HERA GROUP Y13 RESULTS

Analyst Presentation

20th March 2014

Expectations

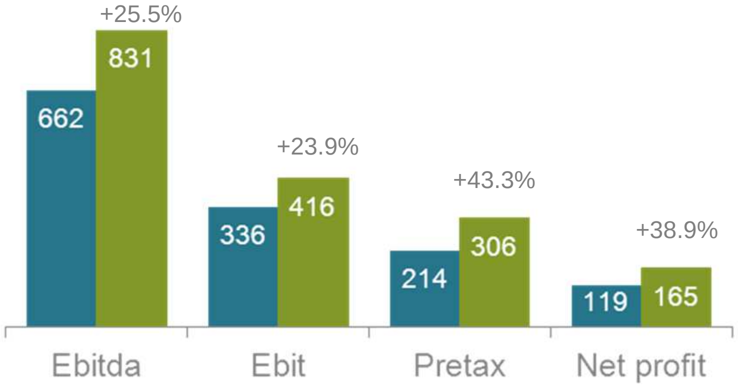
- **EBITDA to 951m€ in 2017**;
- **Capitalization on new regulation** (Water) **and recovery upon consolidation opportunities** (Energy distribution)
- **Bounce back in Waste:** a mix of volume and profitability
- **Enhance financial strength**

- **Deliver a visible and reliable shareholder return (minimum 9 cents DPS)**
- **…** and ***on top of that …***

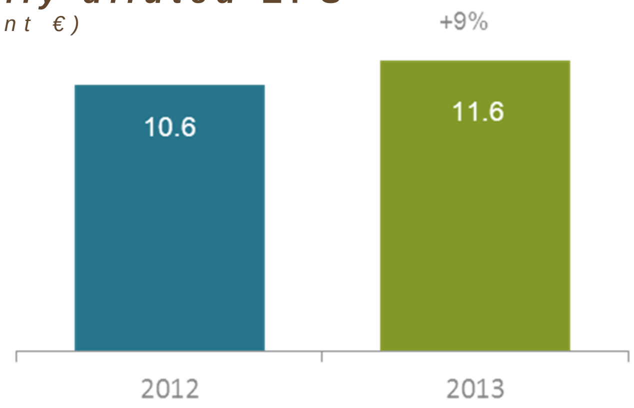
THE CONTRIBUTION FROM VENETO AND FRIULI CONSOLIDATION

2013 strong growth and shareholders' return

'13 RESULT HIGHLIGHTS
(M€)



Fully diluted EPS
(cent €)



FY 2013 FY 2013

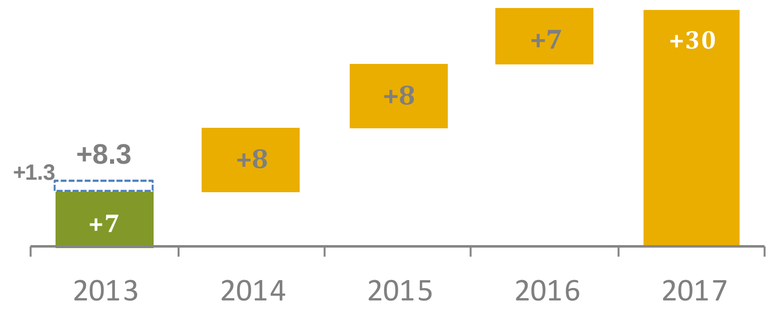
- **Growth** driven by **M&A** (77%) and **Organic growth** (23%).
- **Organic growth** from **market expansion** and **cost cutting.**
- **Growth drove sound cash flows. Debt reduction** from by 91m€.
- **Positive EPS contribution of M&A.**

see at page 12: EPS calculation on "like for like" basis, adjusted and fully diluted

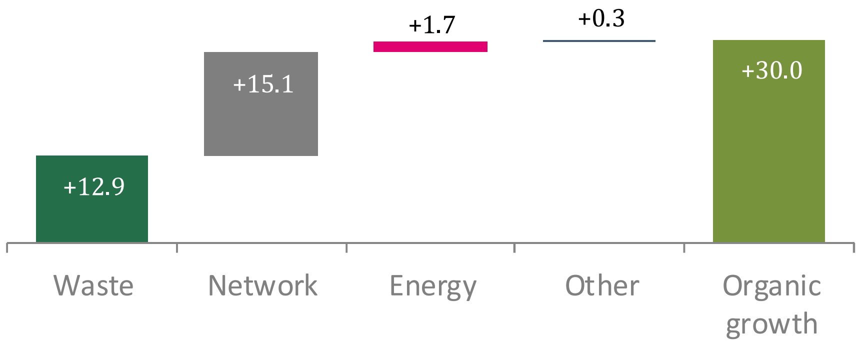
Ebitda growth: mix of M&A, org. growth and outperforming synergies

EBITDA Growth
(M €)

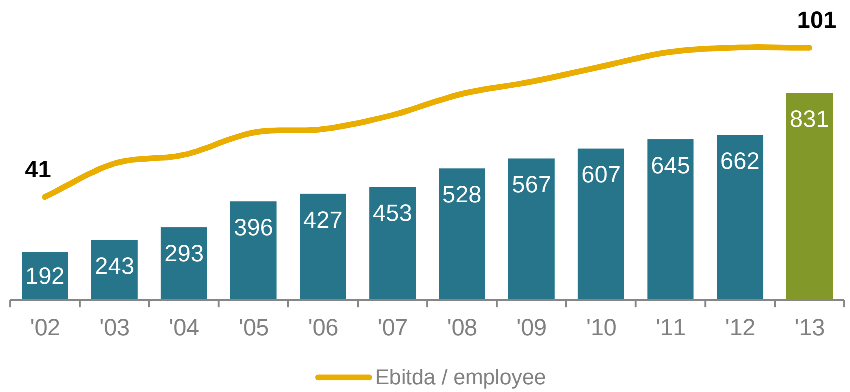
Synergies extraction



Organic growth
(M €)



Ebitda per employee: +8.5% cagr
(K€/per capita)



Net profit growth: benefitting from optimization initiatives

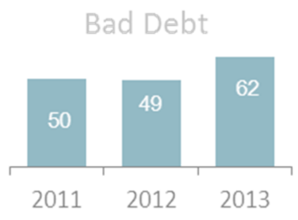
Tax rate
(%)

	2012	2013	*Ch. %*
Tax rate reported	37.0%	40.6%	+9.7%
Tax rate adj.*	**47.0%**	**46.1%**	**(2.0%)**

'13 RESULT HIGHLIGHTS
(M €)

	2012	2013	Ch. %
Revenues	**4,696.3**	**4,851.3**	**+3.3%**
EBITDA	**662.1**	**830.7**	**+25.5%**
Ebitda margin %	*14.7%*	*18.1%*	
EBIT	**335.5**	**415.8**	**+23.9%**
(ADJ) Net financial inc./(exp.)	(128.7)	(146.3)	+13.7%
(ADJ) Ordinary Taxes	(97.3)	(124.3)	+27.8%
Minorities	(15.7)	(16.8)	+6.8%
(ADJ) Net profit post min.	**93.8**	**128.5**	**+37.0%**
Adjustments	24.9	36.4	
Net profit post min.	**118.7**	**164.9**	**+38.9%**

Provisions reflects Acegas merger
(M €)



Adjustments
(M €)

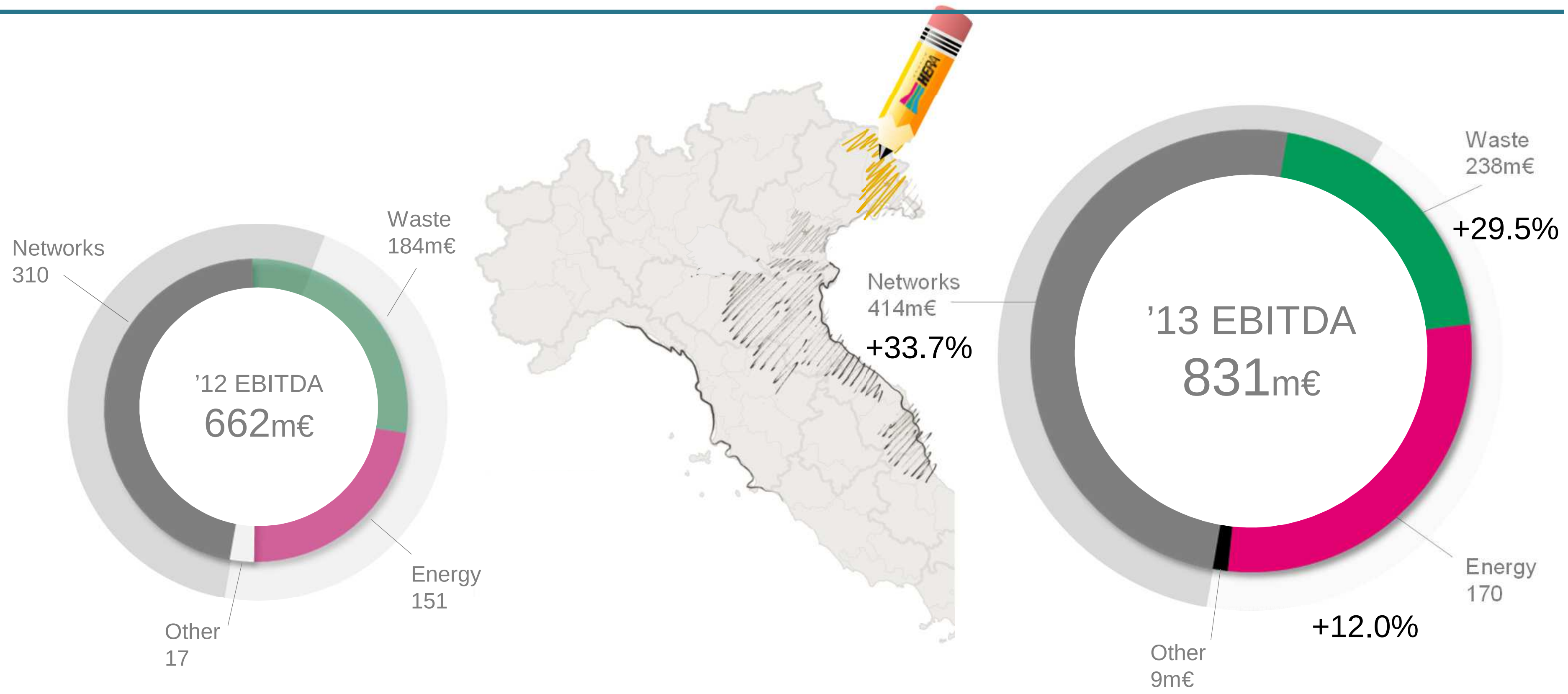
	2012	2013
IFRS 3 Energonut and AA	6.7	45.2
Write off T.P. and plus on dismission	0	(8.8)
Tax benefits*	18.2	0
Total adjustments	**24.9**	**36.4**

Debt cost: reduced by 50 bps
(%)

	2012	2013	Ch. %
Net financial interests	**(120.5)**	**(136.8)**	**+13.5%**
Results from associates	5.4	4.9	(9.0%)
IAS figurative interests	(13.6)	(14.4)	+5.9%
Financial inc./(exp.)	**(128.70)**	**(146.3)**	**+13.7%**

**excluding tax benefits from extraordinary items*

2013: a record jump in scale



~1.7 million Energy customers

~2.0 million Energy customers

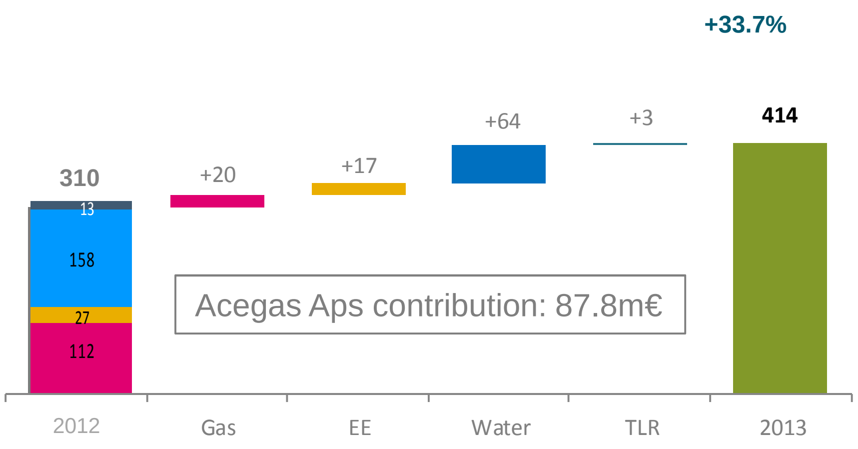
54% Regulated
46% Liberalised

56% Regulated
44% Liberalised

- Balanced regulated / liberalised activities
- **Wider platform** to reach waste and energy customers
- Intangible value of customer base – **cross selling**
- Regulated activities **more visible**

Networks: a visible cash flow platform

EBITDA GROWTH
(M €)



- More visibility on tariffs
- Concentrated presence on the territory
- Upside potential in water tariff
- Further efficiency gains potential
- Capex in line with D&A

Proprietary RAB
(M €)

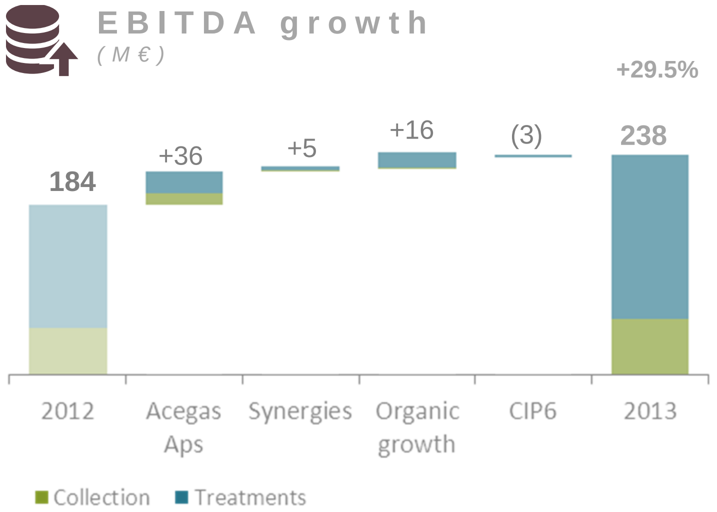
	Hera	Acegas	Group
Gas distribution	0.70	0.20	**0.90**
Electricity distribution*	0.23	0.11	**0.34**
Water distribution	1.15	0.25	**1.40**
TLR*	0.20	-	**0.20**
Group RAB	**2.28**	**0.66**	**2.84**

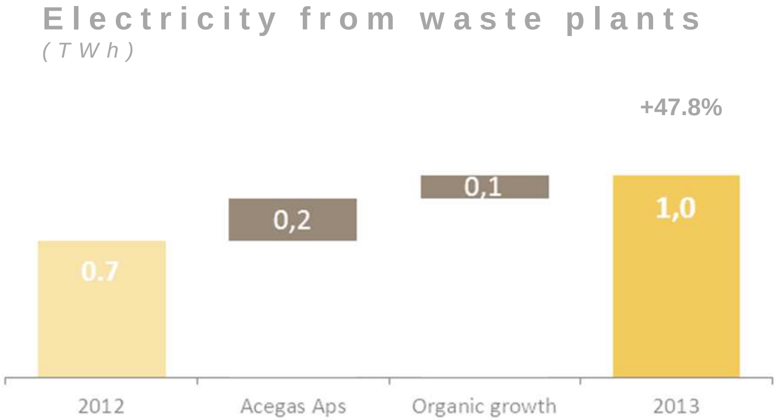
* *Invested capital*

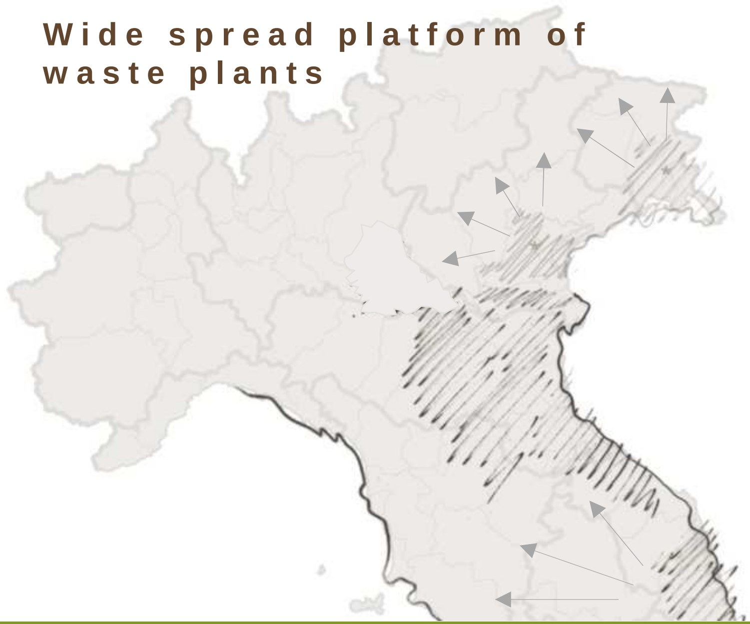
Returns and concessions

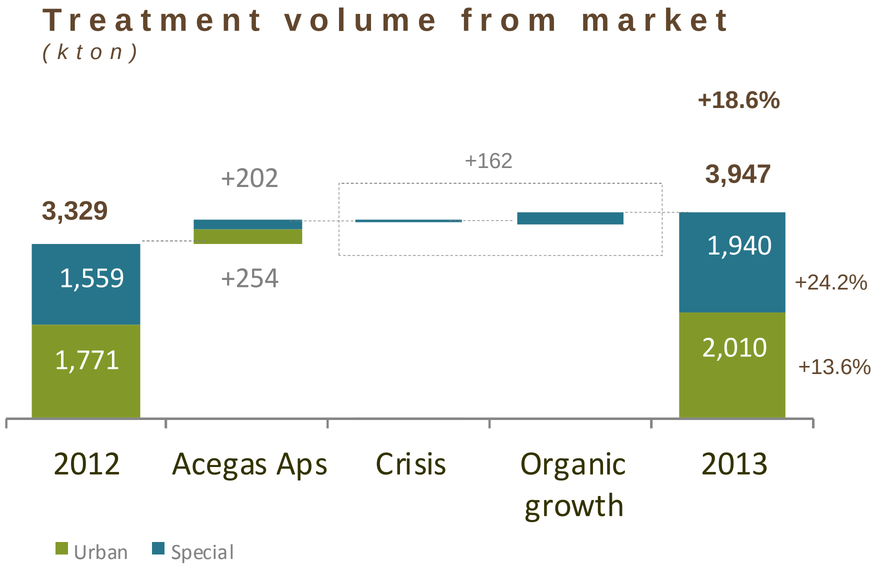
	Regulatory period	Concession	Returns
Gas distribution	'14-'19	~2014-2016	**6.9%**
Electricity distribution	'12-'15	~2030	**6.4%**
Water distribution	'14-'15	~2024	**6.8%**

Waste: inverting trend in special waste despite crisis



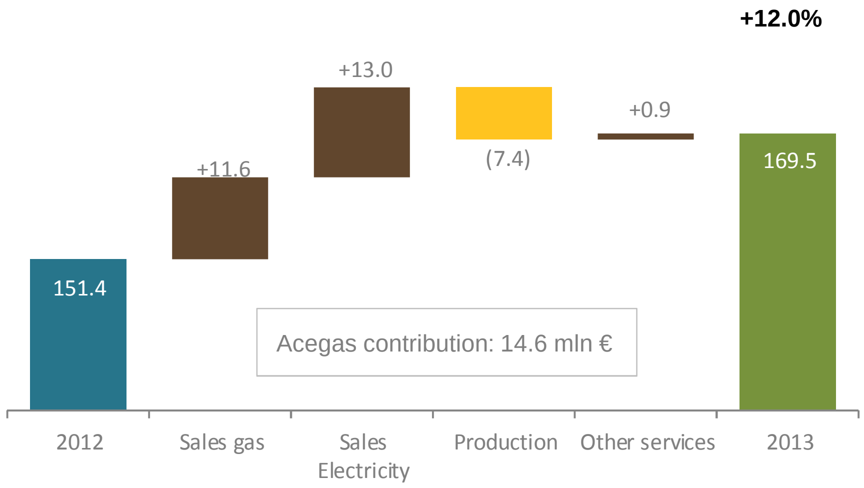






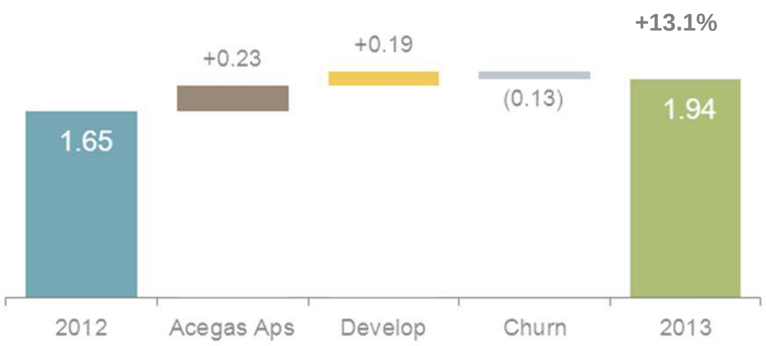
Energy: exploiting "The" intangible asset

EBITDA growth
(M€)

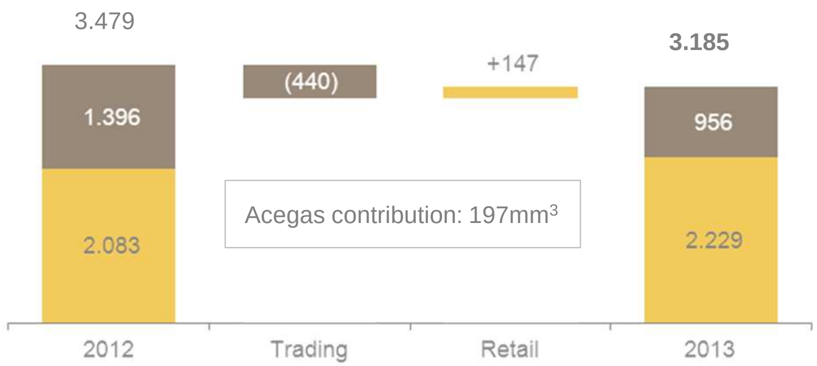


- **+60k** clients in electricity
- CCI impact **only on Q4**
- Crisis impact on volumes
- **Enlargement of "Salvaguardia"** service through public tenders (2014-2016)

Energy customer base
(M customers)

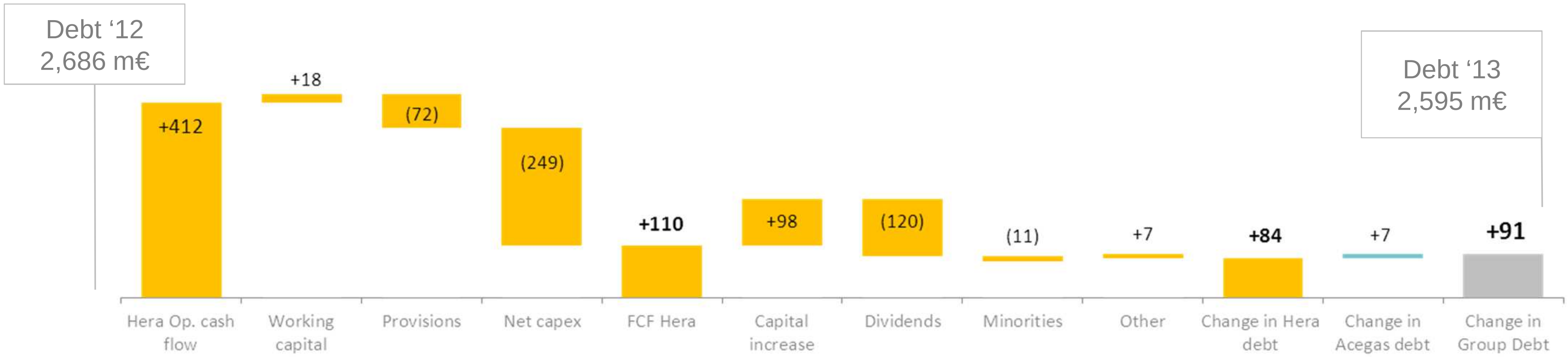


Gas volumes
(million m³)

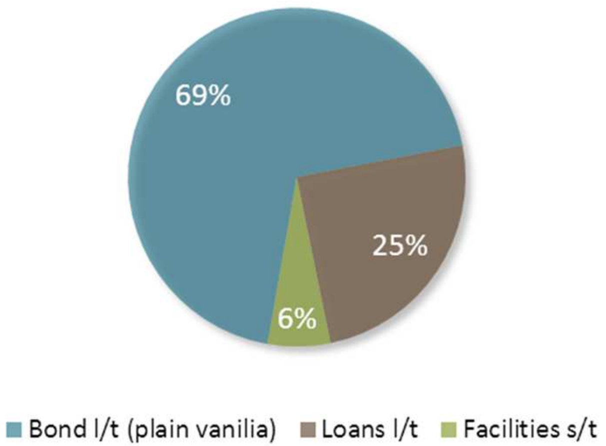


Outperforming free cash flows

Cash Flows
(M €)



Debt mix
(M €)

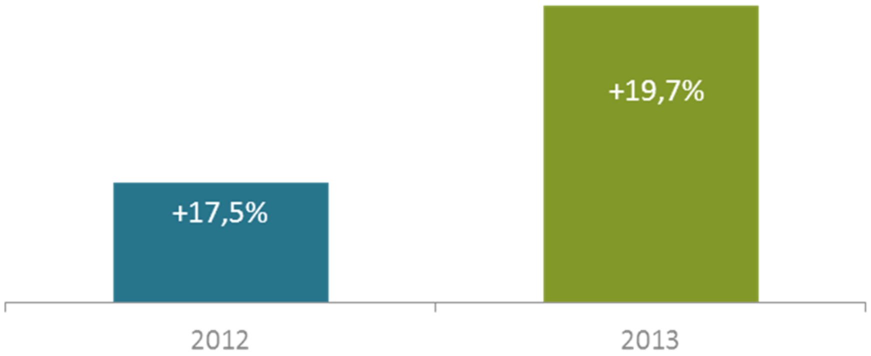


POSITIVE CASH FLOWS

- Acegas Aps debt decreased (463m€)
- Very positive working capital mgmt
- Debt from 2,686 m€ (on a like for like basis) to 2,595 m€
- Refinanced 1,000 m€ debt at good rates
- Opportunistic funding 500m€ on favourable market conditions

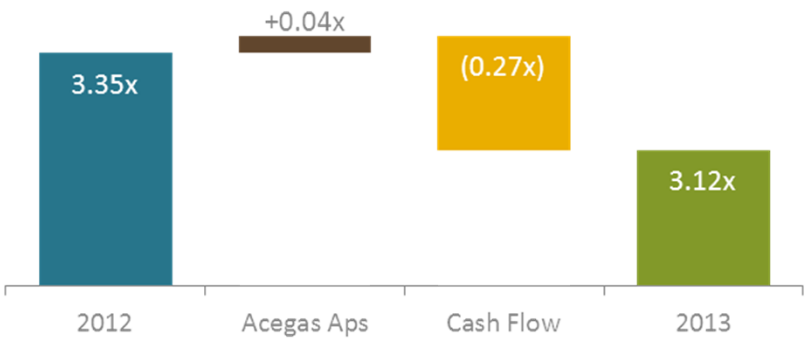
All financial ratios enhanced

FFO/DEBT*
(%)

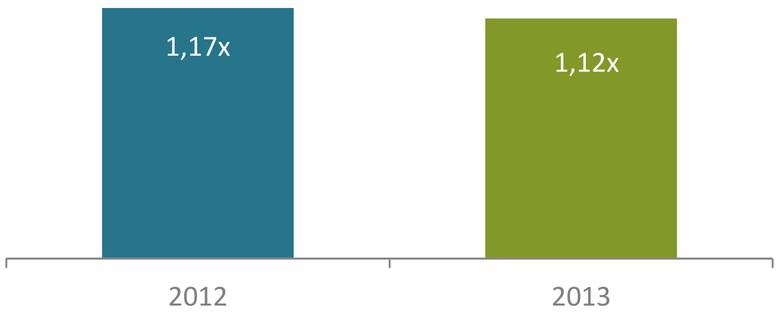


- **8** years average debt Duration
- **47%** variable and **53%** fixed interest rates
- S&P's: **BBB - outlook stable**
- Moody's: **Baa1 - negative outlook**

DEBT/EBITDA
(X)

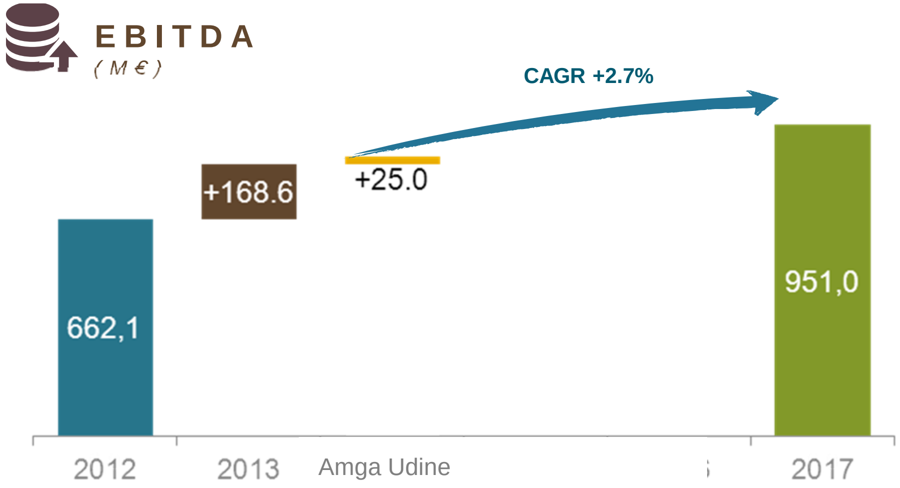


DEBT/EQUITY
(X)



* On reported figures

Facing the future with a high potential platform



- **‘13 Ebitda growth**: 58% of 5Y plan target
- **Outperform** on all targets
- **DPS of 9 cents** (5.5% yield*)
- **Commercial expansion** continues
- **AMGA Udine** execution

*On year end stock price: 1.65€.

Q&A SESSION

- **2014 will apply IFRS11 with an overall impact of 15 m€** on Ebitda

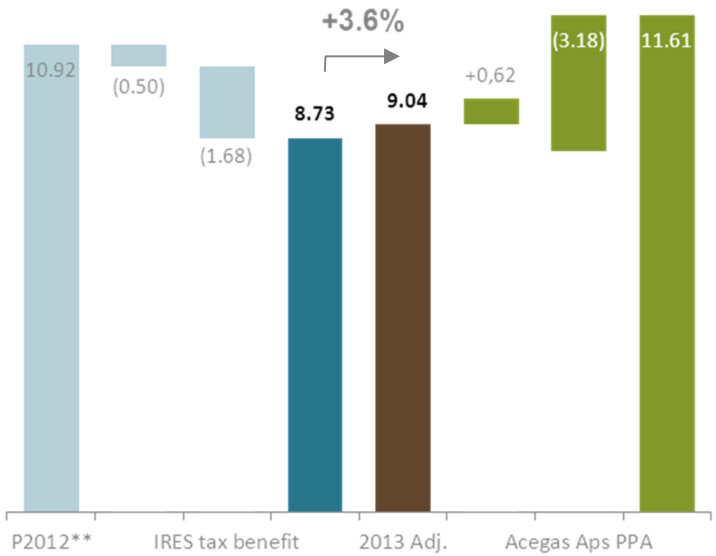
- **2014 will apply indirect cost reallocation** (see appendix)

‘13 EPS increased even on adjusted, “like for like” and “fully diluted” basis

Adjusted Like for like EPS (fully diluted)
(cent €)

2012 figures

- Acegas Aps 2012 Net profit 25.5m€;
- 6.7m€ Energonut
- ~22 m€ IRES tax benefit related to past years (18.2m€ Hera stand alone)
- EPS calculated on 1,341m shares



2013 figures

- 45.2m€ mainly Acegas Aps badwill
- 11m€ write off (**mainly Tirreno Power** and 2,2m€ plus non disposals)
- EPS fully diluted on 1,421m shares

Ebitda breakdown: Review on indirect cost allocation

Restated EBITDA breakdown
(M€)

	FY2012	FY2013	Ch. %
Breakdown by Strategic Area			
Waste	180.6	243.9	+35.1%
Networks	295.2	371.0	+25.7%
Energy	166.7	191.0	+14.6%
Other	19.7	24.7	+25.8%
Group	**662.1**	**830.7**	**+25,5%**
Breakdown by business			
Waste	180.6	243.9	+35.1%
Water	145.9	193.4	+32.5%
Gas	250.2	280.2	+12.0%
Electricity	65.8	88.5	+34.6%
Other	19.7	24.7	+25.8%
Group	**662**	**831**	**+25,5%**

- **Re-organisation of Hera** by business requires a reallocation of staff costs
- **New allocation criteria** have been identified on a detailed “business specific analysis” related to service contracts
- Restated accounts on new allocation criteria and **will be applied starting from 1st January 2014**

Financial highlights breakdown

Tariffs underpinned a solid growth

	FY2012	FY2013	CH. %
REVENUES	617.1	730.5	+18.4%
EBITDA	158.3	222.3	+40.4%
Ebitda margin	25.7%	30.4%	+18.6%

HERA ALONE	FY2012	FY2013	CH. %
EBITDA	158.3	169.3	+6.9%
Ebitda margin	25.7%	27.5%	+7.0%

Higher margins due to trading decrease

	FY2012	FY2013	CH. %
REVENUES	1,769.3	1,695.6	(4.2%)
EBITDA	240.7	276.2	+14.7%
Ebitda margin	13.6%	16.3%	+19.7%

HERA ALONE	FY2012	FY2013	CH. %
EBITDA	240.7	238.0	(1.1%)
Ebitda margin	13.6%	15.4%	+13.2%

Strong commercial expansion

	FY2012	FY2013	CH. %
REVENUES	1.678,4	1.521,7	(9.3%)
EBITDA	62.3	85.5	+37.3%
Ebitda margin	3.7%	5.6%	+51.4%

HERA ALONE	FY2012	FY2013	CH. %
EBITDA	62.3	72.8	+17.0%
Ebitda margin	3.7%	5.1%	+12.8%

Espanding domestic market

	FY2012	FY2013	CH. %
REVENUES	737.8	872.9	+18.3%
EBITDA	183.5	237.7	+29.5%
Ebitda margin	24.9%	27.2%	+9.5%

HERA ALONE	FY2012	FY2013	CH. %
EBITDA	183.5	195.2	+6.3%
Ebitda margin	24.9%	26.1%	+4.8%

2013 Capex

Capex
(M €)