



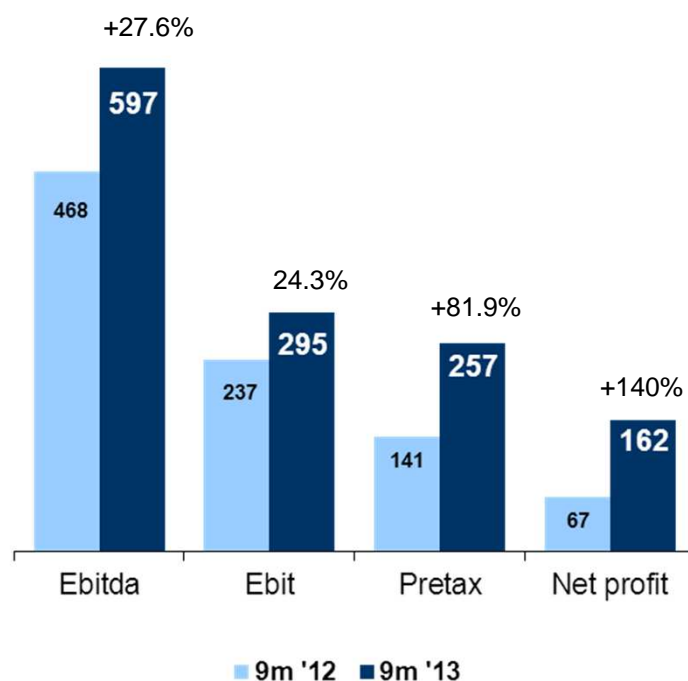
Still growing

9m 2013 financial results
Analyst Presentation
13th November 2013

9m '13: positive growth and Acegas Aps underpin results

9m '13 Result Highlights

(m€)



9m '13 strong growth in all main financial targets driven by the **Acegas Aps consolidation** and relevant **merger synergies**.

Market expansion (Energy and Waste) **confirmed to be effective** in spite of a still difficult macro scenario.

Positive performance in all businesses even on “proforma basis” (+7.4% or +41m€ “like for like” ‘13 Group Ebitda). **9m Ebitda perc. margin up to 16.8%** (from 13.6%) underpinned by reduced trading activity on commodities and **cost savings**.

Pretax profit benefits from 74.8m€ extraordinary earnings for IAS accounting related to Acegas Aps merger (as reported in Q1 '13), subject to impairment procedure.

Net financial debts in line with H1 '13 (2.78m€ from 2.75m€ of H1 2013).

9m '13: strong growth down to bottom line

Financial charges increased mainly due to Acegas Aps merger (12.5 m€).

Normalised 9M '13 tax rate ~46%.

(m€)	9M '12	9M '13	Ch.%
Revenues*	3,451.0	3,548.6	+2.8%
Ebitda	467.9	597.2	+27.6%
D&A + Prov.	(231.0)	(302.6)	+31.0%
Ebit	236.9	294.5	+24.3%
Financials	(88.3)	(104.9)	+18.8%
Figurative interests (IAS)	(10.6)	(10.4)	(1.9%)
Profit/dividends	3.4	3.1	(6.8%)
Other non oper. exp.		74.8	
Pre tax Profit	141.4	257.2	+81.9%
Tax	(64.5)	(84.3)	+30.7%
	(45.6%)	(32.8%)	(28.2%)
Net Profit	76.8	172.8	+124.9%
Minorities	(9.5)	(11.2)	+17.5%
Hera Profit	67.3	161.8	+140.0%

* Revenues include sales, change in stock and other revenues

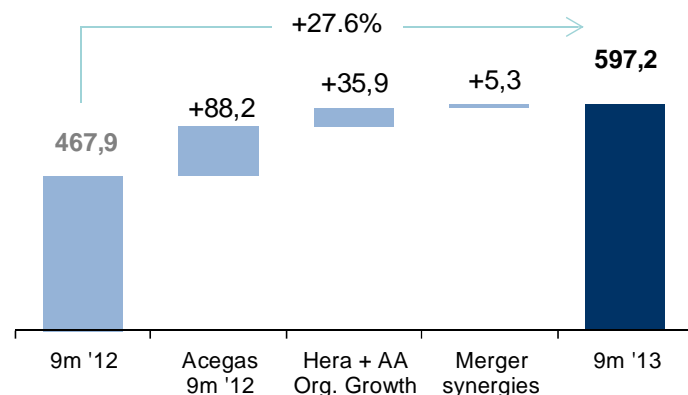
Reduced Gas wholesale

Booked difference between Acegas Aps net equity value and price paid (IAS principles) of about 74.8m€.

Ebitda growth both in Hera and Acegas Aps

Ebitda growth

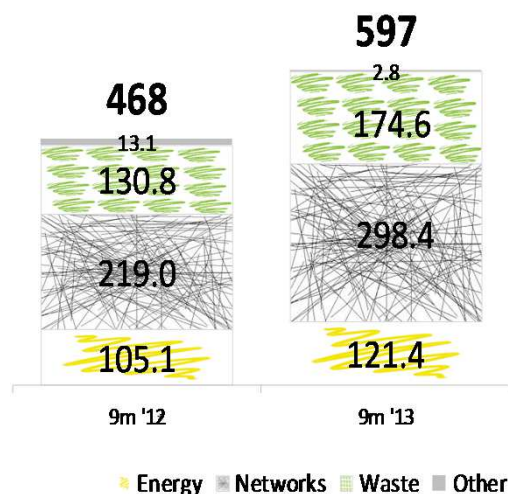
(m€)



- **All activities, both liberalised and regulated,** performed positive Ebitda growth.
- **Acegas Aps Ebitda increased** in all core activities supported by **synergy** exploitation from the merger.
- **Market expansion progressed:** special waste volumes from third parties increased by +290k tons and electricity customers further developed by 48k clients since the beginning of the year (Hera stand alone).

Ebitda by strategic area

(m€)

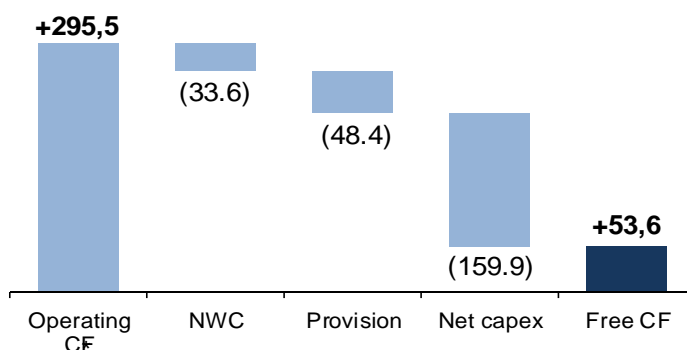


- **Balanced portfolio mix** confirmed (about 58% Ebitda from regulated).
- **Water best performer** among regulated activities benefitting from new regulatory system.

Positive operating cash flows

Hera stand alone 9m '13 fcf

(m€)



* Net profit+depreciations and provisioning+adjust. for non cash items (such as "Extraordinary income" and IAS fig. interests)

Net Capex

(m€)

M €	9m '12	9m '13
Waste	31.6	32.7
Water	60.5	68.1
Gas	27.2	33.6
Electricity	13.1	14.2
Other	8.6	13.7
Holding	42.9	31.9
Investments	0.0	0.4
Capex	183.8	194.6

Hera (stand alone) **9m free cash generation** reached +54m€. Debt affected mainly by 487.8m€ Acegas debt and 130.5m€ dividend payments (reaching 2.78 b€ as of 30/09/'13 vs 2.22b€ as of 31/12/'12).

In Q3 '13 financial debt almost stable (2.78 b€ vs 2.75 b€ of H1 '13).

New bonds issued (500m€ "plain vanilla") and **EIB long term loan** (200m€) underpin debt restructuring post merger. Debt average duration of 8 years.

Committed credit lines available at 540m€.

Net capex of Hera and Acegas Aps of 194.6m€ (31.1m€ Acegas Aps capex).

Waste: recovery in Special waste volumes speeds up

Ebitda growth

(m€)

M €	9M '12	9M '13	Ch. %
Revenues	531.7	633.8	+19.2%
Ebitda	130.8	174.6	+33.5%

Consolidated data

Data	9M '12	9M '13	Ch.%
Urban W. Volumes (Kton)	1,306.1	1,502.0	+15.0%
Special W. Volumes (Kton)	1,086.6	1,377.1	+26.7%
Waste from third parties	2,392.7	2,879.1	+20.3%
<i>of which:</i>			
Landfill treatm.	882.2	907.1	+2.8%
WTE treatm.	697.2	1,048.2	+50.3%
Sorting plants treatm.	233.5	279.2	+19.5%

Group Ebitda records solid growth rates on like for like basis.

Higher special waste volumes +290K tons and **increased renewable electricity** gen. (+240 GWh reaching almost 0.8 TWh generated) fully **compensate lower pricing** (in some high-competitive market segments), **lower CIP6 incentives*** and **negative** impact of an exhausted **landfill** (~4m€ due to “Cagli” in Marche region).

WTE treatment capacity was exploited at full capacity (+50% WTE treatment increase also due to Acegas) and sorted collection increased to ~53% (from 50% 9m '12). **New bio-digesters** capacity fully on stream in first 9 month '13 (2MW installed).

Urban waste increased due to Acegas merger (Hera stand alone volumes enhanced by +6%).

Energonut produced 74 GWh and was merged into Herambiente (effective starting from 1 July '13)

*Change in incentives CIP6 (Nov. 2012; June 2013)

Water: tariff framework underpinned results

Financial highlights

M €	9M '12	9M '13	Ch. %
Revenues	457.3	543.8	+18.9%
Ebitda	118.7	170.6	+43.7%

Group Ebitda increase underpinned by new tariff framework and M&A.

Volumes (-4% on like for like basis) and **new connections** still affected by negative macro scenario and drought weather conditions.

Consolidated data

Data	9M '12	9M '13	Ch. %
Aqueduct (mm³)	195.7	226.8	+15.9%
Sewerage (mm ³)	169.7	190.5	+12.3%
Purification (mm ³)	168.3	188.3	+11.9%

New transitory tariff system (2012-2013) underpin growth along with cost efficiencies providing an Ebitda growth of about 20.5m€ (on a like for like basis). Awaiting Authority tariffs for next years.

Full cost structure under tight control also thanks to the new divisional organisation.

Gas: good performance in spite of lower whole sale

Financial highlights

M €	9M '12	9M '13	Ch. %
Revenues	1,254.2	1,194.4	(4.8%)
Ebitda	159.3	186.3	+17.0%

Revenues reflect reduced trading volumes due to fall in demand of CCGT plants.

Volumes sold to final clients remained almost stable (outperforming national demand negative trends) underpinned by favourable winter season at the beginning of the year.

Consolidated data

Data	9M '12	9M '13	Ch. %
Volumes distrib. (mm ³)	1,569.6	1,951.5	+24.3%
Volumes sold (mm ³)	2,551.8	2,256.7	(11.6%)
of which trading (mm ³)	1,141.8	695.6	(39.1%)
District Heating (GWht)	357.3	360.0	+0.8%

Ebitda increase mainly driven by Gas supply (mainly achieved in Q1) and District Heating (+2m€). Distribution activities slightly suffered due to lower works for third parties and new connections.

Electricity: market expansion continues

Financial highlights

M €	9M '12	9M '13	Ch. %
Revenues	1,282.3	1,151.6	(10.2%)
Ebitda	46.0	62.8	+36.5%

Revenues affected by lower sales as a consequence of the negative macro scenario (-3.8% domestic demand) and Hera selective commercial policy.

Customer base further increased by +48k to **about 700k** clients considering Acegas contribution (~125K).

Consolidated data

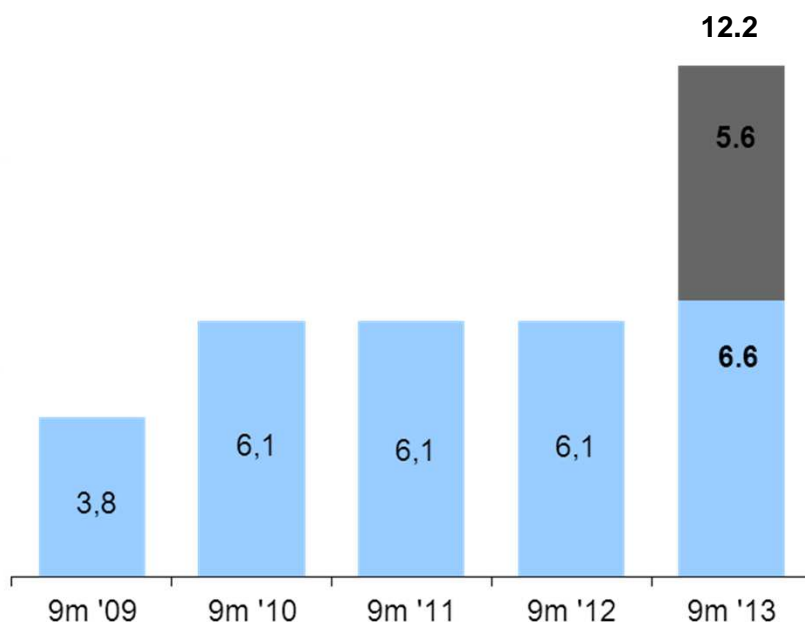
Data	9M '12	9M '13	Ch. %
Volumes sold (GWh)	7,301.1	7,136.5	(2.3%)
Volumes distrib. (GWh)	1,672.5	2,207.1	+32.0%

EBITDA reflects good performance of commercial activities more and more focused on residential customers

Power generation margins still under pressure (low impact due to Hera short upstream position).

9m EPS* track record

(€ cents)



■ ADJ EPS*

In a difficult scenario, **proactive marketing approach, cost cutting and M&A contributed** to enhance value creation (EPS positive growth).

Acegas Aps aggregation activities progress on track yielding good results in terms of **synergy** exploitation (confirmed target of +7m€ synergies to year end). Acegas Aps investments subject to further rationalisation.

Negotiation in progress with AMGA Udine to pursue an integration. Letter of understanding valid to year end.

Share capital increase is in progress (~80 million shares equal to ~5.6% of total shares post merger) and will be executed by mid in December.

*9m 2013 ADJ EPS calculated on Net Profit adjusted by 74.8m€ extraordinary income

Q&A session



Proforma Profit and Loss accounts



Proforma P&L 9m 2012 and 2013

(m€)

	9M '12	9M '13	Ch.%
Revenues*	3,885.7	3,548.6	(8.7%)
Ebitda	556.1	597.2	+7.4%
D&A	(216.6)	(229.0)	+5.7%
Provision	(62.0)	(73.5)	+18.6%
D&A + Prov.	(278.6)	(302.6)	+8.6%
Ebit	277.5	294.6	+6.2%
Financial inc/(exp)	(108.0)	(112.2)	+3.9%
Other non oper. exp.	0.0	74.8	
Pre tax Profit	169.5	257.2	+51.8%
Tax	(78.3)	(84.3)	+7.6%
Net Profit	91.1	172.9	+89.7%
Minorities	(9.5)	(11.2)	+18.0%
Profit to shareh.	81.6	161.7	+98.1%

* Revenues include sales, change in stock and other revenues