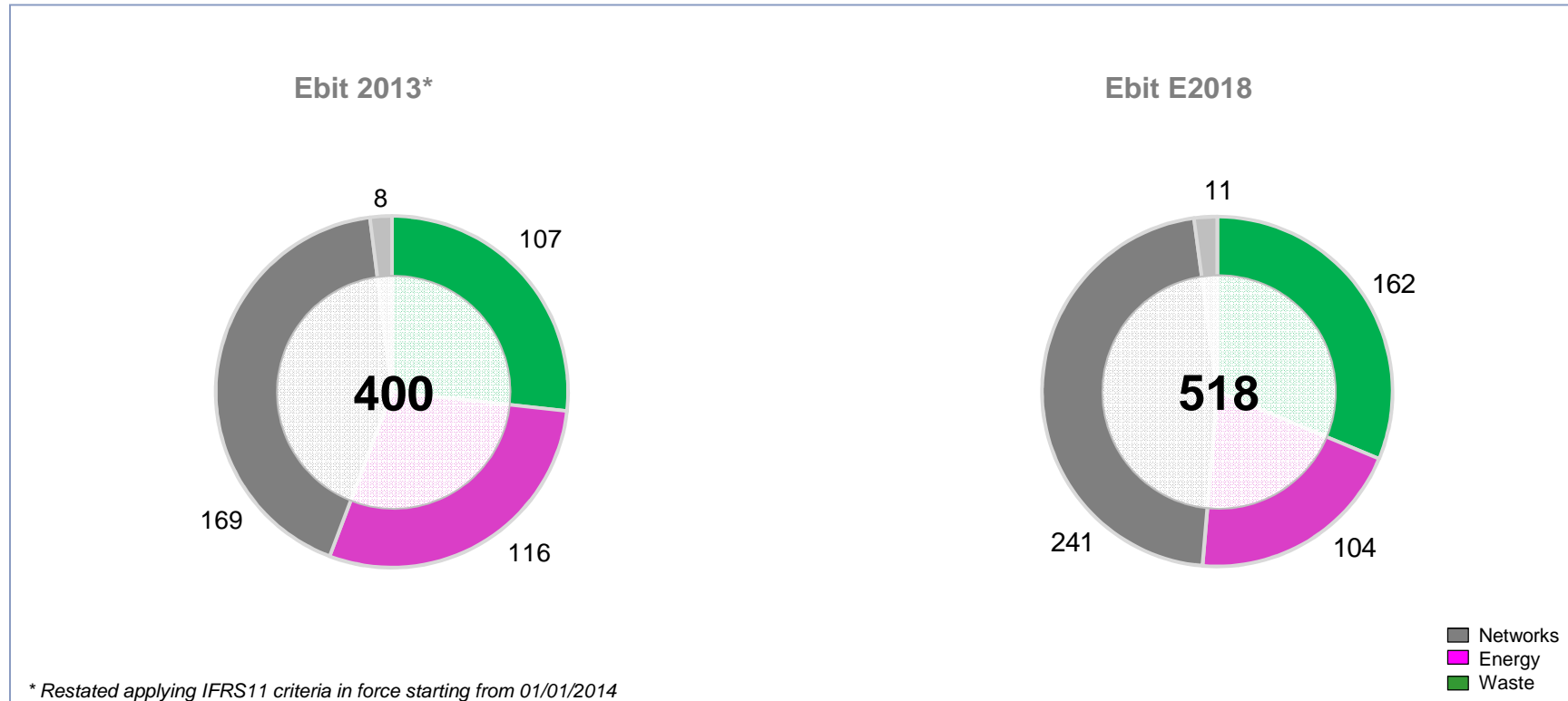
Consolidated Group Ebitda growth track record

Ebitda growth track record
(m€)



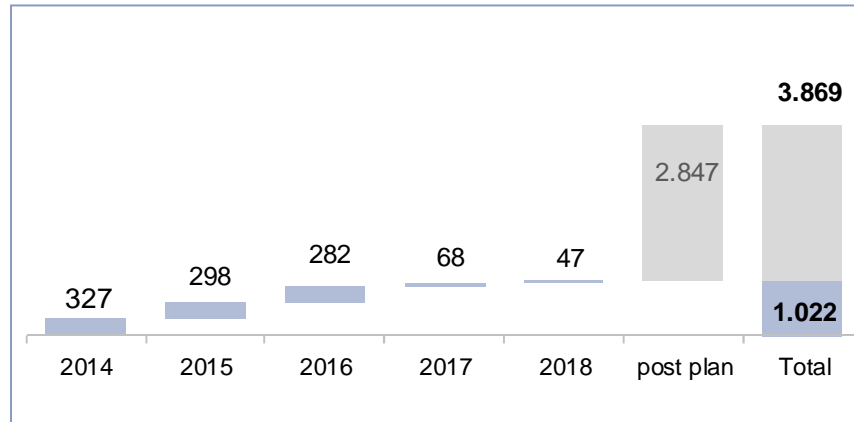
Consolidated Group Ebit target

Ebit by strategic area
(m€)

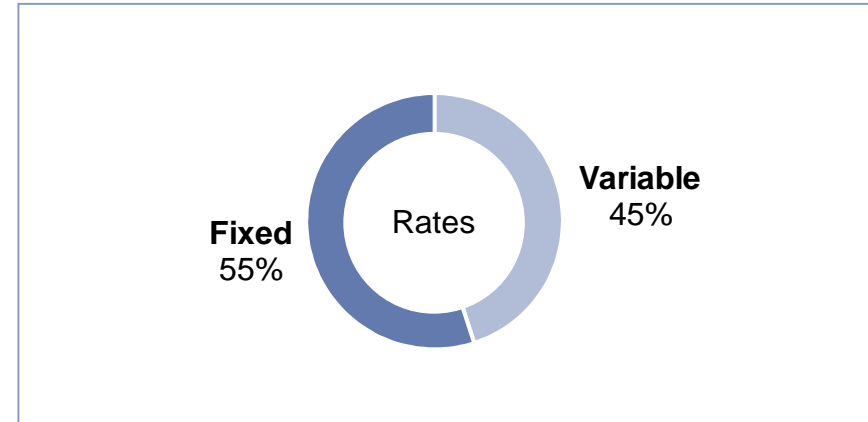


Financial Strategy

Refinancing needs to 2018
(m€)



Pursuing balanced interest nature
(%)

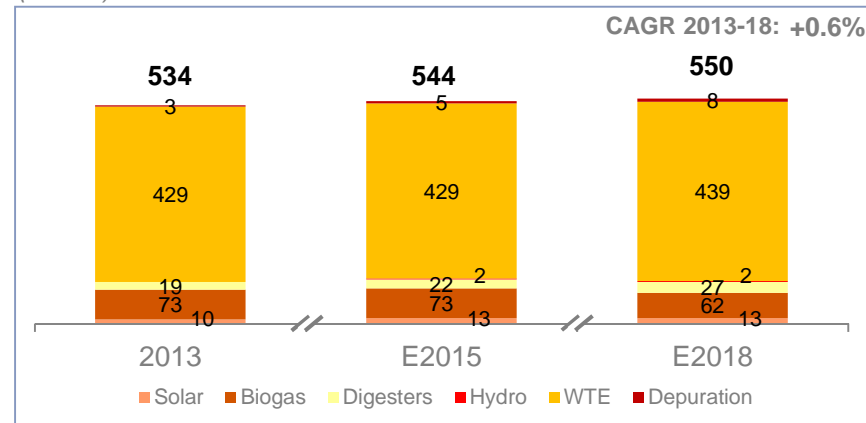


Hera Group financial strategy

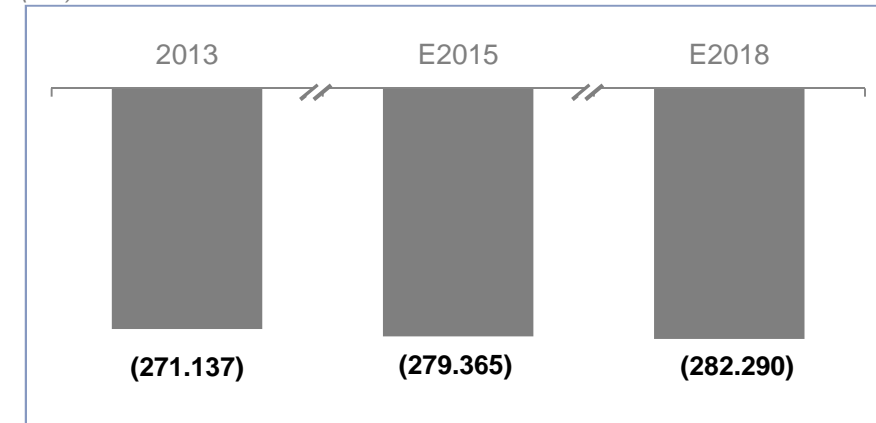
- Maintain financial liabilities homogeneous with investment time horizons
- Non speculative financing
- Optimize mix variable/fixed to stabilise related cash flows

Sustainable development

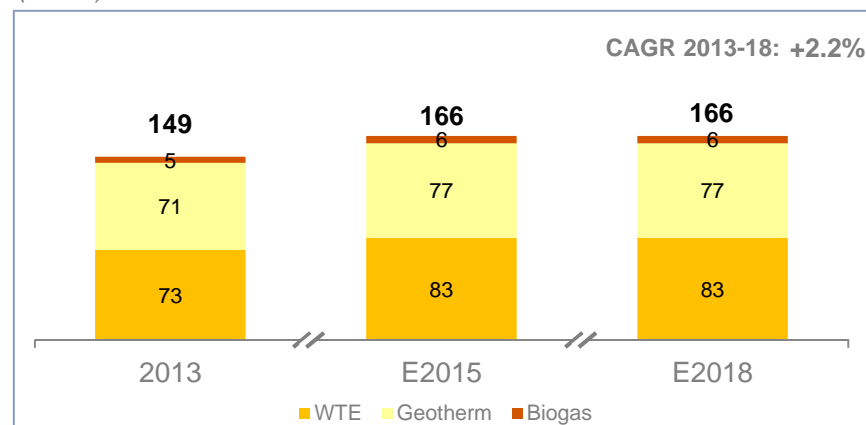
Electricity production – renewable
(GWh)



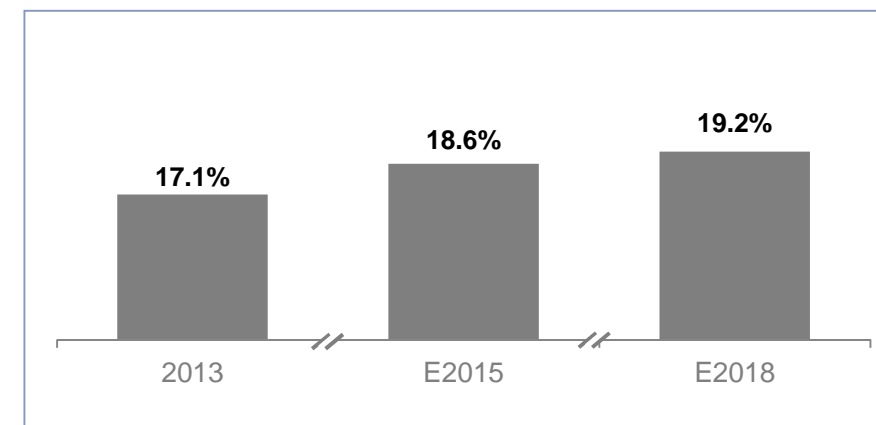
CO2 emission avoided
(ton)



Thermal energy production – renewable
(GWh)



Low emission vehicles



Waste to Energy plants as of today

Market leader by volume treated from third parties (about 4 million ton in 2013. In 1H 2014 market expansion progressed). Special waste volume treated signed +25% Y/Y.

Fully integrated and diversified **asset base** allows to offer 360 degree services to industrial customers.

10 WTE and other treatment plants produce energy from waste (about 1 TWh produced in '13 of which 86% generated by WTEs).

Waste To Energy Plants (in 2013)

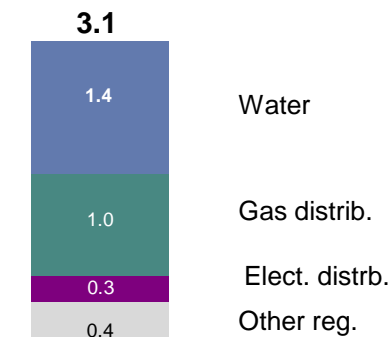


	Installed capacity (MWh)	E.E. produced (GWh)	Waste treated (kton.)
Ferrara	13.1	69.8	129.9
Ravenna	6.2	30.2	47.8
Ravenna F3	4.2	22.5	38.3
Forlì	10.9	66.7	119.9
Rimini	10.9	82.2	139.8
Modena	24.8	123.2	190.8
Bologna	22.0	149.3	199.1
Isernia	13.4	98.2	93.5
Padova	31.3	220.7	345.3
Trieste			
Total	136.8	862.8	1,304.4

Regulated infrastructures

Hera RAB 2014*

(b€)



*include Amga Udine RAB consolidated since 07/01/2014

Water development capex driven by new regulation framework (2nd national player).

Gas and Electricity distribution: well proven regulation supervised by AEEGSI.

Hera returns on RAB

Breakdown by business	Reg. period	Concession length	Allowed returns
Water	'14-'15	~'24	6.8%
Gas distribution	'14-'19	'14-'18	6.9%
Electricity distribution	'12-'15	'30	6.4%

Regulatory framework **protects returns** from volume fluctuation risk.

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.