

Hera Group business plan to 2016

Introduction

Who and where we are	page	I
Hera Group business portfolio	page	II
10 years track record	page	III
Recent news flow	page	IV
Acegas APS merger: industrial rational	page	V
Fondo Strategico Italiano	page	IX
Energonut	page	X

Business plan to 2016

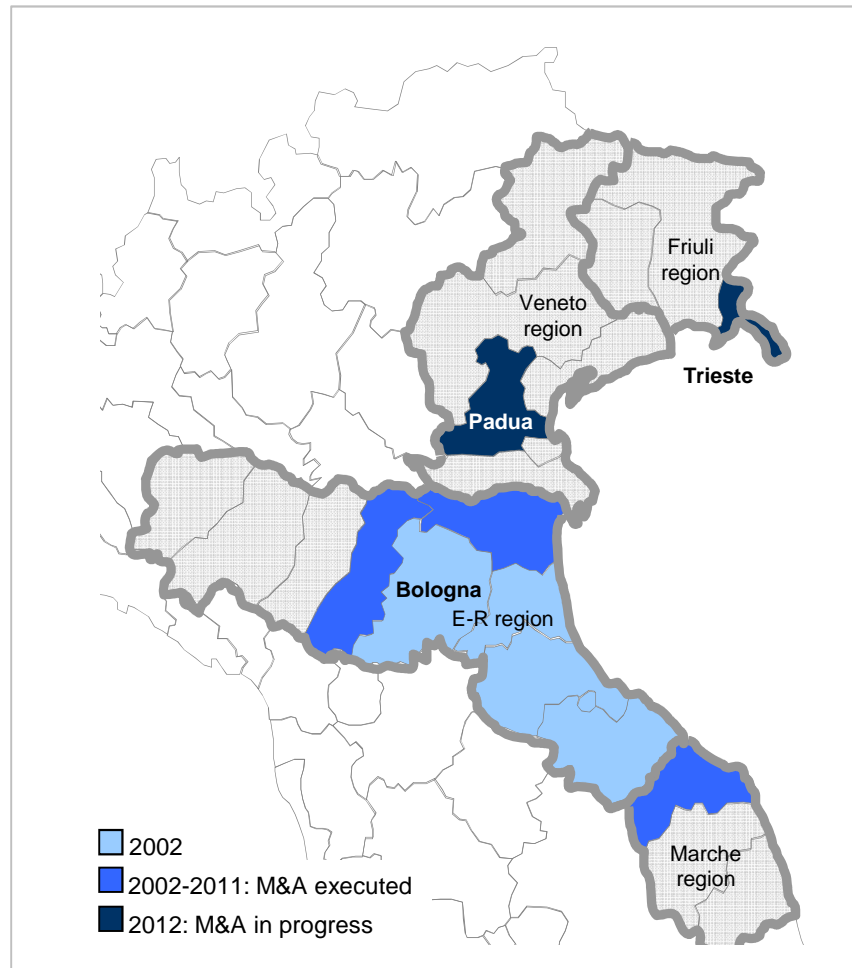
Strategy	page	1
Industrial targets	page	2
Ebitda drivers	page	3
Ebitda breakdown	page	4
Key challenges and opportunities	page	5
Waste	page	6
Network	page	7
Energy	page	8
M&A strategy	page	9
Capex plan	page	10
Financial structure	page	11
Closing remarks	page	12

Annex

Scenario	page	13
Ebit breakdown	page	14
Share capital & Governance	page	15
Financial strategy	page	16
Acegas APS	page	17
AIMG	page	19
Sustainability KPI	page	20
WASTE details	page	21
NETWORK details	page	23
ENERGY details	page	26
Business plan by Business	page	28

Introduction to Hera

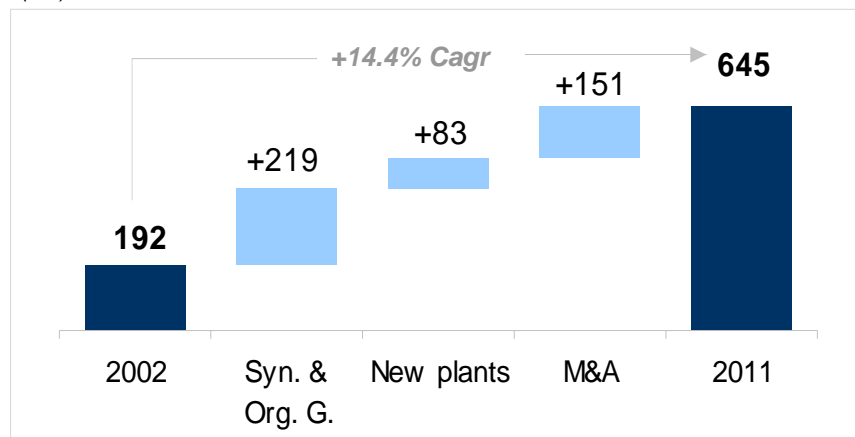
Hera reference territory



- **In 2002: consolidation of 11 companies in E-R.**
- **Up to 2011: expanded by merging other companies in E-R and in the Northern part of Marche region.**
- **In 2012: in progress to expand (Aimag in Modena Province and Acegas Aps in Padua and Trieste province).**


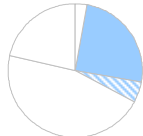
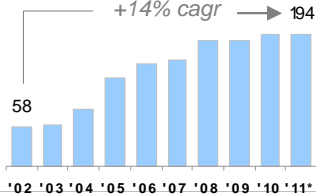

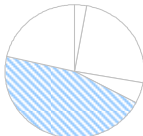
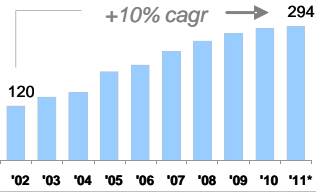

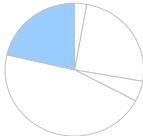
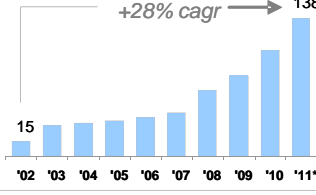
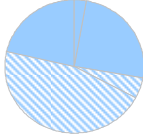
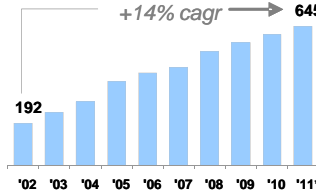
Ebitda Growth Drivers

(m€)



Expanding at covering 4 of the wealthiest regions of Italy

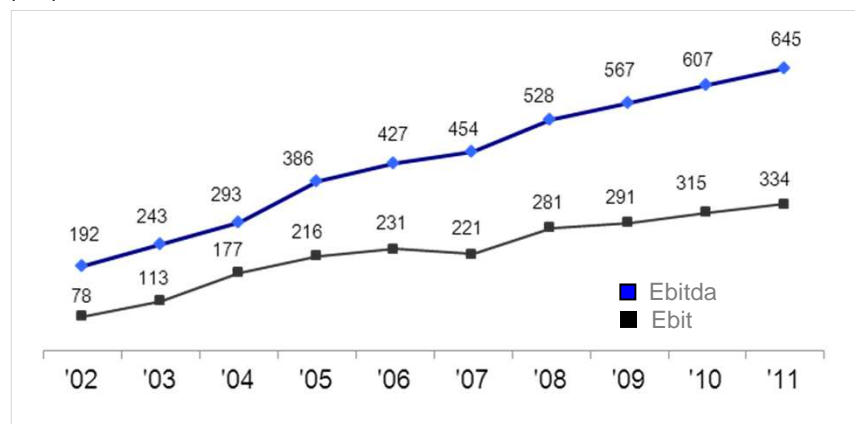
Well balanced portfolio

	Market positions	2011 Group Ebitda: 645m€	Constant Ebitda growth 2002-2011
 WASTE	Italian leader	 <p>30%</p> <p>■ 80% regulated (W. treatment) ■ 20% regulated (W. collection)</p>	 <p>+14% cagr → 194</p> <p>58</p> <p>'02 '03 '04 '05 '06 '07 '08 '09 '10 '11*</p>
 NETWORK	2nd Water player in Italy 3rd Gas distributor in Italy	 <p>46%</p> <p>■ 100% regulated</p>	 <p>+10% cagr → 294</p> <p>120</p> <p>'02 '03 '04 '05 '06 '07 '08 '09 '10 '11*</p>
 ENERGY	4th gas supplier in Italy Top 8 Elec. supplier	 <p>21%</p> <p>■ 100% liberalised</p>	 <p>+28% cagr → 138</p> <p>15</p> <p>'02 '03 '04 '05 '06 '07 '08 '09 '10 '11*</p>
GROUP	Top multi- utility player 6,500 employees	 <p>100%</p> <p>■ 48% liberalised ■ 52% regulated</p>	 <p>+14% cagr → 645</p> <p>192</p> <p>'02 '03 '04 '05 '06 '07 '08 '09 '10 '11*</p>

Fast and resilient growth despite difficult macro scenario

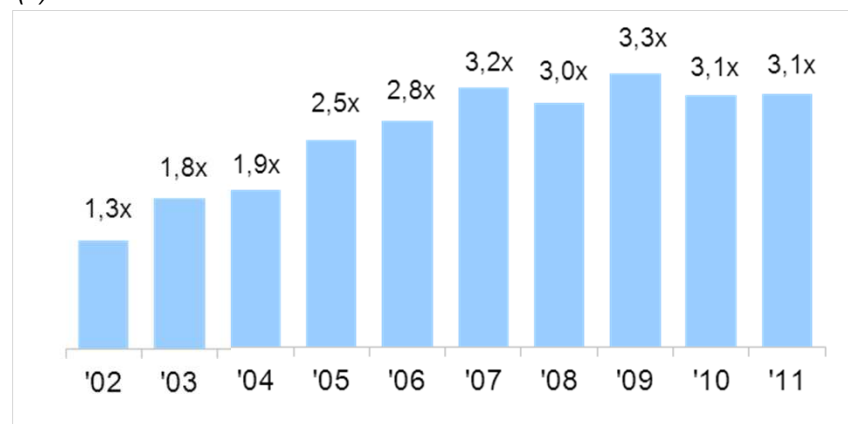
Ever growing operating results

(m€)



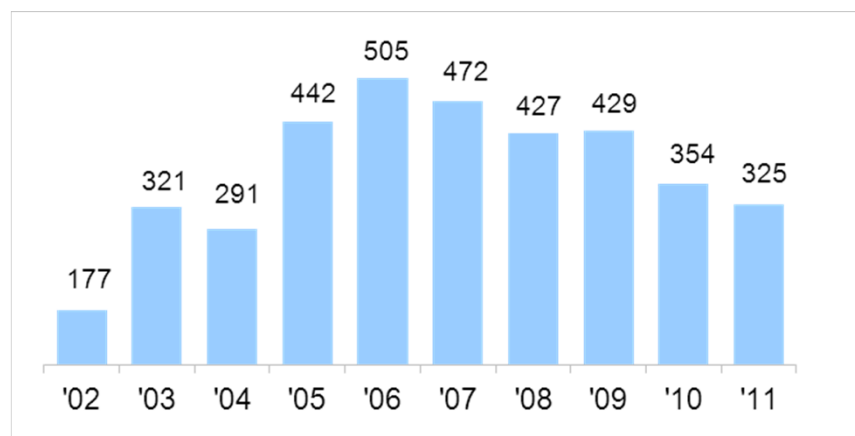
Maintaining sustainable Debt/Ebitda

(x)



Overcoming peak in capex*

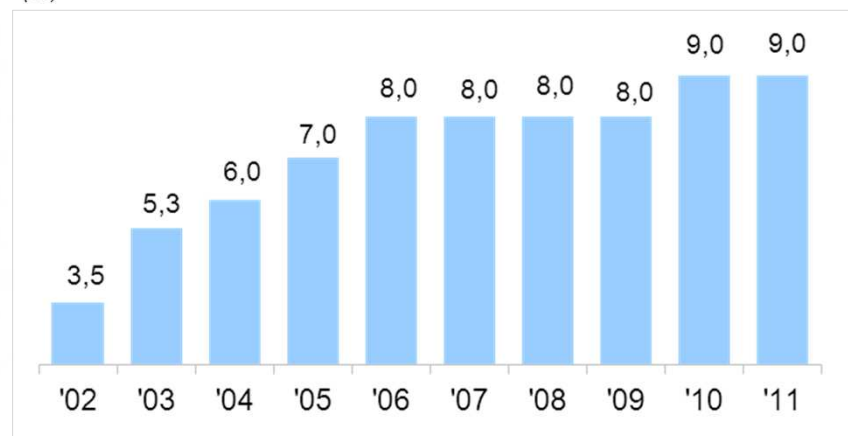
(m€)



*Gross capex

Progressing dividend per share

(€c)

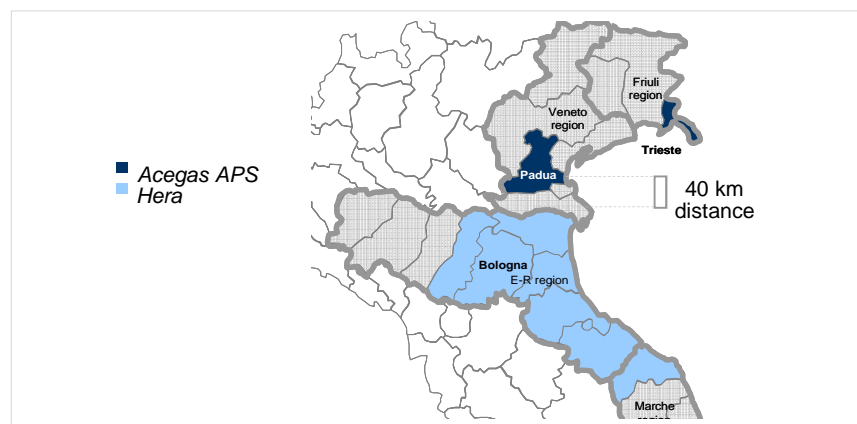


Recent news flow

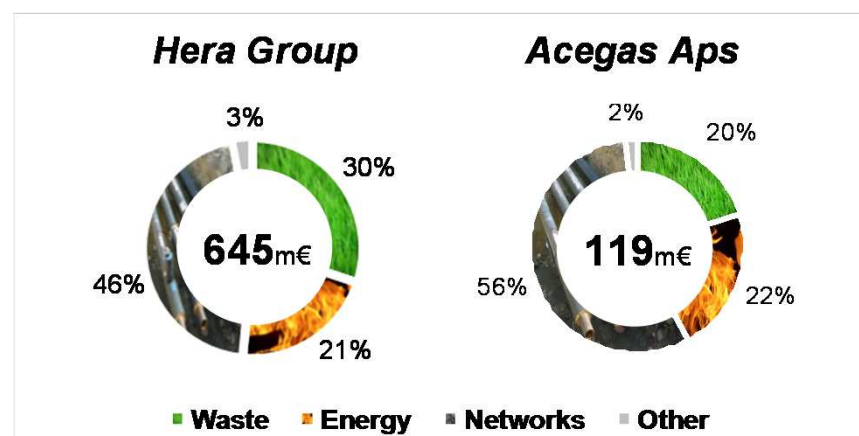


Merger with Acegas Aps

Just across the regional borders



Perfect match of business mix ('11 Ebitda)



- Nearby territories. Padua is located 40 km from Emilia-Romagna
- Acegas Aps regional territories have similar industrial development as Emilia-Romagna
- Similar background and shareholding printing.
- Same business portfolio
- Balance between regulated and liberalised activities
- Strong positioning in all services Waste, Energy and Water

Enlarged platform to tackle with business opportunities

Strengthening market positions

2011 Key industrial data

Sector	AcegasAps	GRUPPO HERA	Ranking combined
Waste Volumes treatm. from 3° parties (Ton)	331k 9%	3,382k 91%	3,713k 1st
Water clients (#)	253k 18%	1,184k 82%	1,437k 2nd
Gas clients (#)	260k* 19%	1,114k 81%	1,374k 3rd
Electric clients (#)	142k 23%	482k 77%	624k 7th
Gas RAB (€m)	~200 19%	~850 81%	~1,050

* EstEnergy (51% AcegasAps, 49% Ascopiave)

2011 Financial Highlights

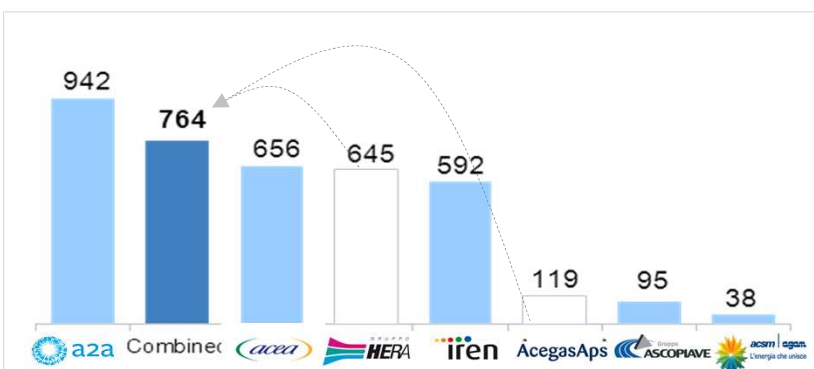
(m€)

2011	Hera	Acegas	Combined
Revenues	4,106	585	4,691
Ebitda	645	119	764
Ebit	334	53	387
Net profit	105	18	123
Net financial debt	1,987	447	2,434
NFP/Ebitda	3.1x	3.8x	3.2x
Market cap. [^]	1,486	311	1,797

[^] As at 19th October 2012 in million Euro

2011 Ebitda ranking

(m€)



Focusing on extracting synergies from merger

Synergies to 2016*

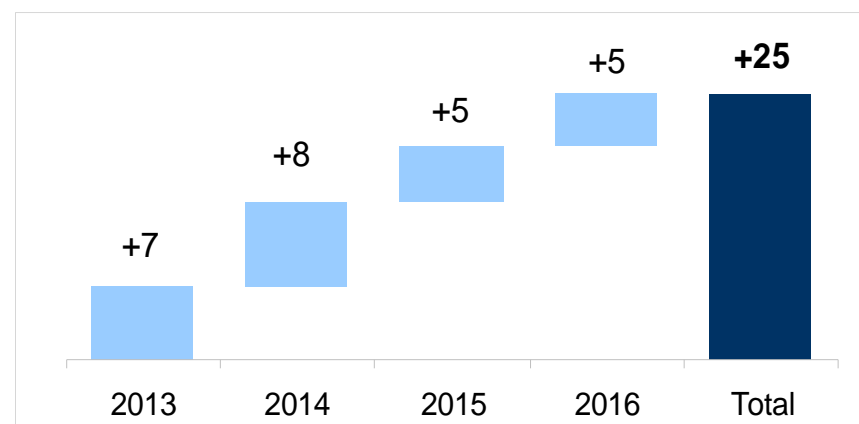
(m€)

Procurement optimization (material and services)	9-10
Network management	2
Waste operations	4-5
Commercial and trading activities	4-5
Shared services and G&A	4-5
Total increase of Ebitda	~25

*on top of efficiency plan set by Acegas APS business plan

Synergies timing

(m€)



LEVERS

Procurement optimisation 40%

- Volume concentration
- Price benchmarking
- Supplier base alignment and e-procurement

Network management 6%

- WFM on water network operations
- Remote control concentration
- Alignment on maintenance policies
- In-sourcing

Waste operations 18%

- Best practices on service management
- O&M policies alignment (demand mgmt)
- In-sourcing

Commercial and energy trading 18%

- Volume concentration and sourcing mgmt
- Costing alignment (mainly back office)
- Commercial development

Shared services and G&A 18%

- Billing
- Fleet mgmt
- IT services
- G&A rationalisation

Plus enhancement on capex spending

Acegas APS next steps following EGM approval (15th Oct.)

Jul.	Aug.	Sept.	Oct.
AcegasAps EGM approval 15/10/2012	14.9.12 New Hera shares	18.9.12 New Hera shares	18.9.12 New Hera shares



1 Merger into HERA of AcegasAps Holding

Swap ratio: 0.763x
New issued Hera shares: 143.38m
Cash proceeds: 3.4m€

62.7% ↓ 34,466,941
(AcegasAps shares)

AcegasAps
HOLDING

Share capital: 188m€
NFP 06/30/'12: 6m€

2 Public offer to minority AcegasAps shareholders

Swap ratio: 4.16x
New issued Hera shares: 84.83m
Cash proceeds: 5.6m€

37.2% ↓ 20,393,006
(AcegasAps shares)

**Other
shareholders**



+228.21m new Hera shares
+9.0m€ cash proceeds

100.0% ↓ 54,859,947
(AcegasAps shares)

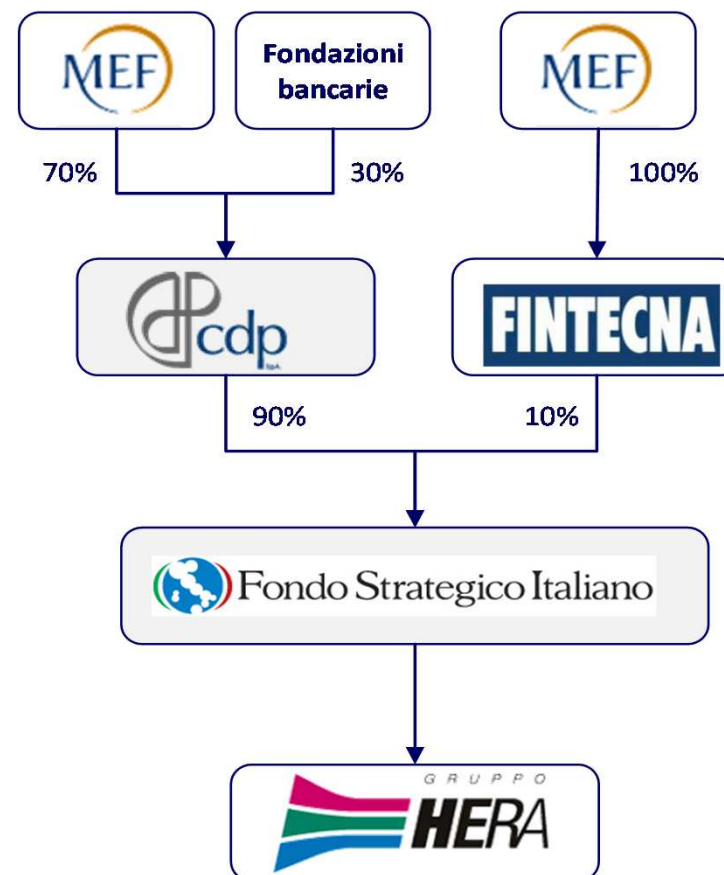
AcegasAps

Own Shares : 118,883

FSI agreement to become Hera shareholder

Jul. 2011	Aug. 2011	Sept. 2011	Oct. 2011
Acegas agreement with FSI	NT 5015 Post-merger structure	FSI Post-merger structure	Enlarged to 50% in 2012

- Fondo Strategico Italiano signed an agreement to enter into Hera Share capital
- Strategic rationale: support further cash M&A to strengthen development strategy being long term shareholder
- Terms of the share capital increase:
 - Max 80 million new issued Hera shares (up to 5.6%-6.0% stake of post merger share capital)
 - Up to 100 million € investment from FSI (1.25€ p.s.)
 - Subject to a minimum stake of 2.6% in Hera
 - 1 new Board member appointed by FSI
- FSI partnership enhances post Acegas APS financial structure
- Condition president: Closing Acegas APS merger and clearance from Authorities



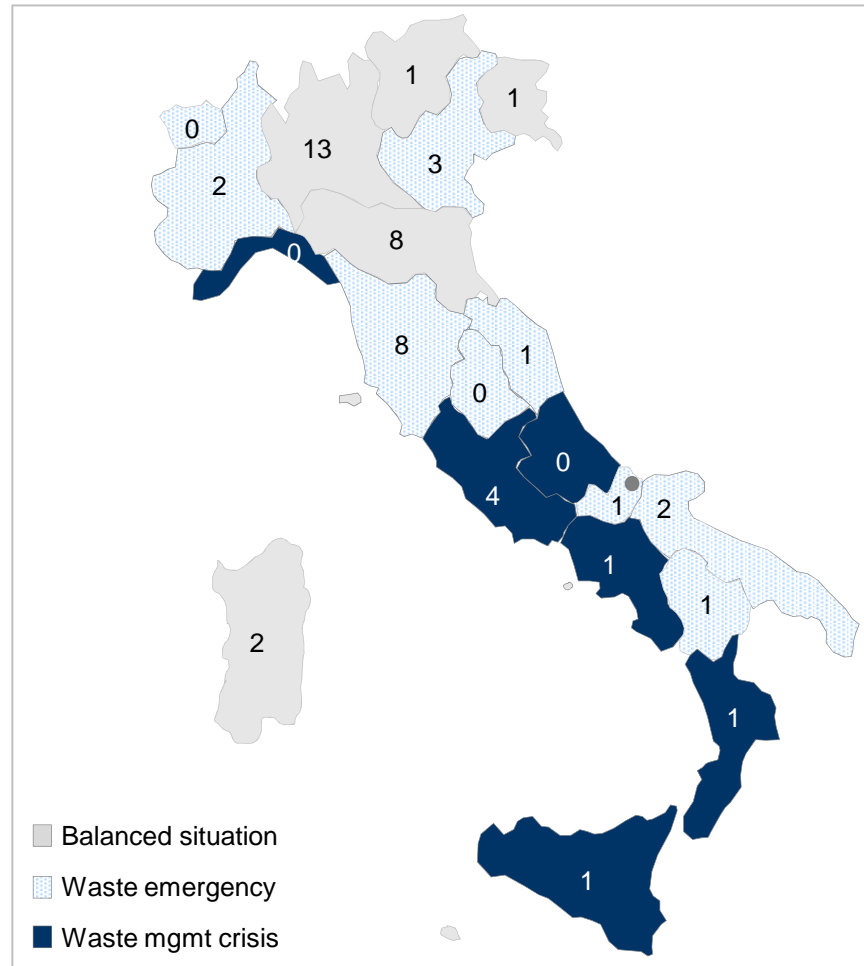
Enhancing Hera financial structure and flexibility with a I/t shareholder

Herambiente signed SPA with Veolia for 100% stake of Energonut

Description

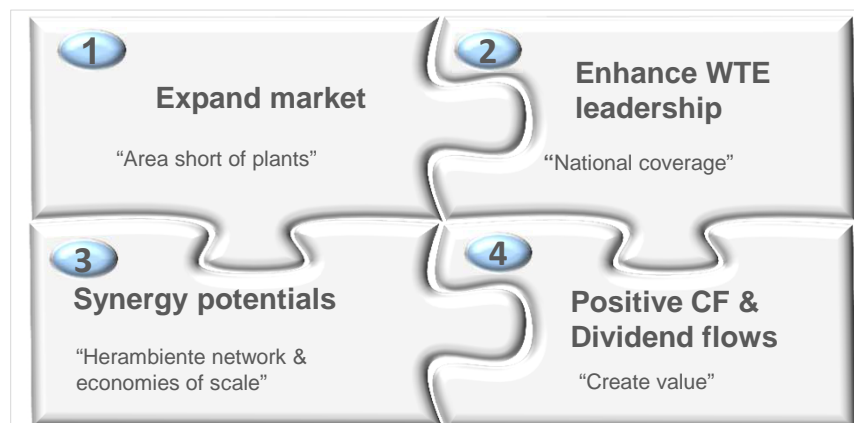
- Energonut, located in Molise region, owns a CIP6 WTE plant for RDF and a solar plant
- Area characterized by plant shortage/high waste production
- Client portfolio encompasses mid-term and established players
- CIP6 will expire mid 2016

WTE in Italy



Opportunity to optimize Hera coverage of national market

Energonut key highlights



Financial Highlights

(m€)

Jul. 2013	Aug. 2013	Sept. 2013	Oct. 2013
Acquisizione Herambiente 100% a 100%	100% Herambiente 100% a 100%	100% Herambiente 100% a 100%	100% Herambiente 100% a 100%

	E2012 normalised
Revenues	26
Ebitda	17
Ebit	12
Net Profit	6
Net invested capital*	49

*as of 31/12/2012

Energonut technical data

WTE plant		Solar plant	
Power gen. capacity:	13.4MW inst	Power gen. capacity	0.5MW
Net electricity produced/Y:	83.4 GWh	Electricity produced/Y	1GWh
Incentive:	Cip6	Incentive escl. PUN (€/MWh)	320
RDF treated/Y:	93.5k ton		
Personnel:	27 people		
Certified:	Emas, ISO1400,18001		

Deal details

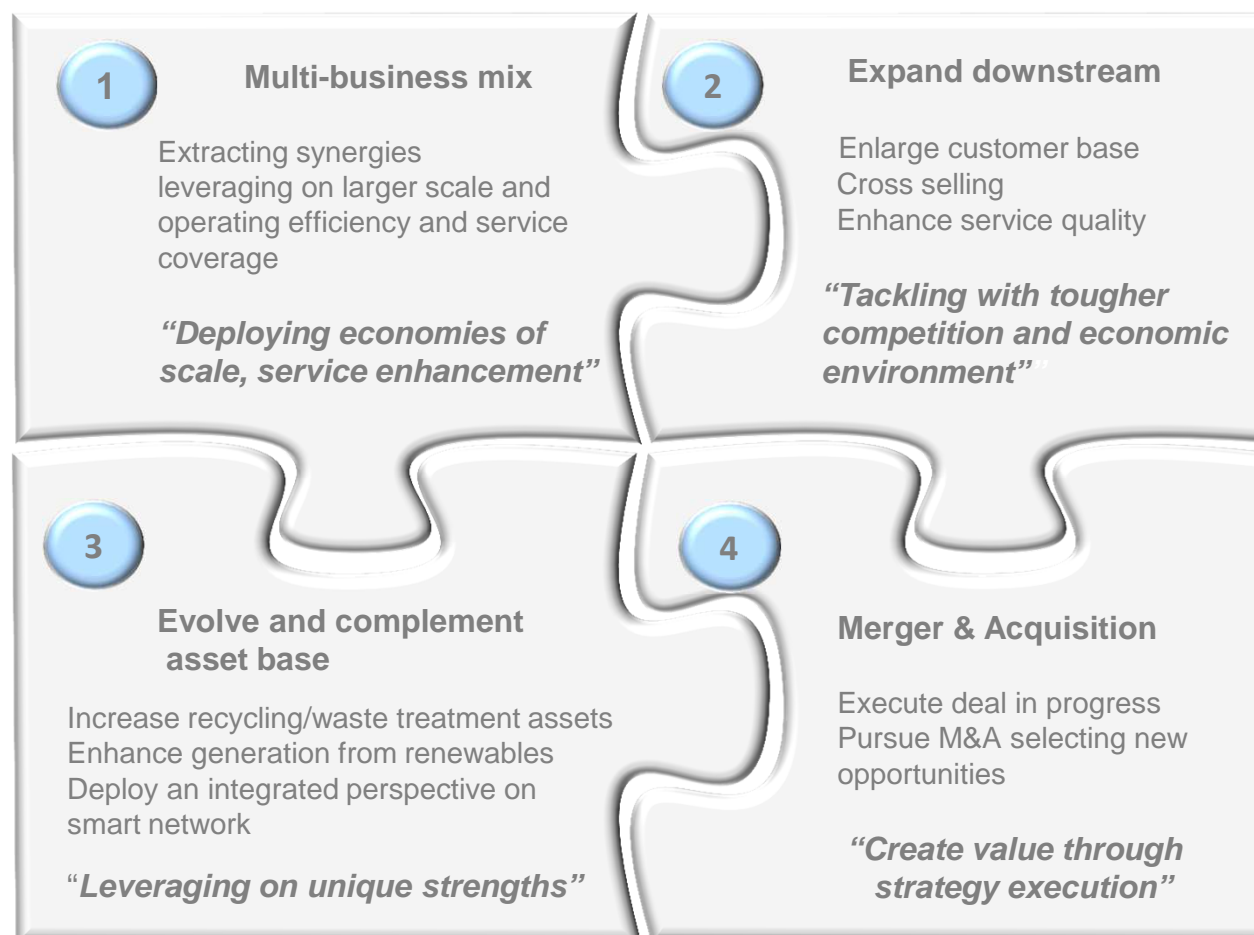
Enterprise value	49 m€
Closing expected within:	2012
Cash acquisition of share capital	100%
Equity IRR	>15%



Leader in Italy with 10 WTE in 4 regions






Business plan 2012-2016

Tight to multi-utility expansion strategy



Creating value and sustainable dividend flows for shareholders

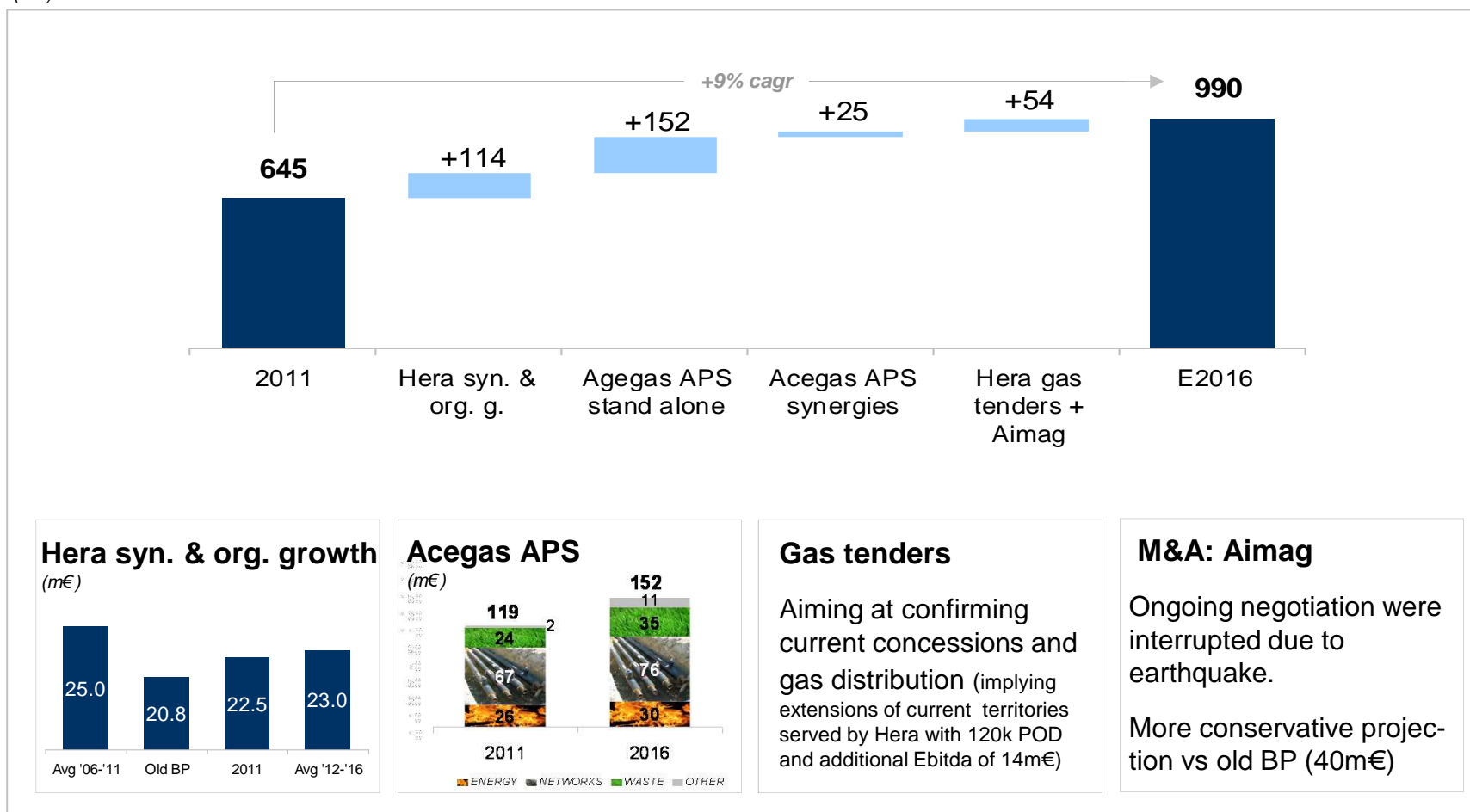
Remarkable step forward in business size

Sector	Key Industrial targets	2011 	2016  AcegasAps
 WASTE	Volume of waste treated from 3° parties (m ton)	3.4	4.8
	Urban waste collected (m ton)	1.8	2.4
	Number of plants	79	>90
	Electricity generated from biomass (GWh)	400	600
 NETWORK	Water volume (m m ³)	254	327
	Gas POD (m unit)	1.2	1.7
	Heat sold (GWht)	499	663
 ENERGY	Gas sold & traded (bcm)	3.3	4.5
	Electricity sold (TWh)	10.0	10.6
	Energy clients (m unit)	1.6	2.5

EBITDA growth leveraging upon “all” drivers

Next 5Y Ebitda Target

(m€)

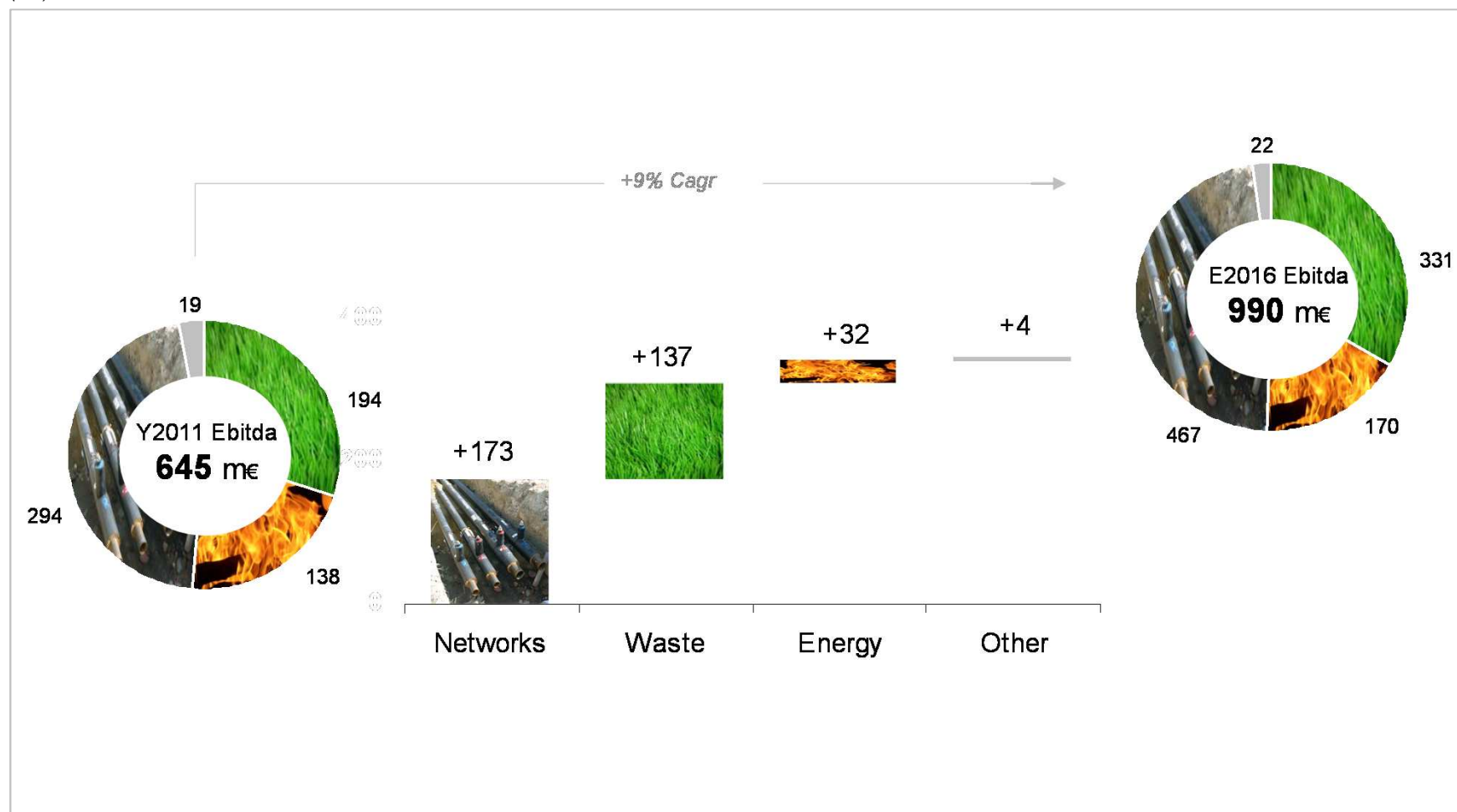


EBIT CAGR expected to grow at +10% on average per annum




Overview on Ebitda growth by strategic areas

Ebitda growth drivers

(m€)

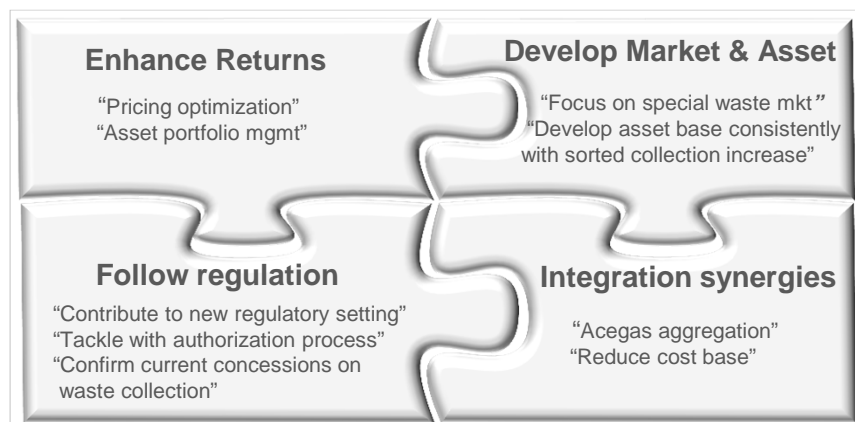


Key challenges and opportunities

	Challenges	Opportunities
 WASTE	<ul style="list-style-type: none">• Changing business model in waste mgmt• Volume development	<ul style="list-style-type: none">• Evolve asset base exploiting recovery/recycling• Enhance market coverage (by territory, by technology)
 NETWORK	<ul style="list-style-type: none">• Gas tenders• New regulatory framework in water	<ul style="list-style-type: none">• Consolidate “in current territory”• Capitalise on capex performed and efficiency achieved
 ENERGY	<ul style="list-style-type: none">• Volume development• Gas tariff reform	<ul style="list-style-type: none">• Exploit peculiarity of reference territory• Steer “soft landing” through optimisation of costs and active customer portfolio mgmt.

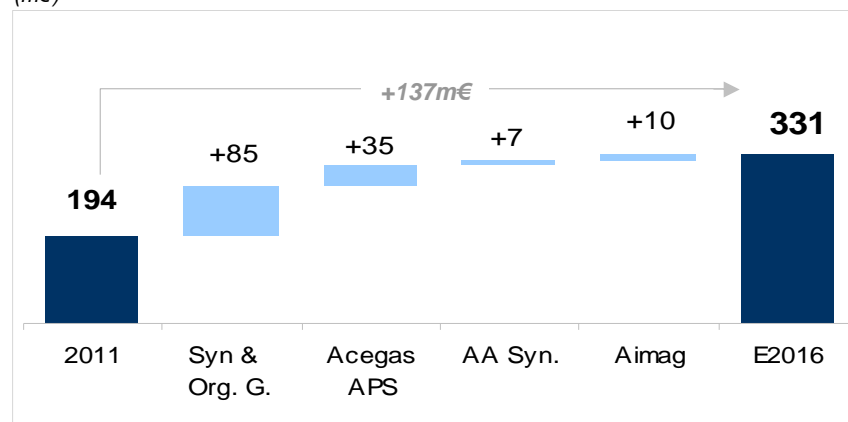
WASTE: Maximize value extraction

Strategy

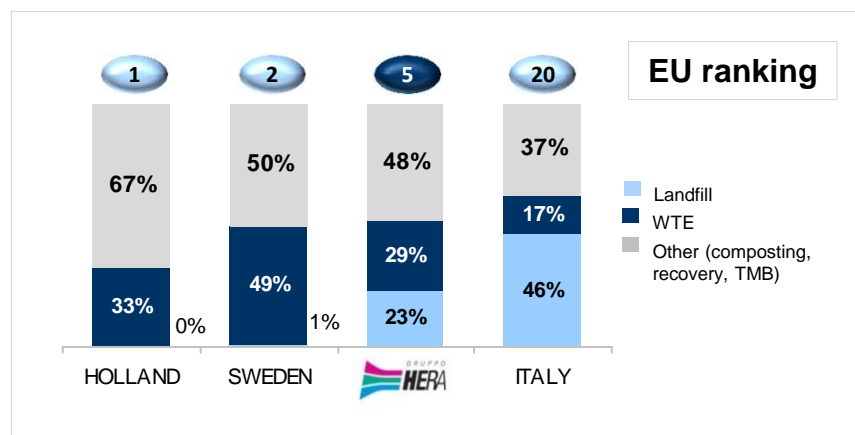


Ebitda breakdown

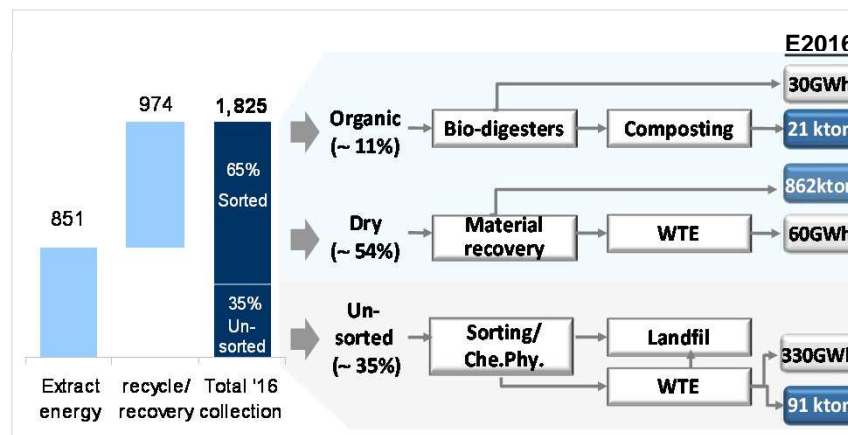
(m€)



Hera waste management benchmarking



Extract value from 100% urban waste*

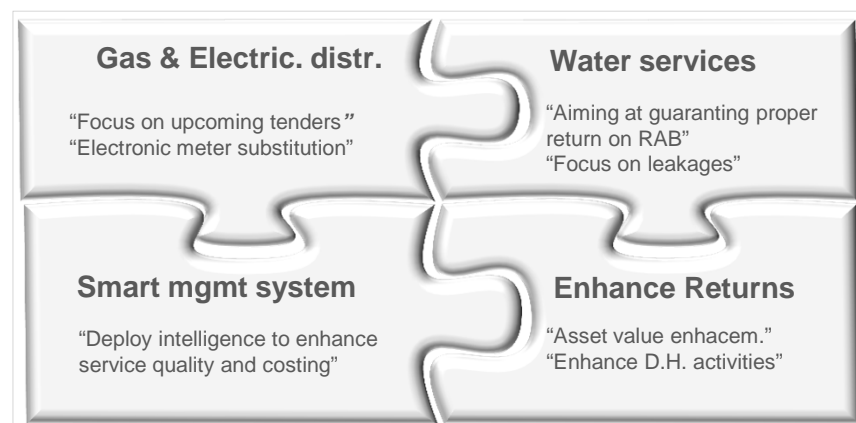


* Hera stand alone

Leveraging upon plant capacity in market shortage

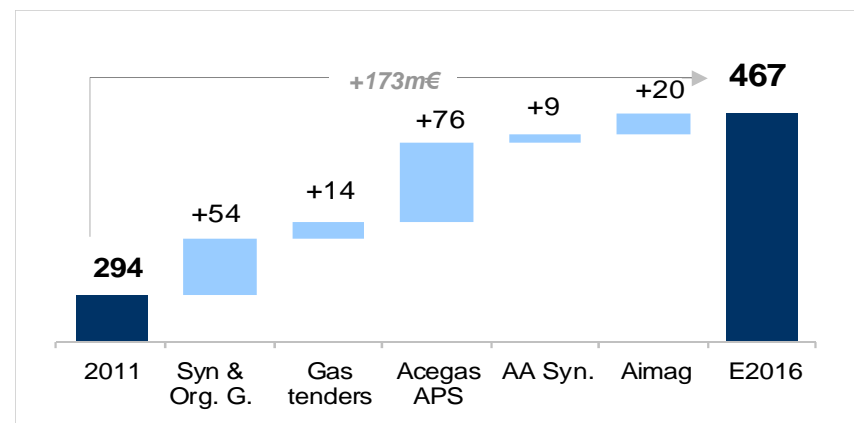
NETWORKS: Confirm concessions and extract value from assets

Strategy

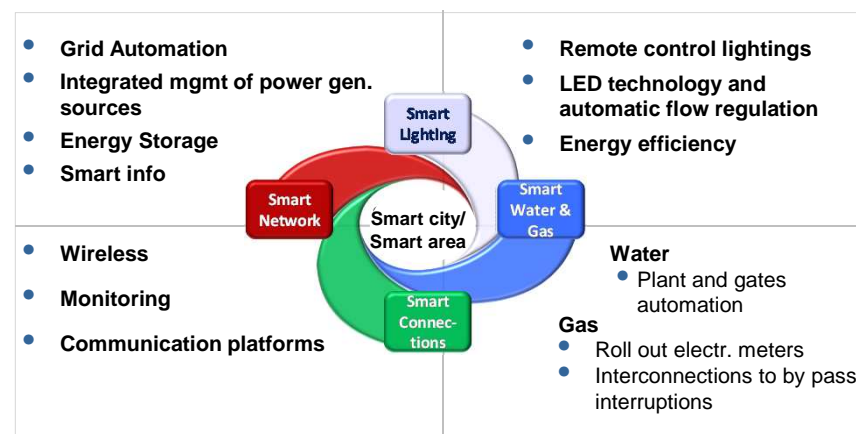


Ebitda breakdown

(m€)



"Smart" network management



Key targets on efficiency

	2011	E2016	
Water net leakages	27%	25%	↑
Electr. Net/employee (km)	5.3	7	↑
Gas & water net/employee (km)	33.4	47	↑
Electr. POD/employee (unit)	138	195	↑
Water & Gas POD/employee ('000 km)	1.27	1.8	↑

Tackling with Authority's higher efficiency requirements safeguarding returns

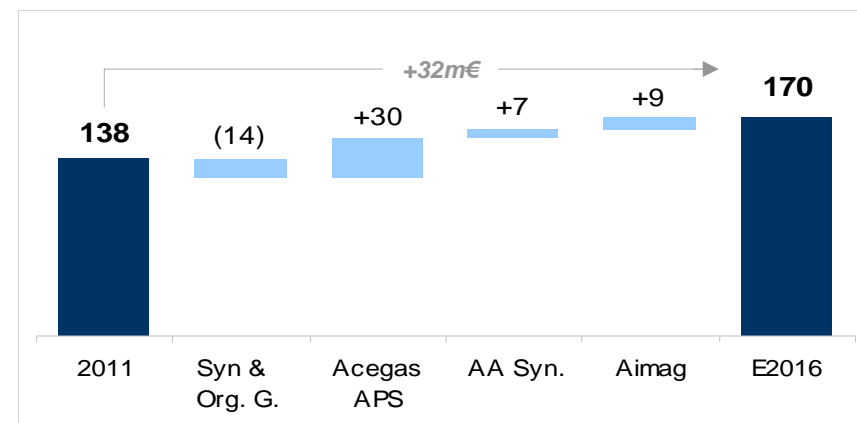
ENERGY: Progress on down stream development

Strategy

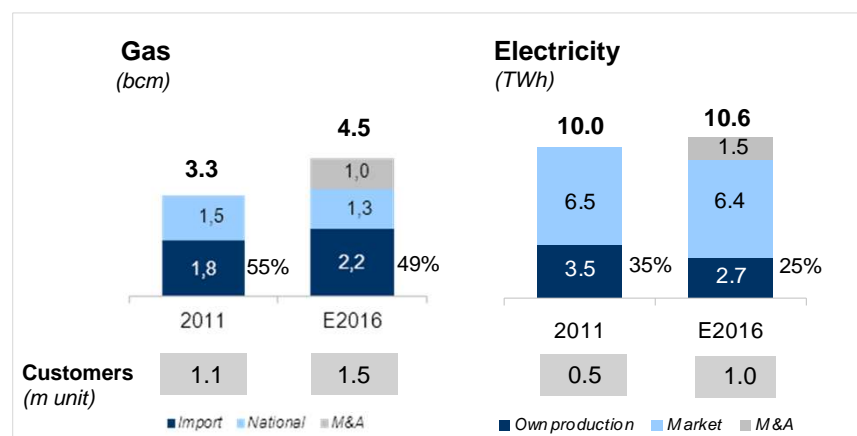


Ebitda breakdown

(m€)



Gas and Electricity volumes



Key targets on efficiency

	2011	E2016	
Avg. contracts per client	2.07	2.2	↑
Multi-service invoice (m CA)	0.77	1.1	↑
Automatic payments (mln contract)	1.9	2.3	↑
On-line customers ('000)	129	279	↑
Cost to serve (€/POD)	20	19	↓
On-line billing (k CA)	53	187	↑

Enhance marketing intelligence to tackle with changing scenario

M&A strategy focused on “traditional core dimensions”

M&A scope and guidelines

Multi-utility

Similar portfolio mix

In surroundings territories

Reasonably sound financials

Not dilutive

Pursuing controlling stake

Energy & Waste

National scope

Sound financials

Primarily through cash

Rational

- Increase economies of scale
- Consolidate territorial presence
- Exploit value from Hera business model

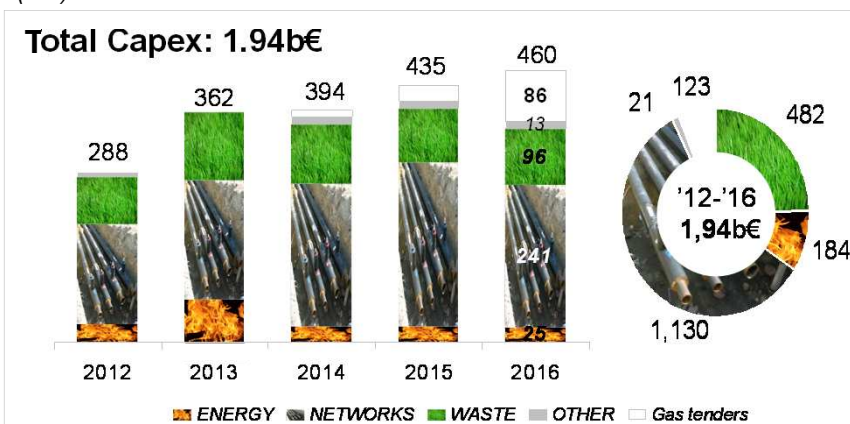
- Strengthen competitive positioning
- Leverage on leadership
- Exploit expertise

2013 focused on full integration of Acegas APS

Capital expenditures

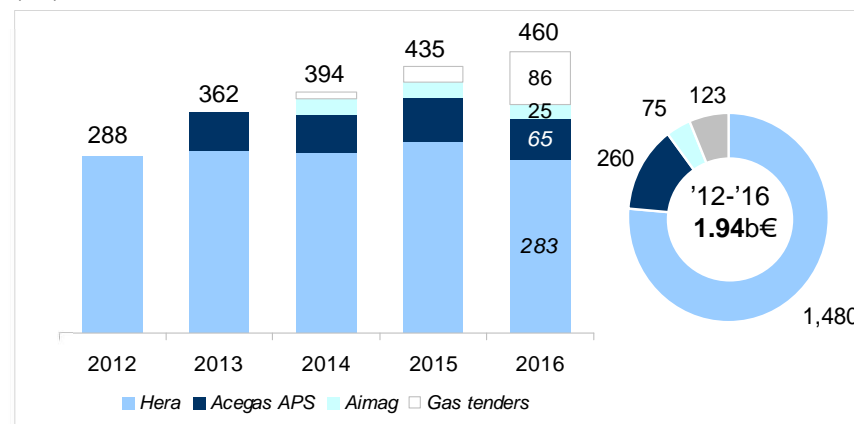
2012-2016 capex plan by business

(m€)



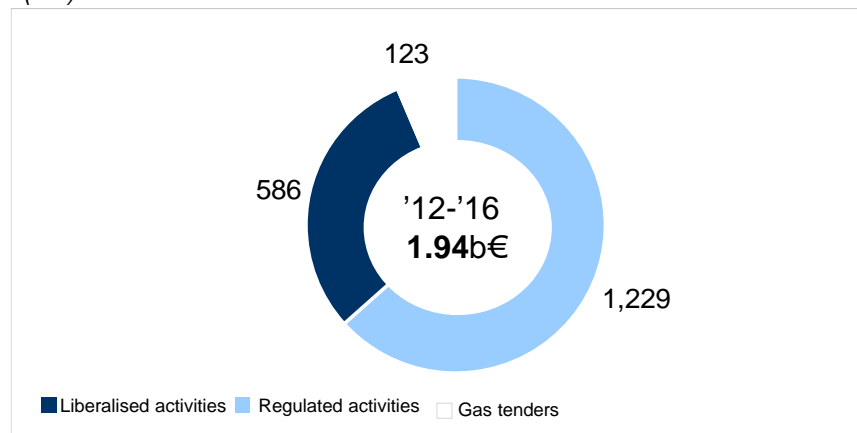
Capex plan by legal entity

(m€)



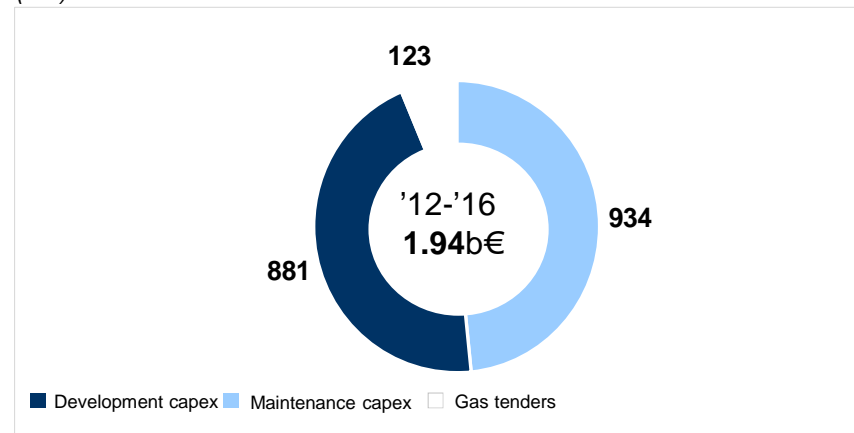
Capex by regulated/liberalised activities

(m€)



Development capex plan

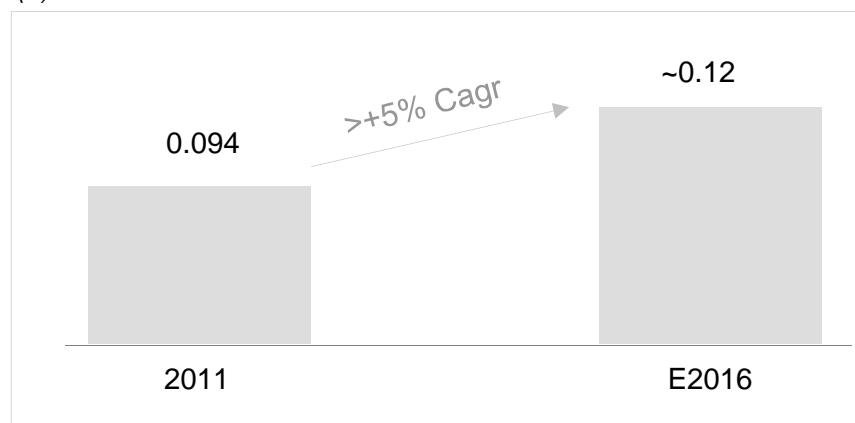
(m€)



Enhance financial performance

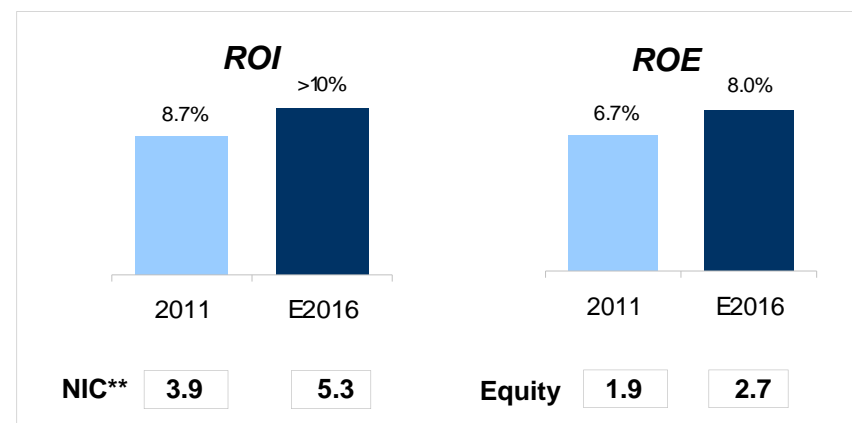
EPS Cagr

(€)



Returns

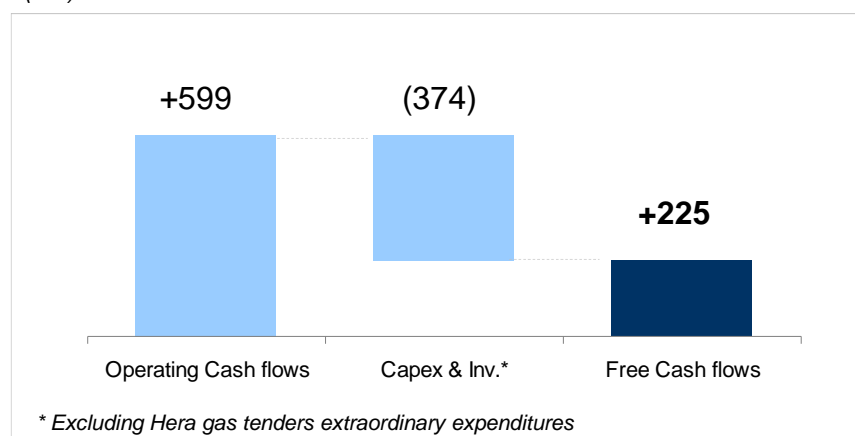
(%, b€)



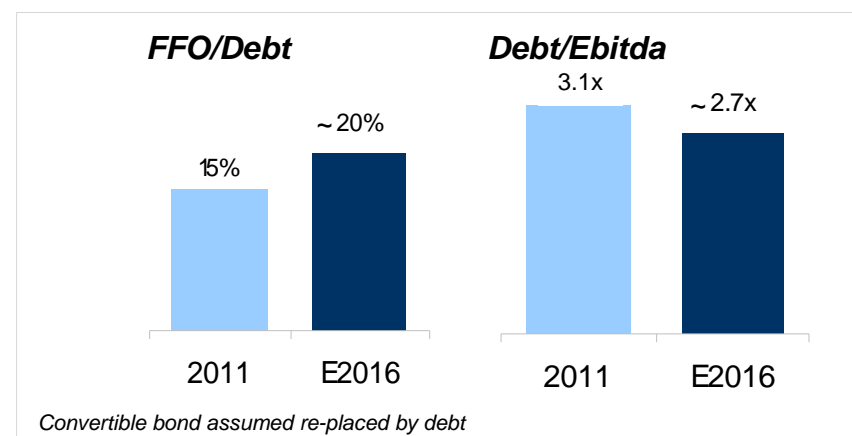
**NIC: Net Invested Capital

E2016 Cash flows

(m€)



Financial ratios



Leveraging upon well known levers to create value

990m€ Ebitda in 2016

M&A: synergy exploitation and business portfolio rationalization
organic growth perspectives with Energonut

Identify further opportunities matching Hera policies

Focusing on **EPS** (>5% cagr) and **Free Cash Flows** (>200m€)

Sound debt structure (2.7x Debt/Ebitda)

DPS policy: guaranteeing a floor at 9c€ per year
Maintaining a balance in cash flows

Capitalizing a reliable & sound equity story

ANNEX: Business plan 2012-2016

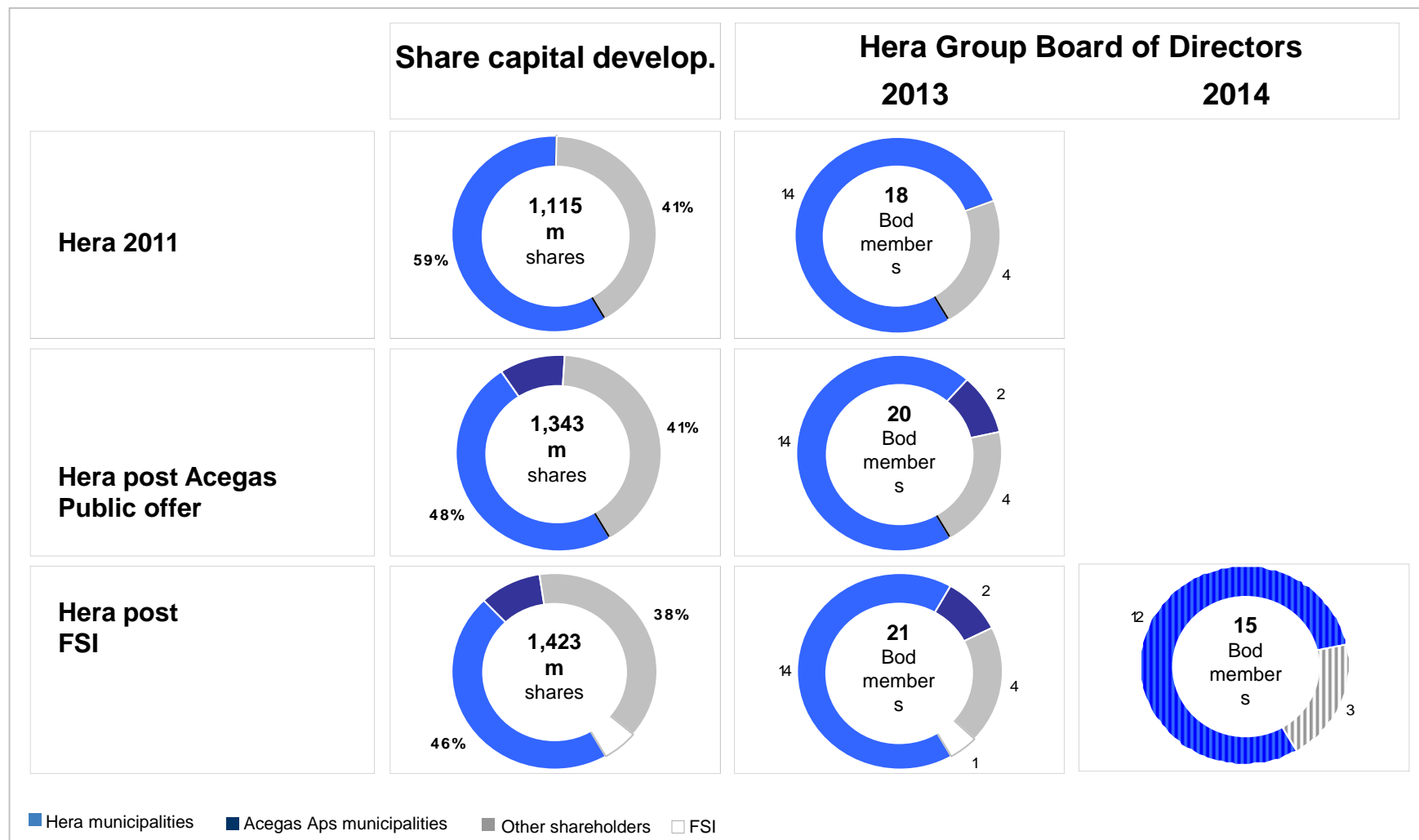
Further Group details

Assumptions

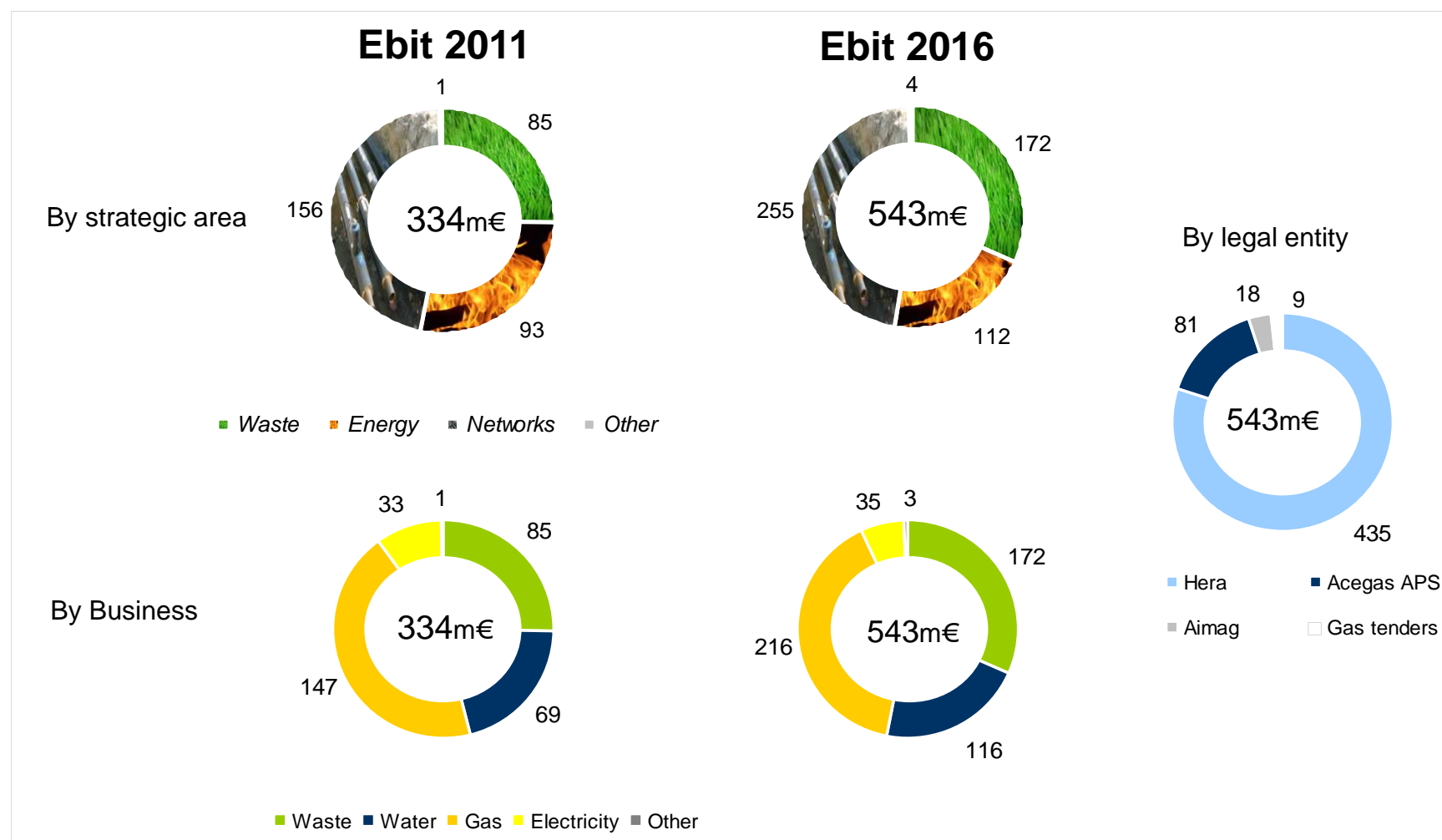
	2011	E2014	E2016
Brent <i>(Dollar/Barrel)</i>	111	106	105
Exchange ratio \$/€	1.39	1.35	1.35
PUN: Avg Northern Italy elect. price <i>(€/MWh)</i>	70	75	80
Inflation (%)	2%	2%	2%
Italian GDP trend (%)	+0.7%	+1.4%	+1.4%
Green certificate <i>(€/MWh)</i>	83	78	73
CEC (Cip6 avoid cost) <i>(€/MWh)</i>	118	127	126
White certificates <i>(€/TEP)</i>	94	80	81
CO₂ certificates <i>(€/ton)</i>	17	12	16
WATER services revenues* <i>(Cagr '11-'16)</i>			+2.5%
GAS distribution revenues* <i>(Cagr '11-'16)</i>			+1.8%
ELECTRICITY distribution revenues* <i>(Cagr '11-'16)</i>			+1.1%
WASTE Collection revenues* <i>(Cagr '11-'16)</i>			+4.3%

*Data refers to Hera stand alone

Change in Governance

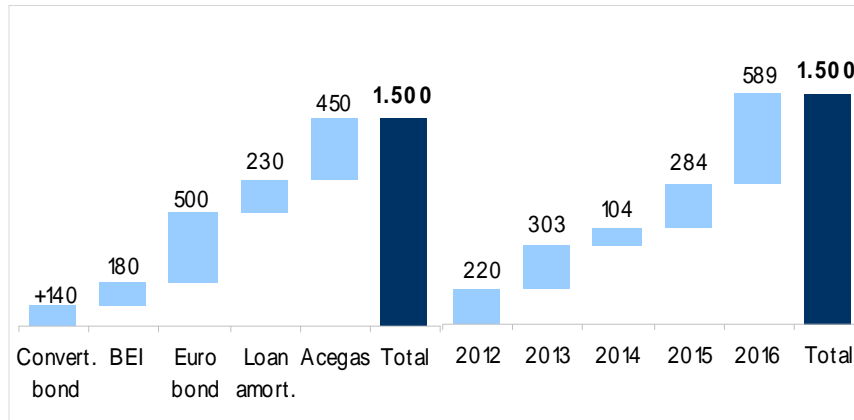


Consolidated Group Ebit

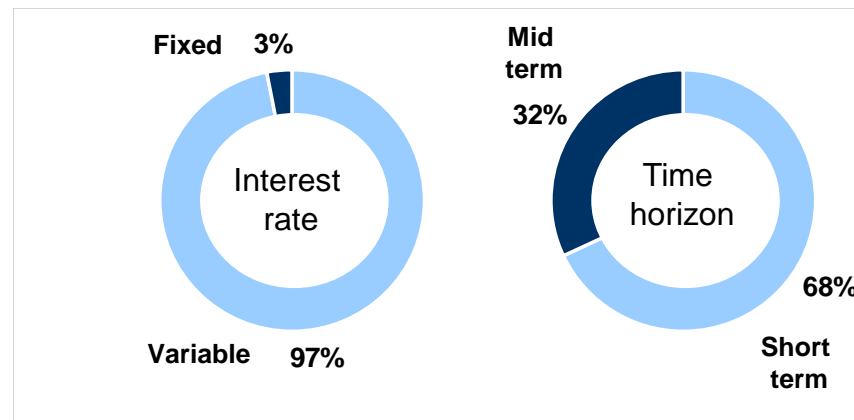


Refinancing needs to 2016

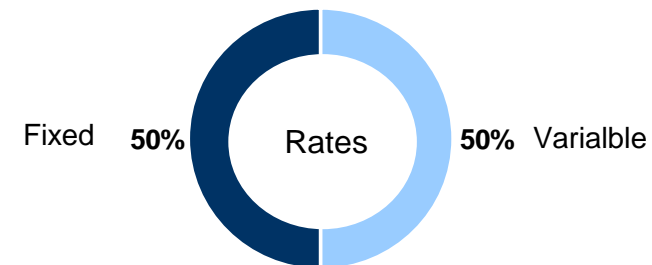
(m€)



Focus on Acegas Debt structure



Pursuing balanced interest nature



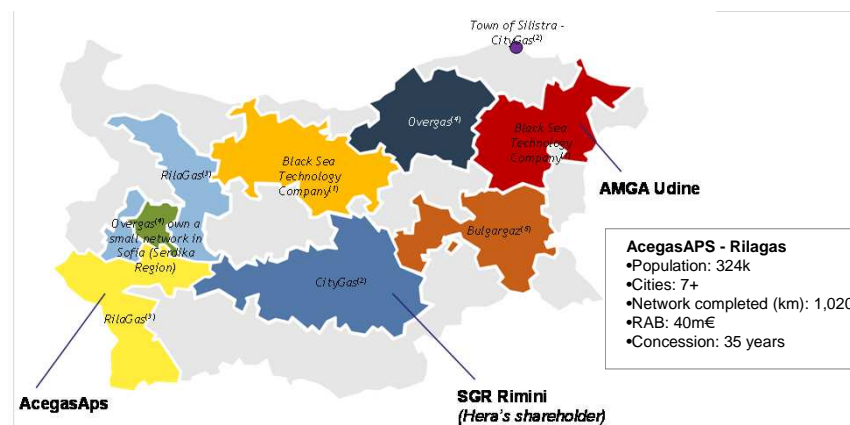
Hera Group financial strategy

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

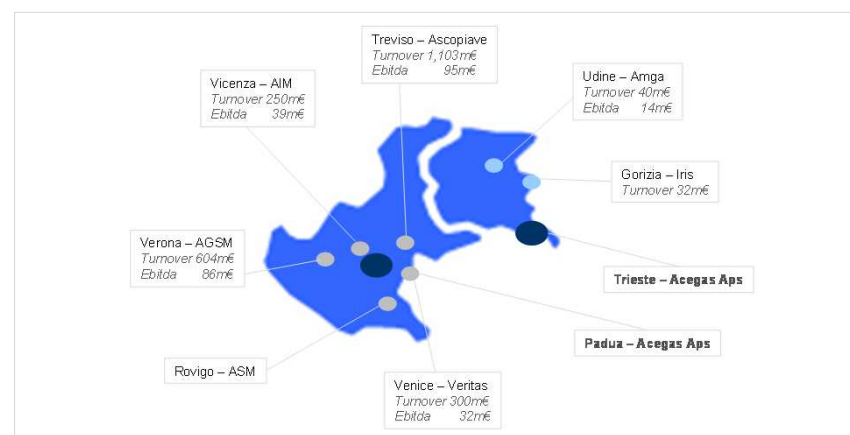
Deal valuation issues

- **Companies** valuation based on business fundamentals, accounting perspective returns on recent investments/capex (**i.e. 40m€ RAB in Bulgaria still not contributing to '11 Ebitda**).
- The deal doesn't affect Hera sound financial structure.
- **Almost neutral on '11 EPS upfront**, accretive on EPS by 8%-11% post synergies.
- **Implied 2012 Ebitda multiple ~6x (~5.5x net of Bulgarian assets)**
- Further upside **driven by the new business opportunities** (including potential M&A).

Activities in Bulgaria



Multi-utility players in Veneto/Friuli



Acegas APS: Further business plan details

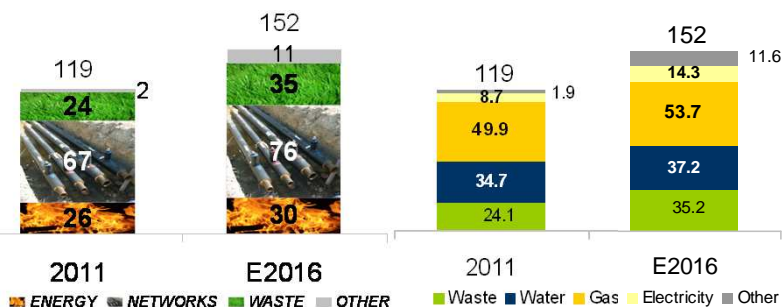
Acegas APS Ebitda

(m€)

By strategic area

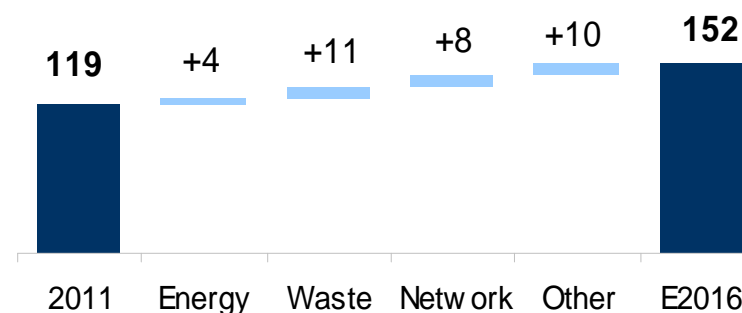
By Business

119
24
67
26
152
11
35
76
30
119
8.7
49.9
34.7
24.1
152
14.3
53.7
37.2
35.2
11.6



Ebitda growth '12-'16

(m€)

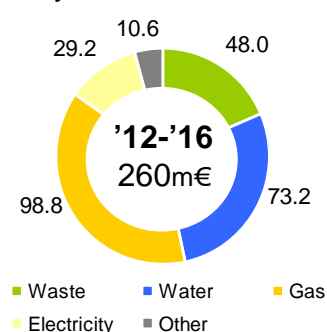


Capex plan

(m€)

By strategic area

By Business



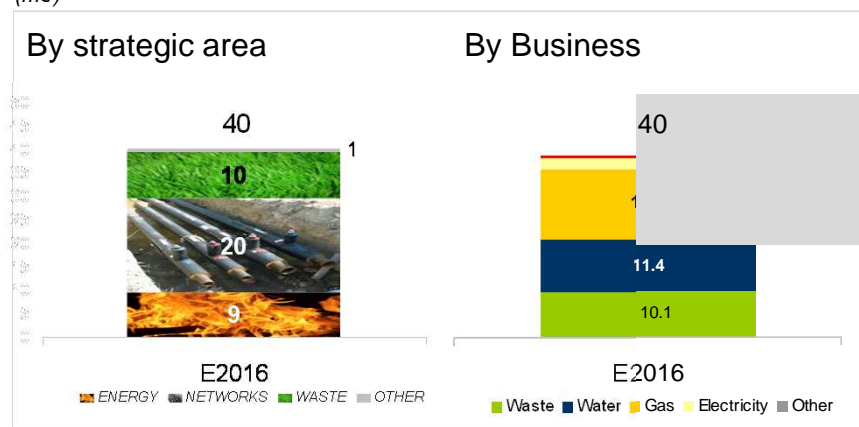
Key Acegas APS growth drivers

- Waste: Full operation of WTE and market enlargement
- Other: Growth relates to Bulgaria and public lighting
- Tariffs of regulated businesses projected to grow moderately

AIMAG: Further details

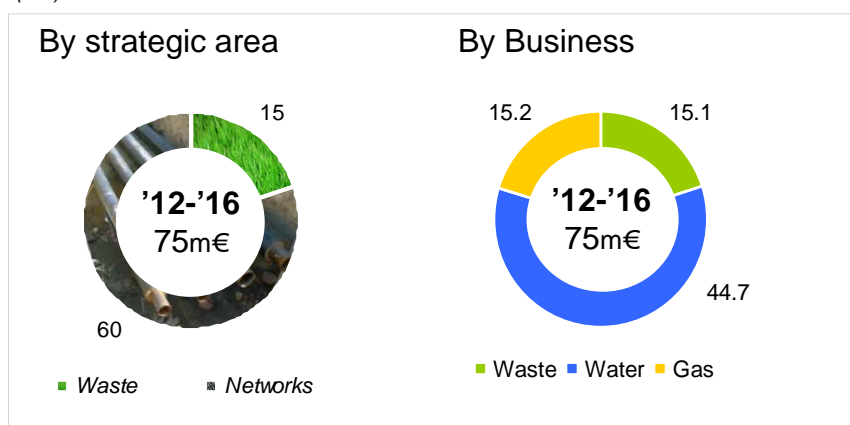
Ebitda Target 2016

(m€)



Capex plan

(m€)



2011 Industrial data & Financials

Industrial data	2011		2011
Gas sold (mm³)	365	Revenues	243
Gas distrib. (mm³)	290	Ebitda	44
Water sold (mm³)	15	Ebit	22
		Net Profit	12
		Net invested capital	231
		Net Debt	85

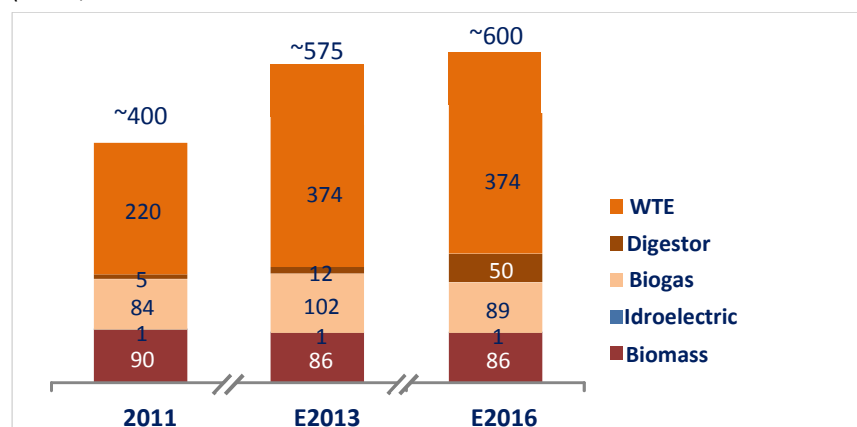
K	nd
	ac
	re
<ul style="list-style-type: none"> Financials structure as of Net financial position Net Equity: Expected to issue 33m shares to merge Aimag. 	

Hera owns 25% stake of Aimag (35m€ cash consideration)

Sustainable development

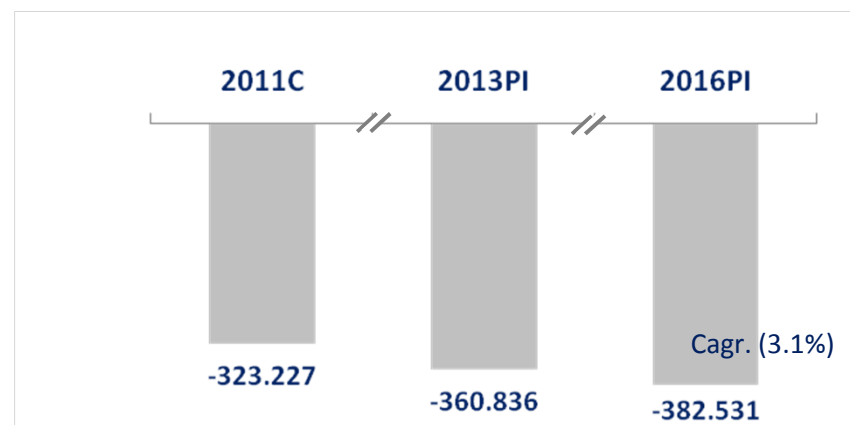
Electricity production – renewable

(GWhe)



CO₂ emission avoided*

(ton)

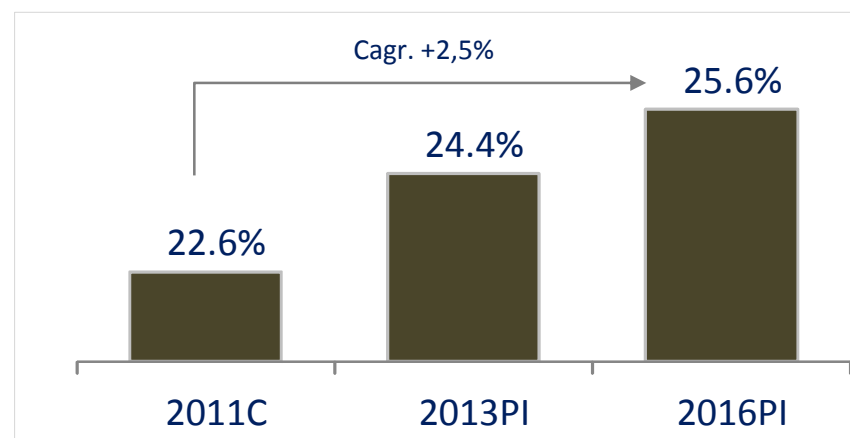


Thermal energy production – renewable*

(GWht)



Low emission vehicles*

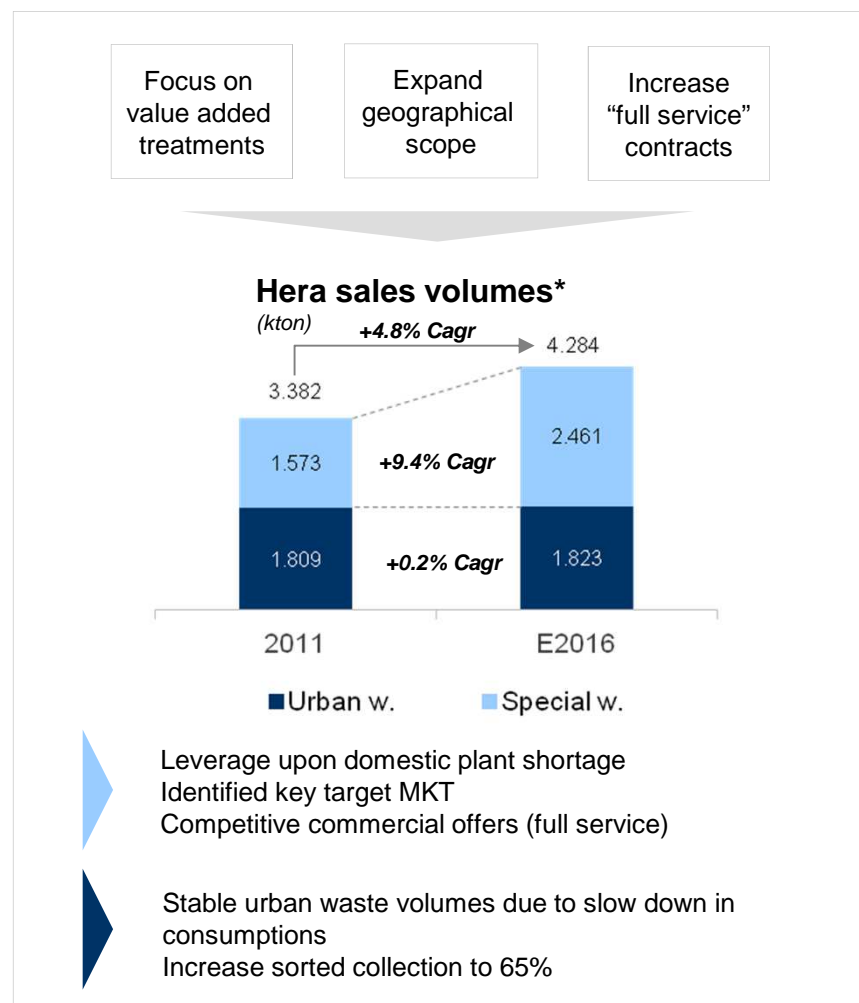


ANNEX: Business plan 2012-2016

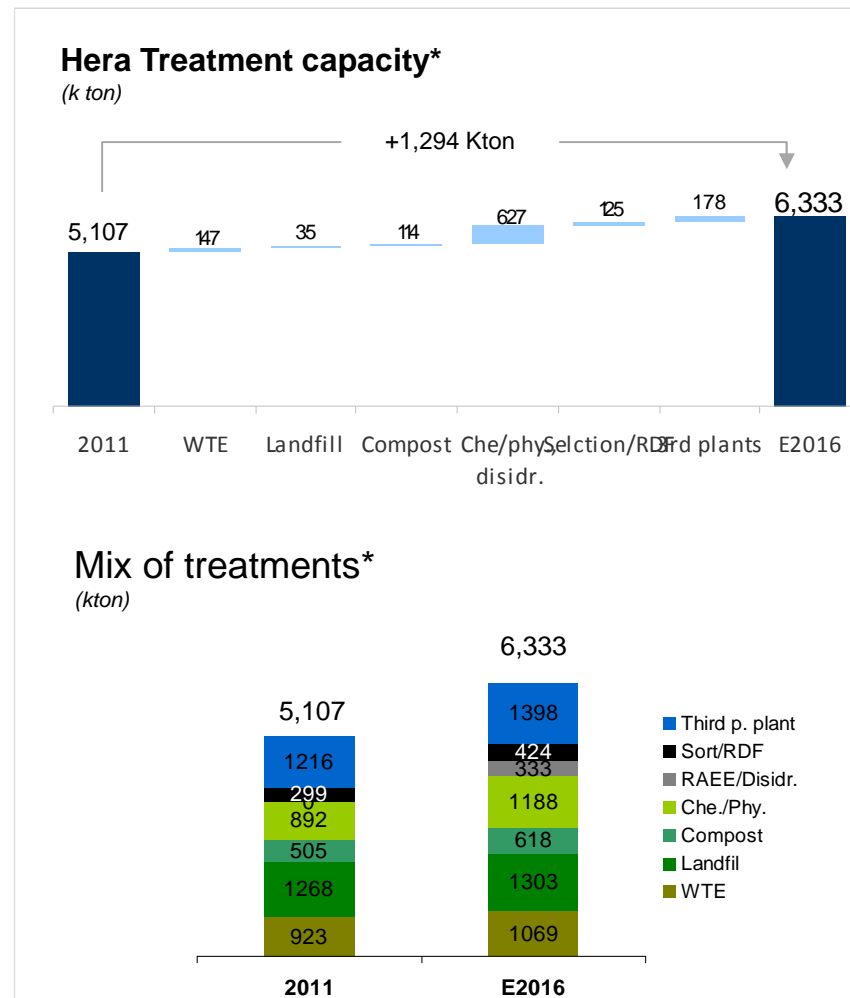
WASTE (*further details by strategic area*)

Hera growth strategy and waste market expansion

Market Expansion



Fully integrate value chain

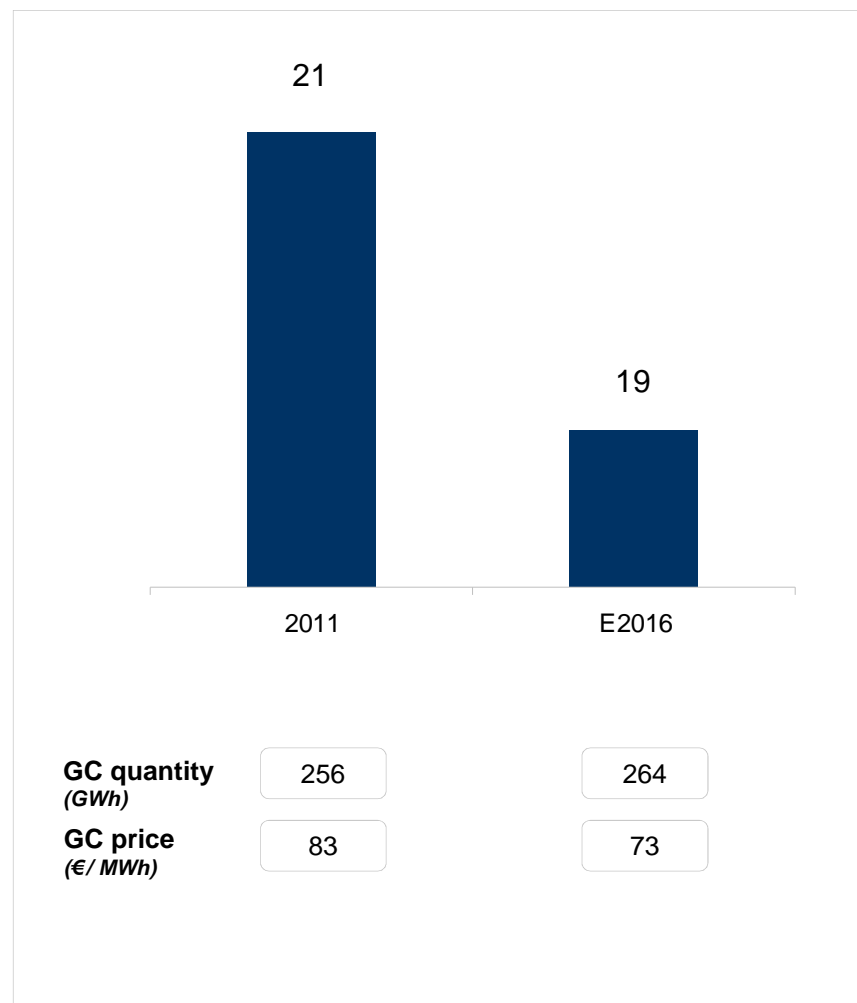


* Hera stand alone

Waste treatment capacity and energy generation enhancement

Green certificates*

(m€)



Waste To Energy Plants

Renewable Power generation

(GWh)

		Ton smaltite	Potenza Installata	EE prodotta	EE a CV
Wte	WTE Ferrara	130 k	13,1 MW	109 Gwh	38 Gwh
	WTE Forl	120 k	10,9 MW	94,6 Gwh	35 Gwh
	WTE Ravenna	45 k	6,3 MW	30,9 Gwh	-
	WTE Ravenna F3	45 k	4,2 MW	22,5 Gwh	-
	WTE Rimini	134 k	10,9 MW	122 Gwh	44 Gwh
	WTE Modena	154 k	18,6 MW	203 Gwh	74 Gwh
	WTE FEA	194 k	22,0 MW	145 Gwh	-
	ENOMONDO	110 k	12,7 MW	126 Gwh	41 Gwh
	ENERGONUT	94 k	13,4 MW	94,6 Gwh	-
	WTE Trieste	159 k	14,9 MW	103 Gwh	10 Gwh
	WTE Padua	173 k	17,8 MW	115 Gwh	35 Gwh

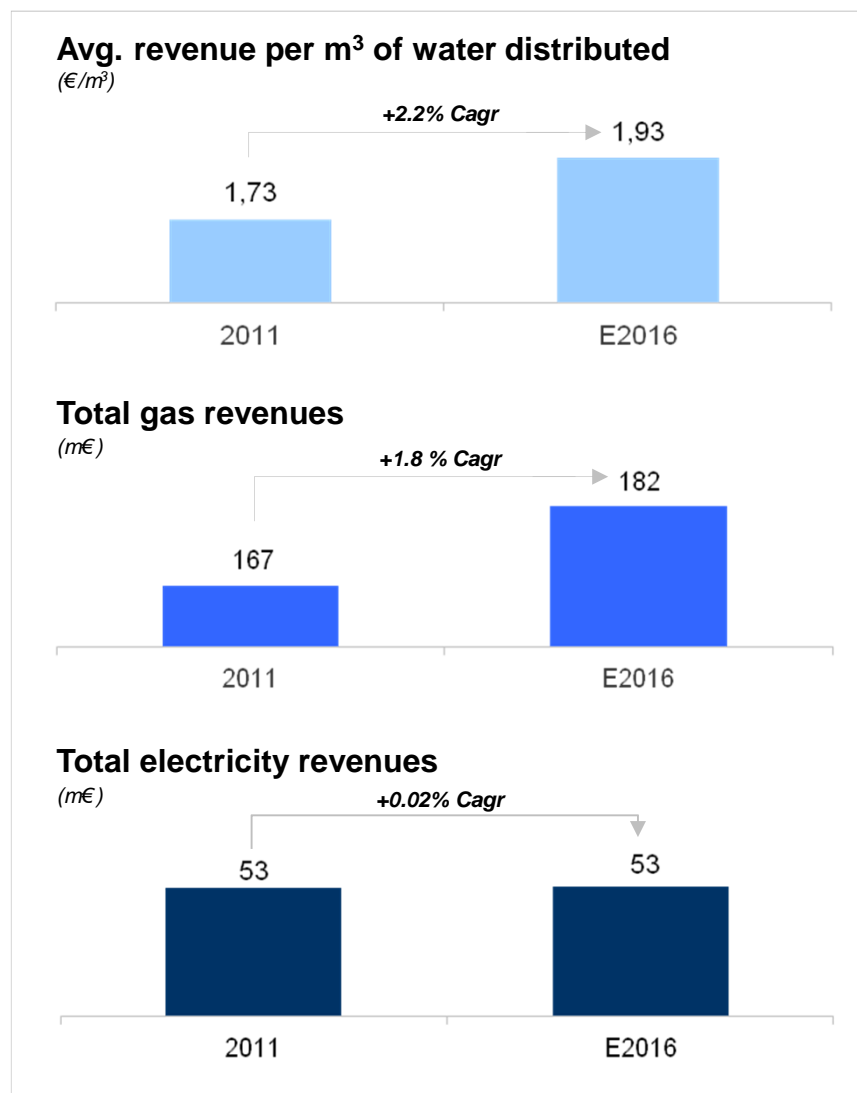
* Hera stand alone

ANNEX: Business plan 2012-2016

NETWORKS *(further details by strategic area)*

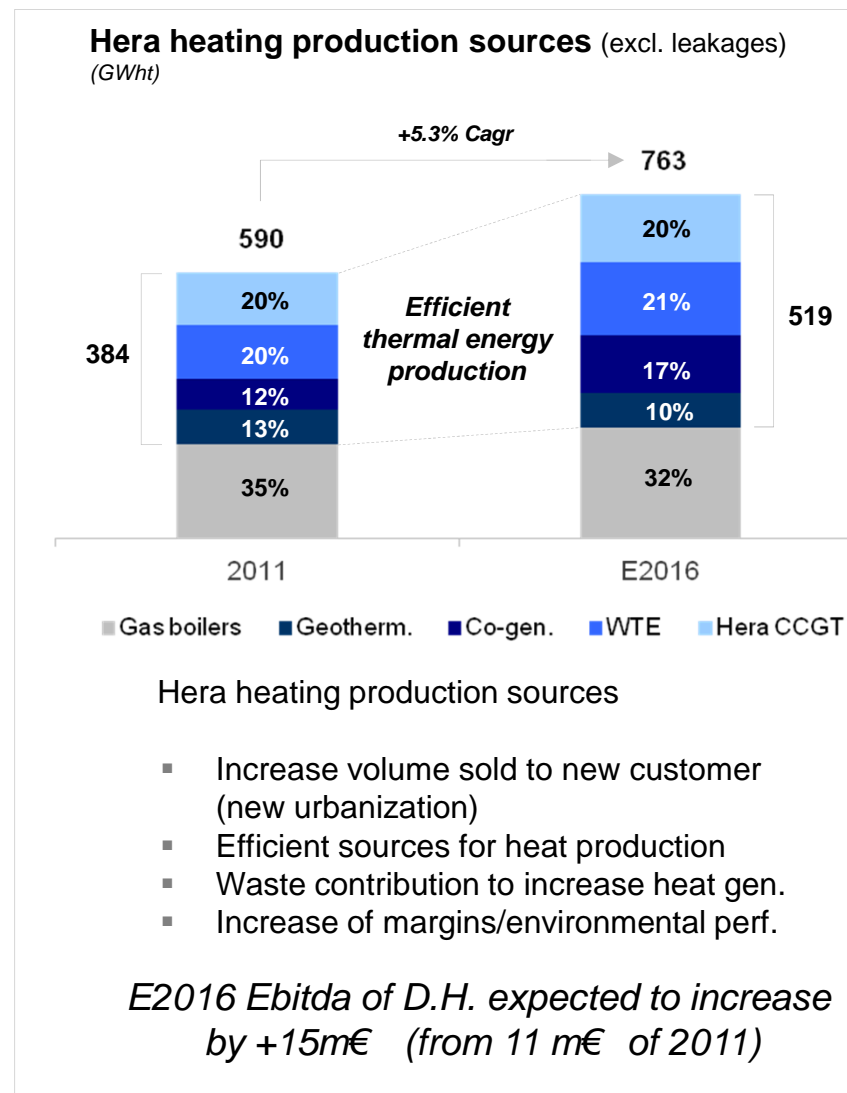
Networks internal growth drivers (1)

Visible and safe tariff enhancement*



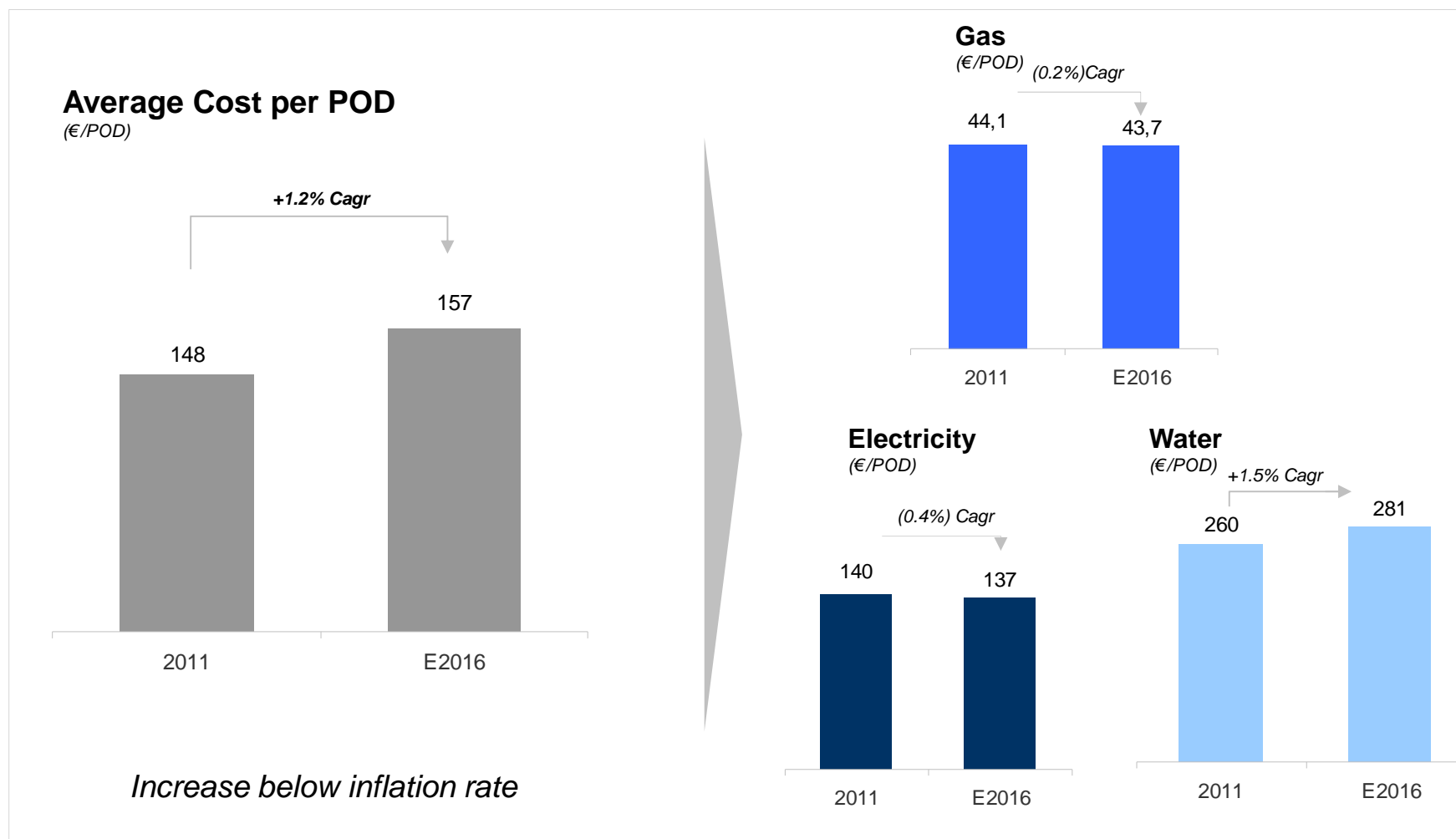
* Hera stand alone

Benefitting from new asset base*



Networks internal growth drivers* (2)

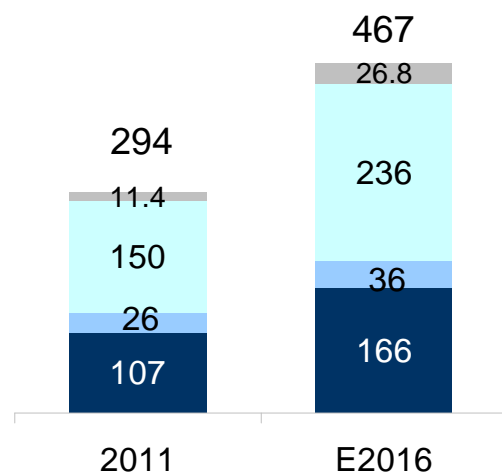
Economies of scale in networks management



Networks targets

Ebitda breakdown

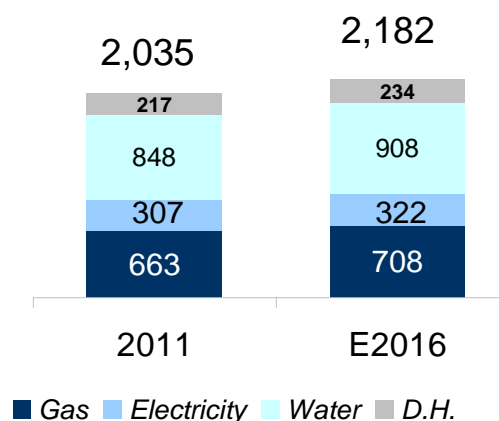
(m€)



■ Gas ■ Electricity ■ Water ■ D.H.

RAB/NIC*

(m€)



- **Gas** RAB (data do not include third parties RAB under management of about 240m€) do not include the expected from Gas tenders
- **Water** data refer to RAB of Hera property only (excluding third parties RAB under management of about 124m€).
- **Electricity** network data refer to the net invested capital
- **District Heating** data refer to the net invested capital

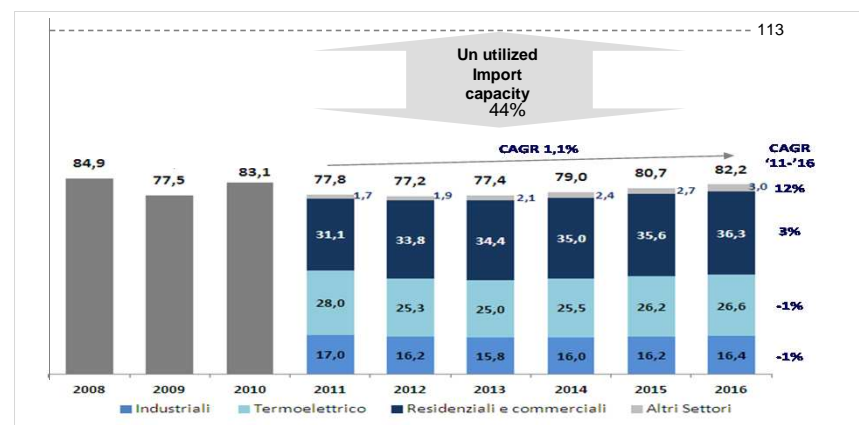
ANNEX: Business plan 2012-2016

ENERGY *(further details by strategic area)*

ENERGY: challenging scenario

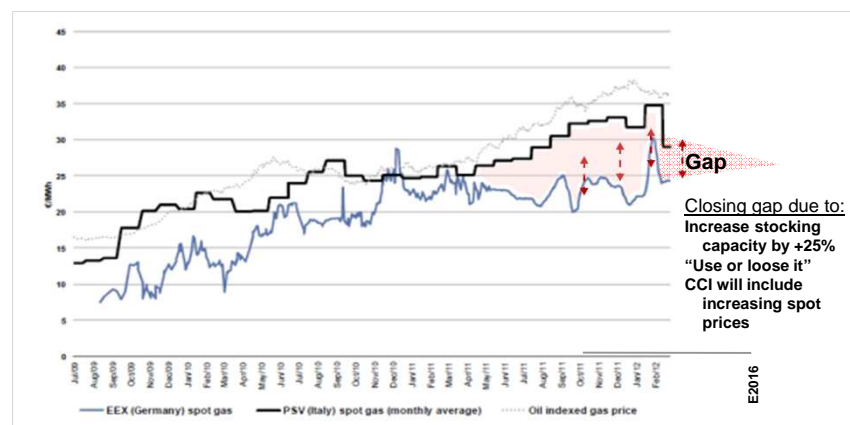
Gas demand & Import capacity Italy

(bcm)



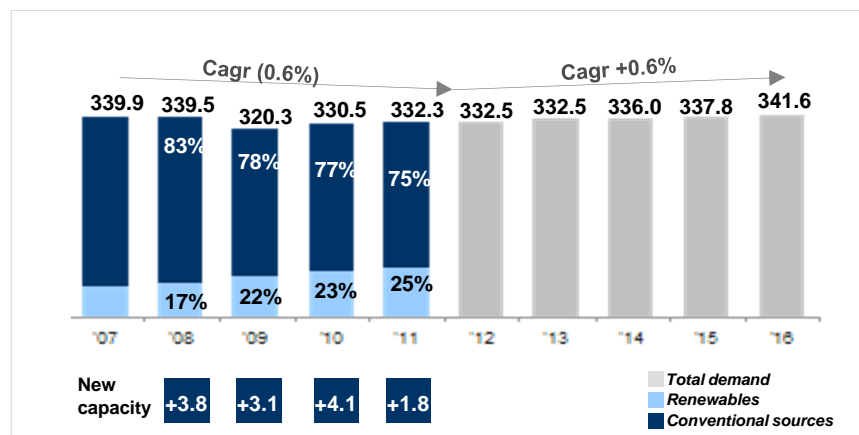
Italian (PSV) vs EU (EEX) Gas Spot price

(€/MWh)



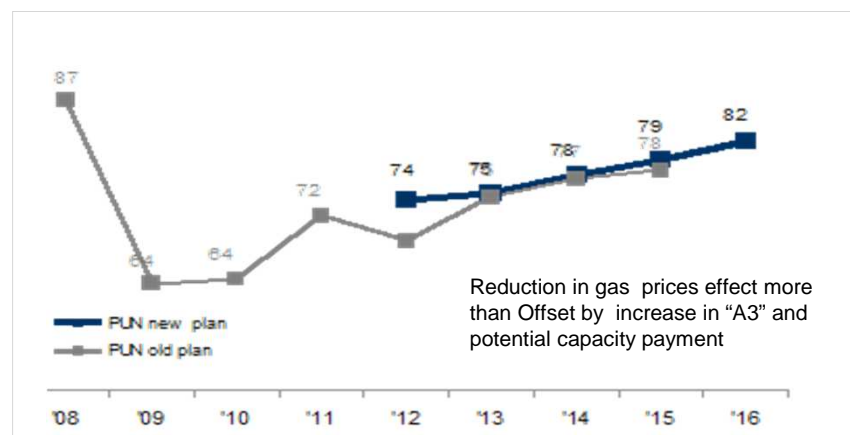
Elect. demand slow down & over capacity

(bcm)



Electricity PUN national average

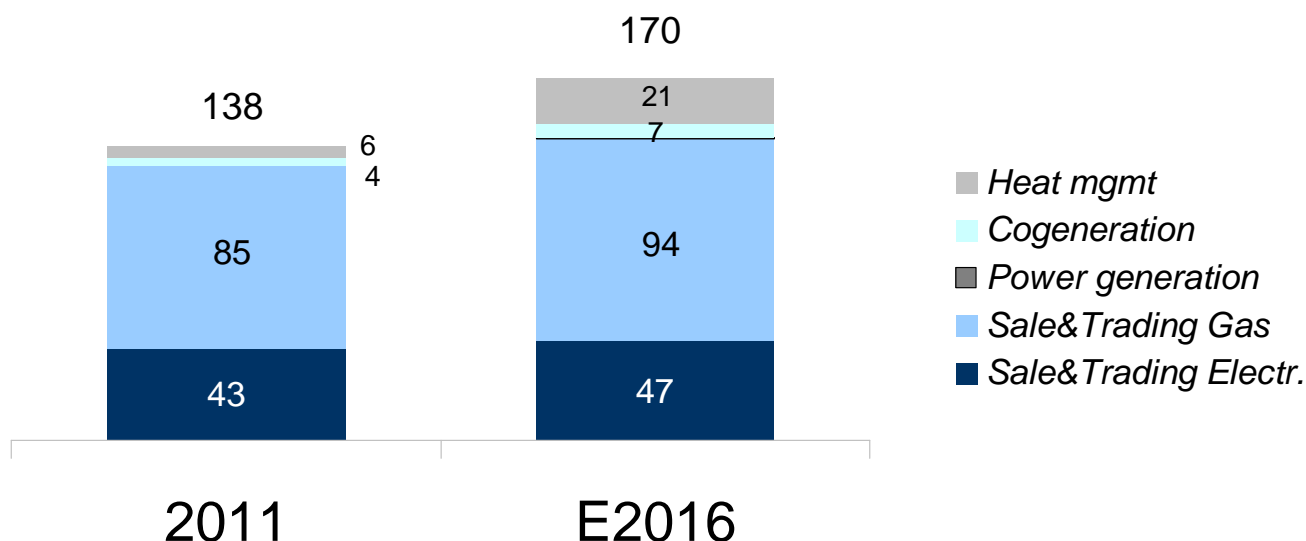
(€/MWh)



Keeping a balanced and effective energy upstream strategy

Ebitda breakdown

(m€)



- **Gas Sales and Trading** activities expected to benefit from M&A contribution, more than offsetting negative projections on current sales & trading margins (due to progressive alignment of commodity cost component – “CCI” – to gas spot prices included in retail sales prices).
- **Electricity Sales and Trading** activities affected by a projected reduction in volume sold to “salvaguardia” clients.

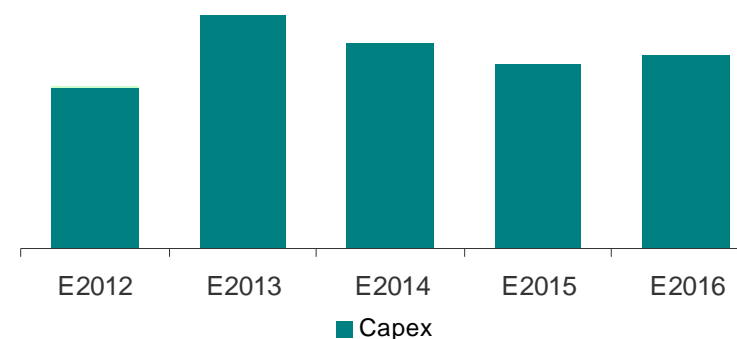
ANNEX: Business Plan 2012-2016
(by business)

Waste business

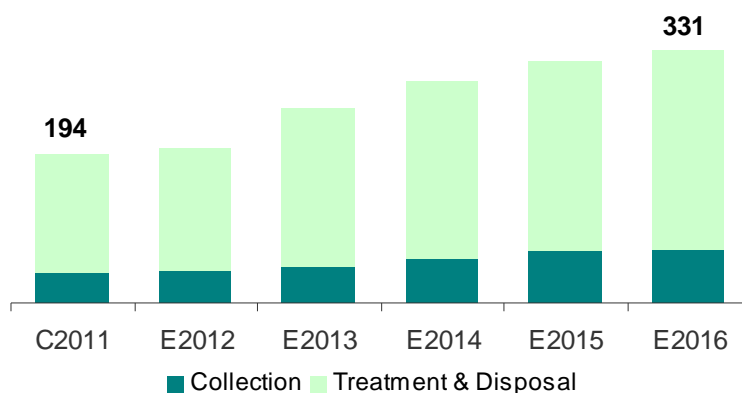
Economics

M €	2011	E2016	Cagr.
Ebitda	194,2	331,0	+11,3%

Capex '12-'16: 482m€ (m€)



Ebitda breakdown (m€)



Highlights*

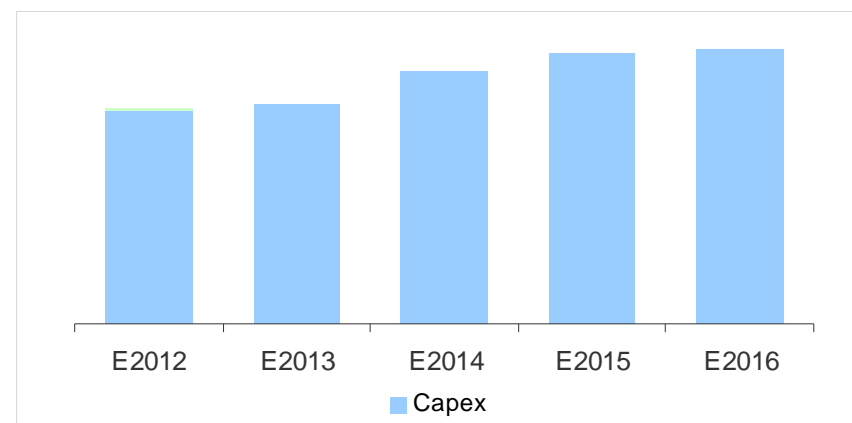
	2011	E2016
Tariffs (€/ton)	229.1	283.4
Volume treated		
Urban (kton)	1,809	1,823
Special (kton)	1,573	2,461
Hera prod. (kton)	1,725	2,116

Water business

Economics

M €	2011	E2016	Cagr.
Ebitda	150,2	236,9	+9,5%

Capex '12-'16: 606m€ (m€)



Volume sold

	2011	E2016
Volumes (mm ³)	254	327

Highlights*

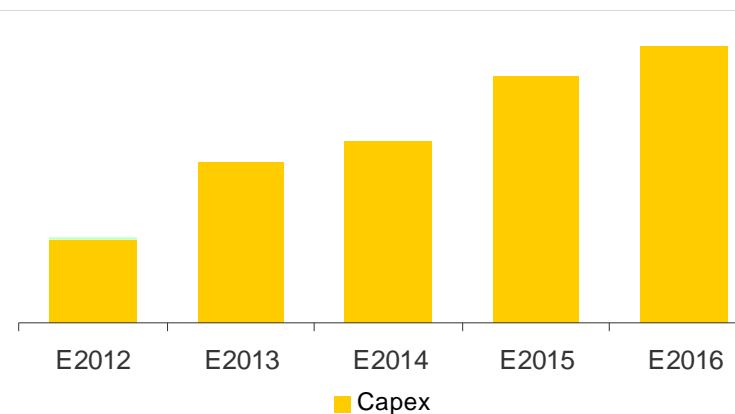
	2011	E2016
Leakage	26.9%	24.5%
RAB (b€)	0.85	0.91
Tariff (€/m ³)	1.7	2.0

Economics

M €	2011	E2016	Cagr.
Ebitda	208,7	308,3	+8,1%

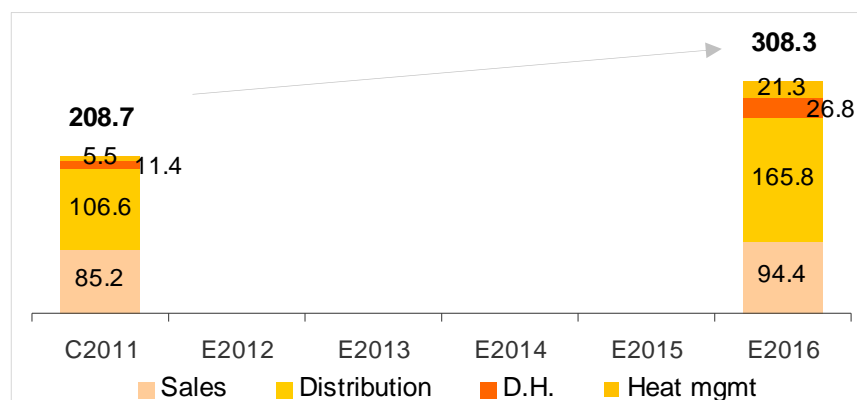
Capex '12-'16: 620m€*

(m€)



Ebitda breakdown

(m€)



Highlights*

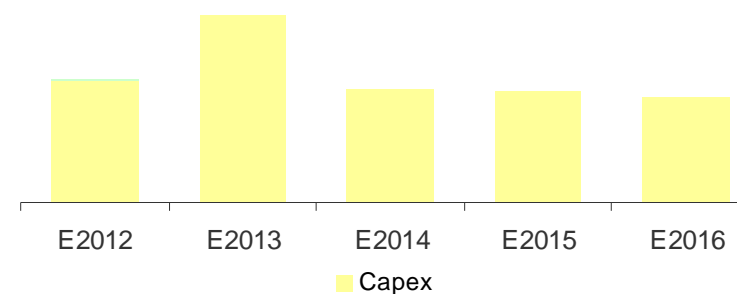
	2011	E2016
RAB (b€)	0.7	0.7
Networks (kKm)	13.7	15.6
Tariffs (€/m³)	7.0	7.4

Electricity business

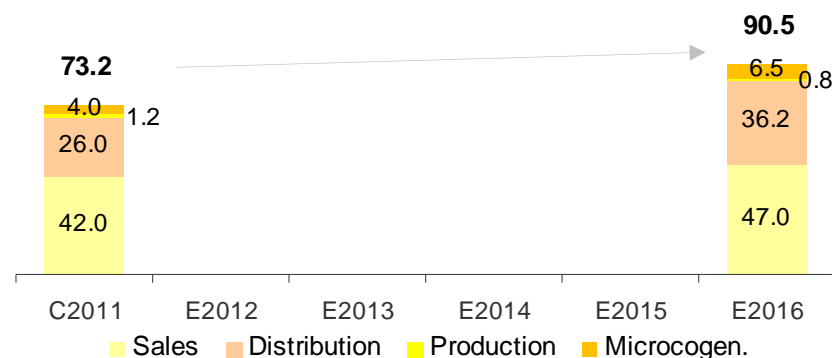
Economics

M €	2011	E2016	Cagr.
Ebitda	73,2	90,5	+4,3%

Capex '12-'16: 210m€ (m€)



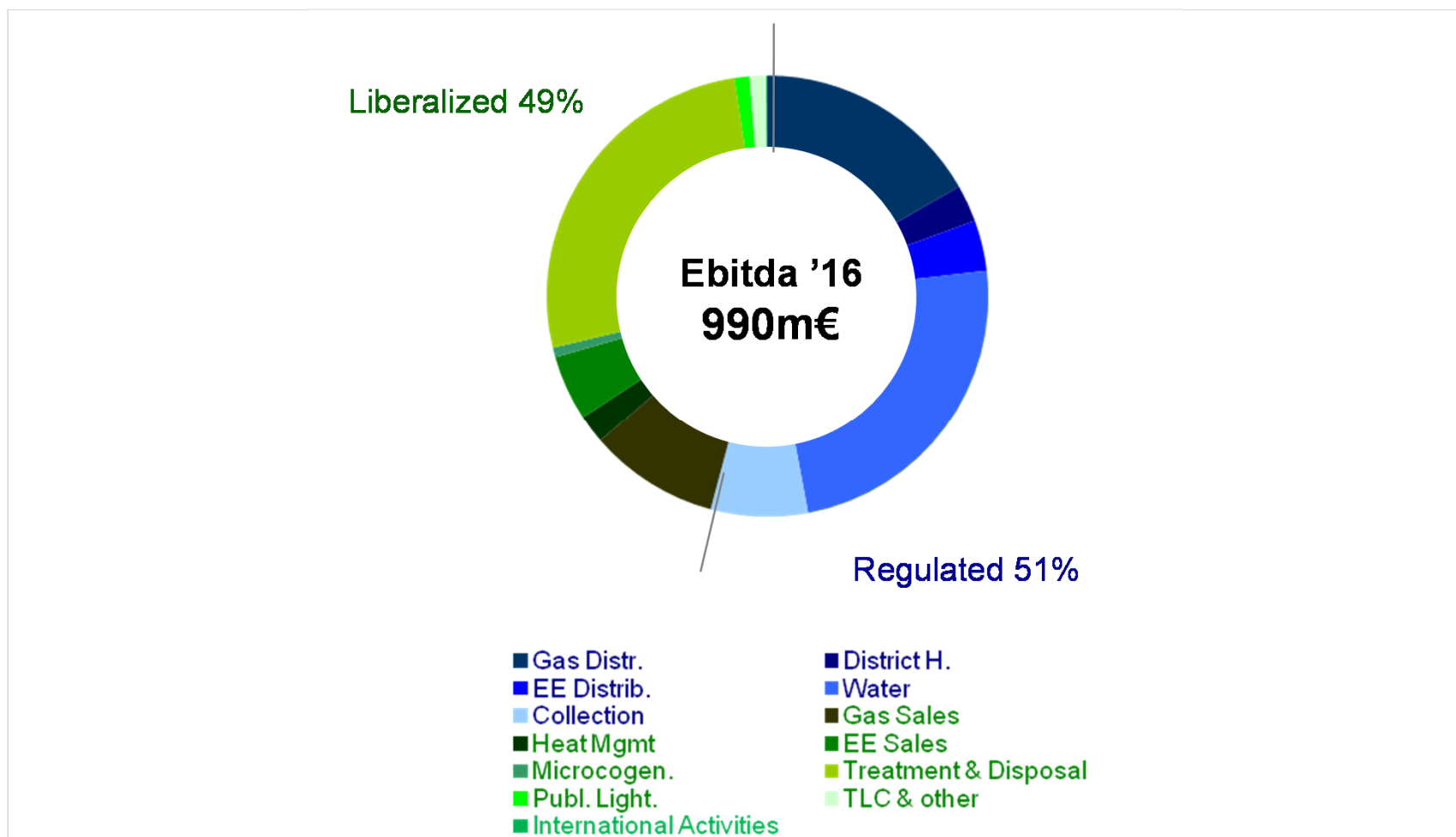
Ebitda breakdown (m€)



Highlights*

	2011	E2016
E. sold (TWh)	10.0	9.1
E. distr. (TWh)	2.3	2.4
E. contracts (k)	482	814
E. tariffs (€/KWh)	2.3	2.2

Business Portfolio breakdown



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.