
HERA GROUP

THE FIRST ITALIAN GREEN BOND: HERA EXPERIENCE

Funding & Capital Markets Forum 2016
Milan, 13th May 2016



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Introduction to Hera: Presentation & Strategy

Who We Are

- Hera is a multi-utility leader in environmental, water and energy services, and is 51.9% owned by public shareholders as of December 31th, 2015.

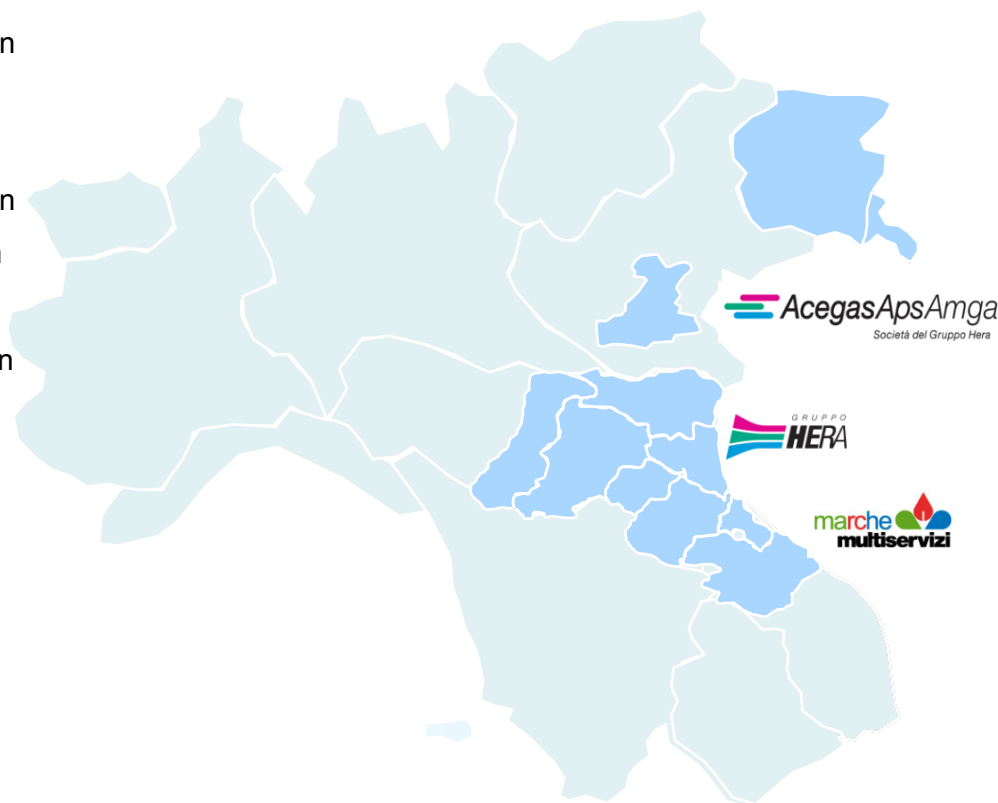
Hera pursues a responsible management of natural resources and the use of solutions aimed at improving the environmental impact of its activities

- The Hera Group was created in 2002 through the combination of 11 public services companies in Emilia Romagna; until December 2012 it operated in a large area of the Emilia Romagna region and in part of the province of Pesaro-Urbino. Since 2013 the Group operates also in the provinces of Padua and Trieste and from 1st July 2014 the aggregation with Amga Udine has consolidated the presence in Triveneto Area. In 2015 the Hera Group has been continued its expansion through new acquisitions in the waste business.

- Emilia Romagna is among the Italian wealthiest regions in terms of GDP per capita and has a V.A. per employee above European average

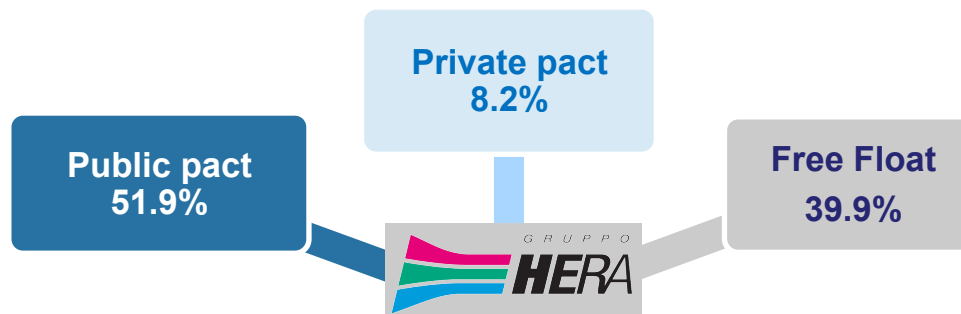
- Business Environment is mainly composed by profitable small and medium size entities

Being a company built to last and to improve society and the environment for future generations¹



¹ Sustainability Report 2013 - Company operational principles .

Shareholding & Corporate Structure



Current Positioning in Italy



Environment
(waste management)

1°



Water
(distributed volumes)

2°



Gas Distribution
(distributed volumes)

3°



Gas Sold
(sold volumes)

4°



Electricity
(sold volumes)

5°

Investment 2015

€ 35 million

€ 115 million

€ 87 million

€ 27,6 million

Indicators (2015 figures)

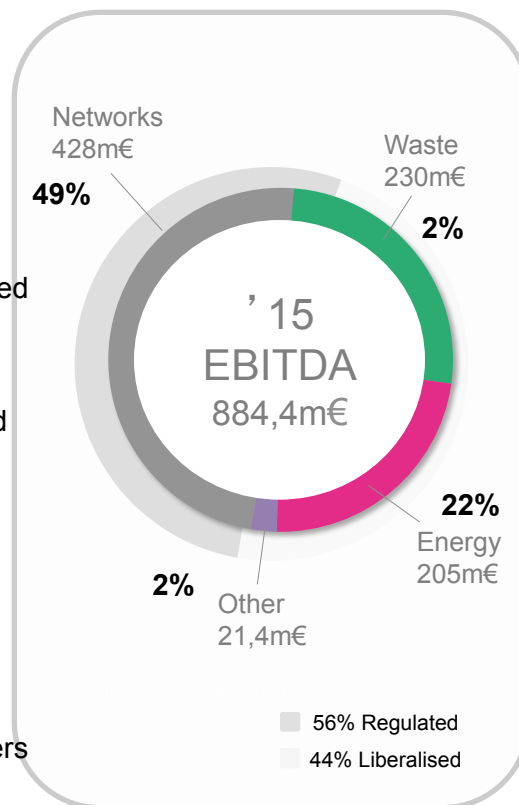
~ 6,2 million tons
~ 3,3 million people served
~ 189 municipalities served

~ 300 million of cubic meters
~ 3,6 million water people served

~ 3,6 million gas people served
~ 264 municipalities served

~ 3,4 billion of cubic meters
~ 1,3 million gas customers

~ 9,6 TWh
~ 0,9 million electricity customers

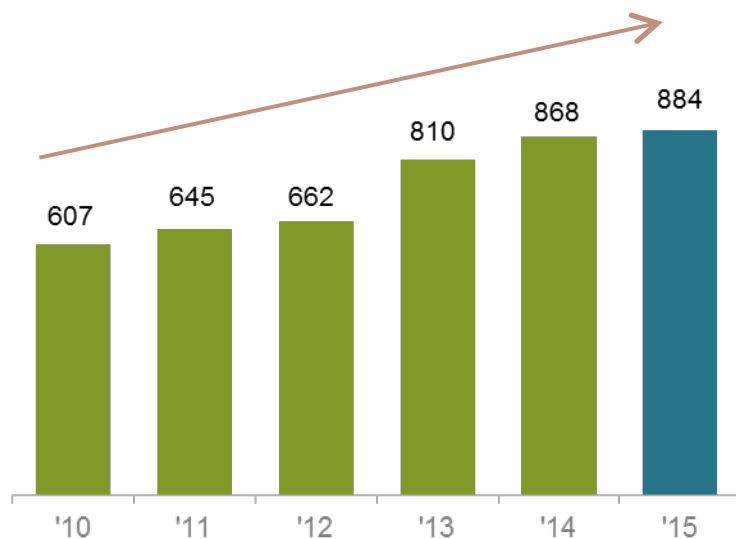


Financial Review

Reliable growth model consistent in last 5 years

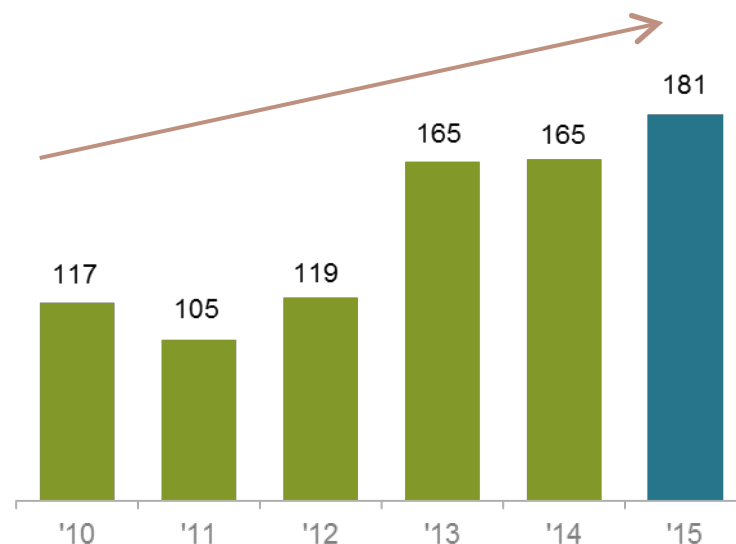
● **Ebitda**
(M€)

CAGR + 7.8 %



● **Net profit**
(M€)

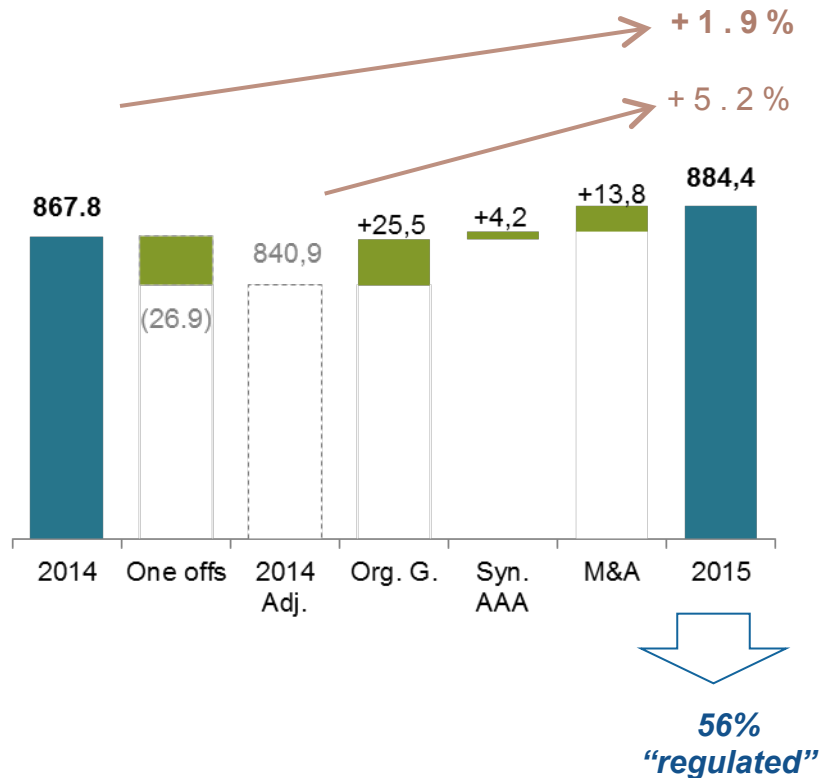
CAGR + 9.0 %



Highest growth rate in net profit

The two pillar model underpins Hera growth

EBITDA growth drivers (M€)

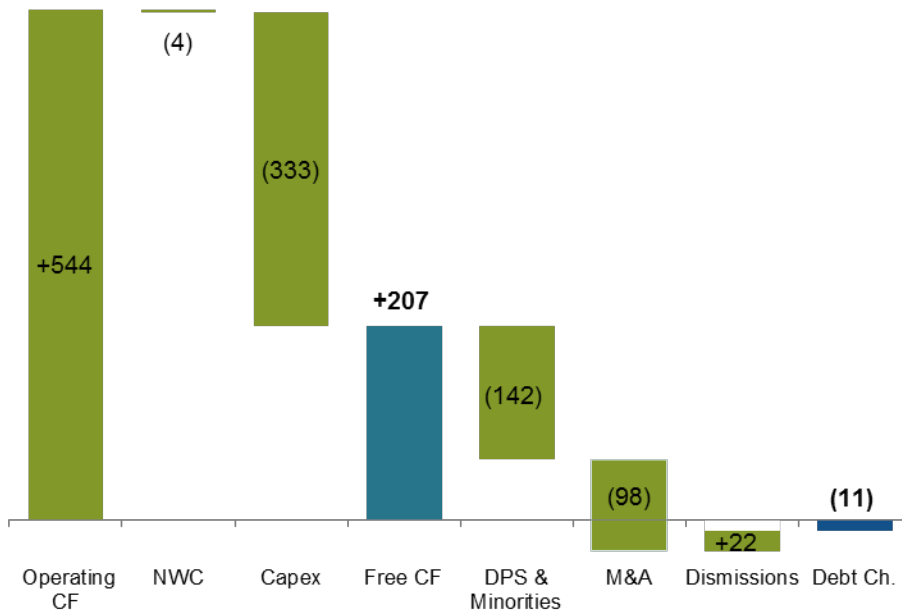


- **Positive organic Growth** mainly relates to market expansion in **Energy** supply (+73k clients) and volumes (better winter season) and positive performance in **Network** activities (efficiency and optimization).
- **AcegasApsAmga synergy extraction still on track.**
- **M&A** relates to 6 month results of **AMGA Udine** merger (effective from 1/7/'14) , and the **acquisitions** of **Alento Gas, Geo Nova, Waste Recycling**.

Confirmed safe portfolio mix

Self financing Group's expansion

Cash flows (M€)

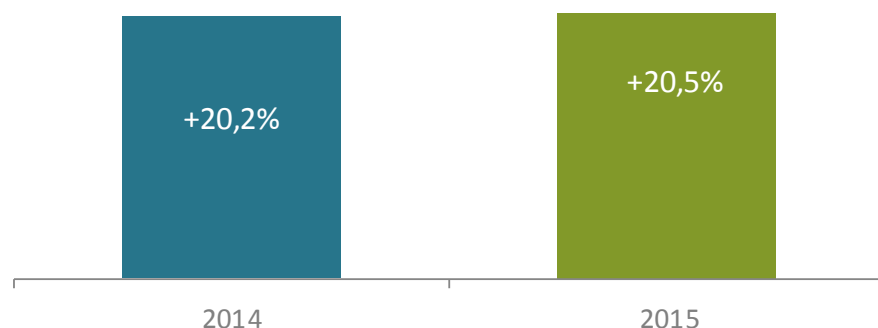


- Capex primarily in Water (115m€) and Gas (87m€).
- Positive Operating cash flows exceed 200m€ after capex and change in NWC.
- DPS paid 9 eurocents, pay-out ratio 73%.
- Free cash flows almost fully funded new acquisitions.
- Net debt stood at 2.65b€ (2.64b€ in '14).

Enhancing a sound financial structure

Financial Ratios and Debt Maturity Profile

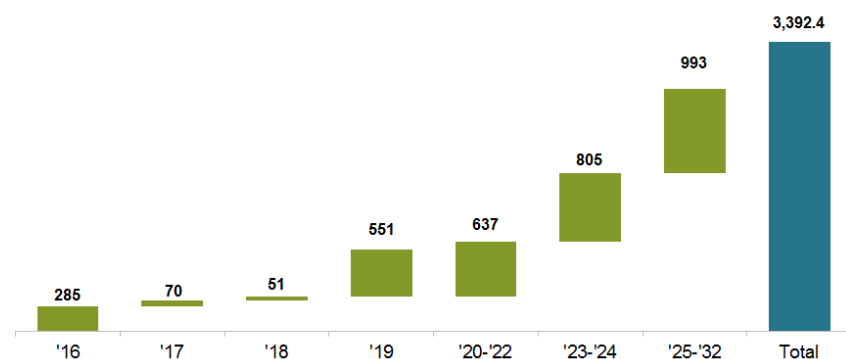
FFO/NET DEBT POSITION (%)



- 8 years average Debt Duration
- 17% variable and 83% fixed interest rates
- Avg. cost of Gross Debt around 3.8%
- S&P's: BBB outlook stable
- Moody's: Baa1 outlook stable
- Debt/Ebitda reduced to 3.0x from 3.35x in 2012

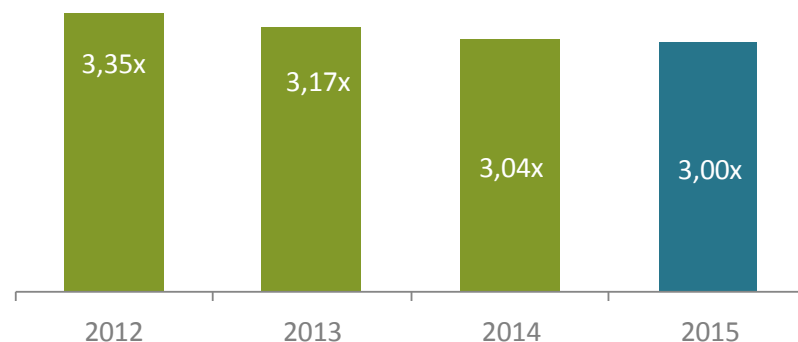
M/L Term Debt Maturity Profile as of 31 December 2015

(in €m notional amount)



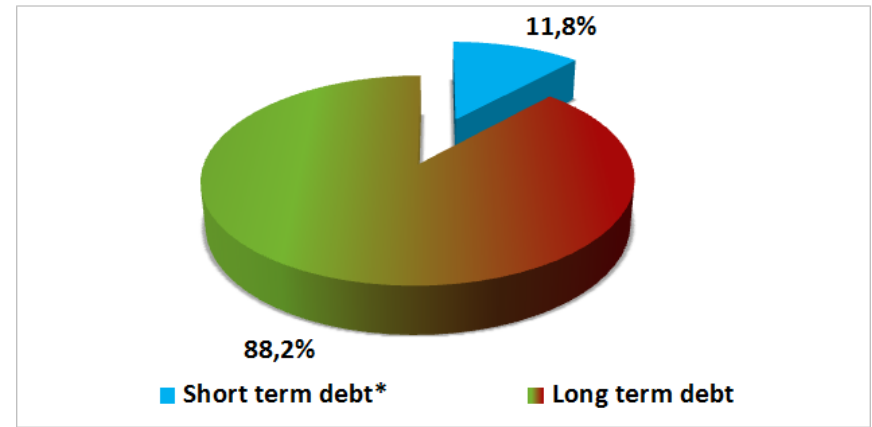
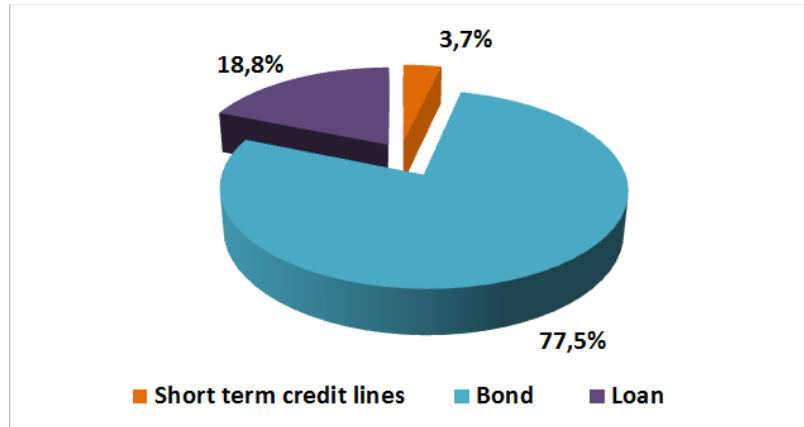
DEBT / EBITDA

(X)

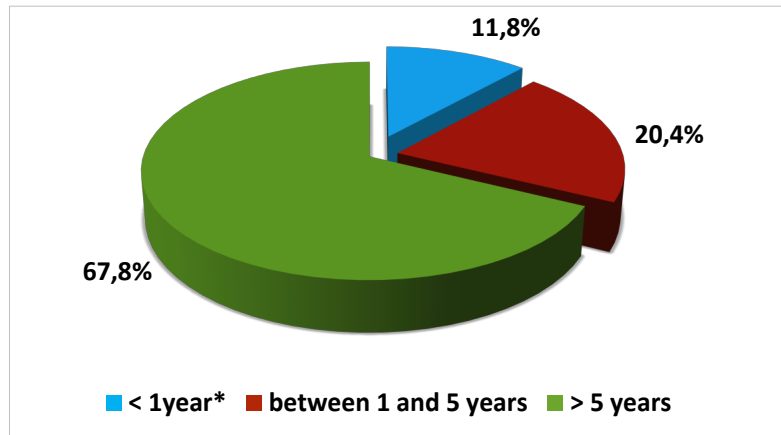


Debt Structure on 31 december 2015

Duration e structure



Maturity profile



A well-balanced financial structure, in term of duration and composition, minimize the liquidity risk even in the case of particularly critical scenarios



Sustainability at Hera

Hera Group's CSR Approach



The **Values**, the **Mission** and the **Code of Ethics** represent, for the Hera Group, the landmarks to define its sustainability objectives and reporting.

The **Sustainability Report** is integrated among the Group's management tools. The business plan includes sustainability as a strategic priority.

Through the **Balanced Scorecard** the strategy has been declined in goals assigned to the management. These objectives include also the aspects of social and environmental sustainability.

- **The Mission and Values:** defined with the involvement of employees, have been approved by the board of Directors on 26 June 2006.
- **Code of Ethics:** established in 2007 with the involvement of employees is updated every three years. The third edition of the code was approved by the Board of Directors on the 23 January 2014.
- **Sustainability Report:** is published since 2002 in accordance with the GRI guidelines. It is integrated with the Strategic Plan and the Budget and contains sustainability objectives for each stakeholder.
- **Balanced Scorecard:** Introduced in 2006, it is connected to the management's incentive system. 20% of the bonus is linked to sustainability goals.

Certifications and Ratings

Sustainability Report



It is Published since 2002, and is approved by the Board of Directors

It is **Verified by a third party** (DNV-GL) in accordance to international guidelines: **GRI-G4** ("**Comprehensive**" level)



Global Compact

On 8 June 2004, the Hera Group has signed the commitments contained in the Global Compact.

In 2011, Hera's annual communication on progress achieved, represented by the Sustainability Report, has been recognized as advanced level within the Global Compact's Differentiation Programme.



Carbon Disclosure Project - 2014

- Performance: B
- Disclosure: 98/100



ESG Rating and Ethical Indices

Hera is included in the following:

- Oekom research:** Status: Prime / Rating: B-
- Kempen SNS** Smaller Europe SRI Index
- ECPI** Ethical Index EMU
- Axia** Ethical

Main Certificates

- ISO 9001:** 14 certified companies– 95% of employees
- ISO 14001:** 14 certified companies– 89% of employees
- OHSAS 18001:** 14 certified companies – 89% of employees
- ISO 50001:** 6 certified companies– 76% of employees
- SA8000:** 3 certified companies– 53% of employees
- EMAS:** 45 plants - 77% of waste disposed

2019 Goals in the Three Dimensions of Sustainability

Environmental sustainability

- Majority of the Group's electricity and heat production (73% in 2019) from renewable (and high efficiency) sources
- Cogeneration plant Imola and Waste To Energy (WTE) emissions well below legal limits
- Separate waste collection increase and decrease needs for landfills: 65% of separate waste collection and less than 9% of urban waste disposed in landfills
- Plant mix increasing geared to the recovery and recycling: new biodigestion plant to produce biomethane from organic waste
- Energy efficiency projects: reducing consumption by 3% within 2017
- Approx 70% of customer requests processed through virtual channels and 18% electronic bills

Social Sustainability

- Exceeding AEEGSI¹ standards on safety, continuity and commercial quality
- Continuous investments in training and safety at work: 24 hours per capita / year and reduction of accident index by a 3% yearly average between 2015 and 2019 ²
- Diversity management and work-life balance: carry out the actions contained in the 2015 welfare plan.
- Dialogue with stakeholders: HeraLAB (multi stakeholder local council) consolidation
- Sustainability integration in the supply chain: 70% of the supplies selected with environmental and social criteria (average score: 20/100)

Economic Sustainability

- Profitability consolidation: EBITDA from € 884 million in 2015 to € 1,050 million in 2019
- Continuing growth pattern maintaining the economic / financial balance: reduction of NFP/EBITDA to 2,82 in 2019
- Synergies' extraction from integrations: € 20 million of synergies planned thanks to AcegasApsAmga integration
- Increase distributed added value: + € 300 million in 2019 vs 2015

¹ Italian Authority for Electricity Gas and Water (AEEGSI).

² Frequency index: number of accidents/hours worked x 1,000,000.

Environmental Sustainability: Results and Objectives

Hera objectives have been defined under the framework of the «Business plan 2015-19».

Hera is committed to reach and/or to maintain those performance levels

	Results		Objectives 2019 ¹
	2002	2015	
CO2 Emissions (g/KWh)	628*	594	521
Production of Energy from renewable sources (%)	20.4%	34.8%	35.0%
Production of Energy from renewable sources (GWh)	103	824	976
Urban waste landfilled	49.0%	8.6%	<9%
Separate waste collection	26.4%	55.4%	65%
Separate waste collection per capita (kg)	159	356	391
Compliance of WTE Emissions with legal limits ²	41%**	14.9%	≤14%

*The value represents CO₂ emission that the Group started to measure in 2011 with the same methodology for all the plants.

** The value represents the compliance of emissions with legal limits for 2003.

¹ The Objectives are defined considering the «Business plan 2015-19».

² Compliance of waste-to-energy emissions with legally established limits in Legislative Decree no. 133/2005 – continuously monitored parameters (optimal values < 100%), average of the plants managed. The Objective stated for 2017 consider the assumption that the levels of compliance compared to legal limits are far lower than prescription.

Social Sustainability: Results and Objectives

	Results		Objectives 2019 ¹
	2002	2015	
Gas emergency services (% of calls with an action within 60 minutes)	94.7%*	97.6%	98.5%
Training (hours per person)	14.1	31.4	24.5 ⁵
Health and Safety (frequency index) ²	49.6	20.6	19.6
Suppliers selected with a social and environmental criteria (% supplies value)	0%	66.5%	70%
Suppliers selected with a social and environmental criteria ³ (out of 100)	0	23.5	30
Customer Satisfaction Index (out of 100)	67**	70	70 ⁶
Company Internal climate index (out of 100) ⁴	50	63	65 ⁵

* The % of call actions was measured starting from 2005.

** The value represents the index for 2006.

¹ The Objectives are defined considering the «Business plan 2015-19».

² Frequency index: number of accidents/hours worked x 1,000,000.

³ Average score attributed on a social and environmental criteria.

⁴ Excluding AcegasApsAmga, the first Internal Climate survey was held in 2005

⁵ The Objective for 2019 include all the workforce of AcegasApsAmga after the merger.

⁶ For the international recognized methodology used values equal or superior to 70 represents «high satisfaction», as reported in the Sustainability Report.

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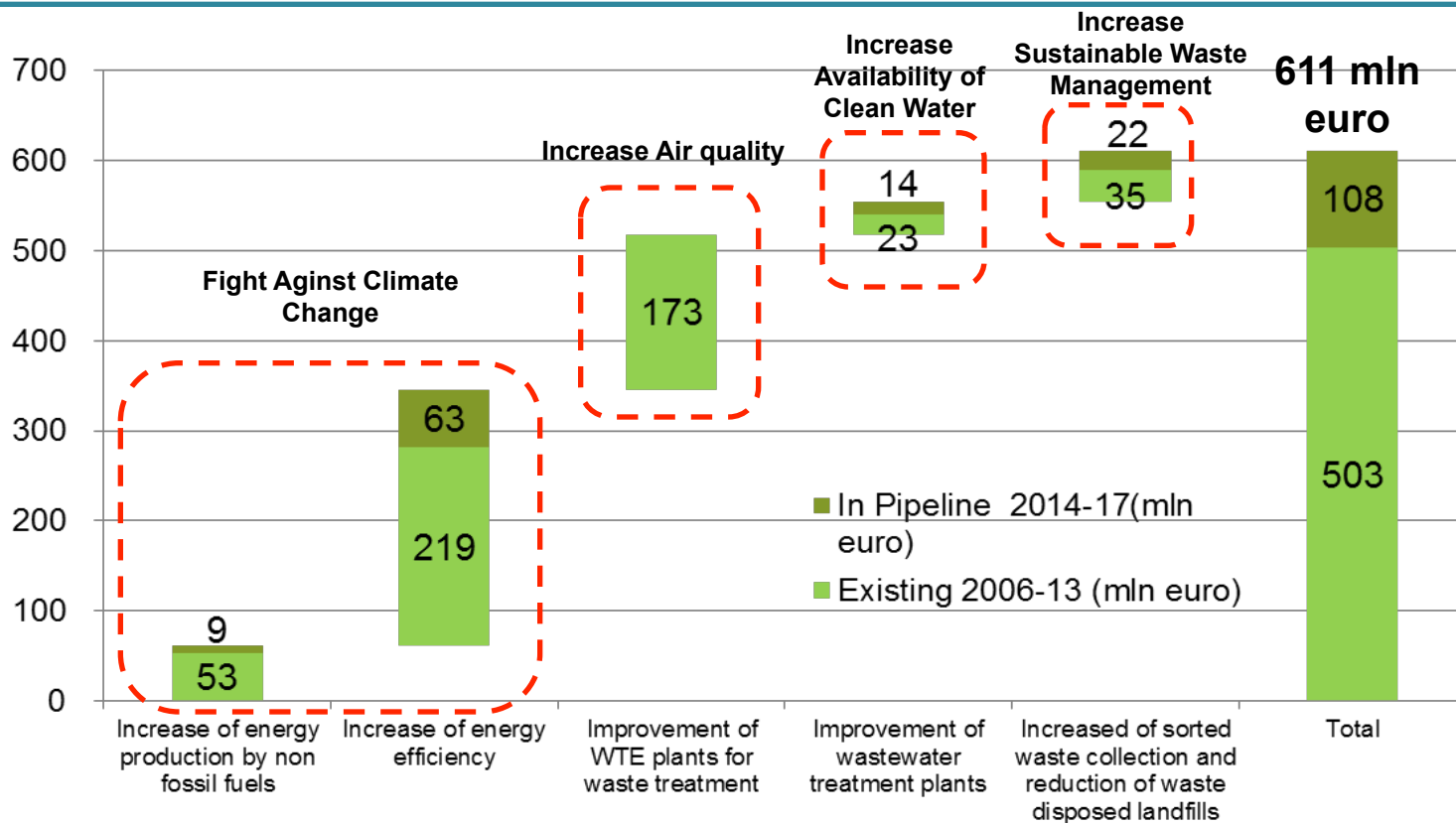
Green Bond

Selection Criteria of Projects Financed by the Green Bond

Environmental Category	Environmental Green Projects category	Definition of criteria for project eligibility
Fight Against Climate Change	Increase of energy production by non-fossil fuels	Photovoltaic plants for electrical energy production Biogas from landfills for electrical energy production Biogas from composting plants for electrical energy production District heating grids partly connected to cogeneration and/or thermal energy production plants from non-fossil fuels
	Increase of energy efficiency	High Efficiency Cogeneration, combined production of heat and power (CHP) Improve WTE plants efficiency to increase electrical energy production from waste treatment
	Improvement of WTE plants for waste treatment	Improve WTE plants efficiency to reduce air pollution from waste treatment
	Improvement of wastewater treatment plants	Improve wastewater treatment plants efficiency
Increase Air Quality		
Increase Availability of Clean Water		
Increase Sustainable Waste Management	Increase of sorted waste collection and disposal and reduction of waste disposed in landfills	Community recycling depot Dumpsters for sorted waste collection

Green Projects at Hera

Environmental investments selected for the Green Bond and reviewed by DNV-GL



Total Environmental investments Business Plan 2014-17 (€ mln)

Environmental investments ¹	Renewable	Energy efficiency	WTE Plants	Waste water	Waste	TOTAL	
	9	127	61	188	22	407 mln	996 mln
Other environmental investments ²	Energy	Water main	Waste management plants	Street lightning			
	186	231	162	10		589 mln	

¹Investments meeting the environmental criteria identified for the Green Bond issue – 108 million out of 407 million have been reviewed by DNV-GL

² Group environmental investments belonging to all area of business in Business Plan 2014-17

Green Bond: Structure Framework

Use of proceeds

- “The net proceeds of the issuance of the Notes will be used by the Issuer to finance and/or refinance, in whole or in part, Eligible Green Projects, carried out directly and/or indirectly through the Issuer’s Subsidiaries.”
- “Eligible Green Projects” include Air Quality Projects, Projects to Fight Against Climate Change Projects, Waste Management Projects and Water Quality Projects”
- Hera has chosen to have a mix of financing and refinancing projects through its green bond:
 - to show to investors that green investments at Hera are an historical strategic orientation that is part of its corporate DNA and that will continue in the future. The compliance of past projects with environmental criteria has been reviewed by DNV-GL under the framework of the “Environmental Protocol”.
 - to provide investors with immediate environmental indicators on past projects’ current and future achievements
 - to allow future green bond transactions based on future projects pipeline

Internal system to track the Use of Proceeds

- After issuance, net proceeds of the bonds will be immediately used to refinance some existing Eligible Green Projects.
- Pending application of the net proceeds toward financing of new Eligible Green Projects, the Issuer will hold such amounts, at its discretion, in cash or other liquid marketable instruments in its liquidity portfolio.
- The Issuer will establish internal tracking systems to monitor and account for the allocation of the proceeds.
- Such internal process has been reviewed by DNV-GL under the framework of the “Use of Proceeds protocol”.

Reporting

- Annually the projects financed Green Bond proceeds will be reported in the Group Sustainability report, according to the environmental project category and criteria defined. The information will be also available on Group CSR website.
- A list containing all the KPIs to be measured to monitor the performances of Green Projects is available on Appendices. KPIs are defined for all the abovementioned Green project categories.

Independent Opinion on Green Bond Integrity: DNV-GL Opinion

DNV Opinion



“Based on the information provided by Hera, the eligible projects that will be financed through the Green Bond have the potential to advance the objectives stated above, i.e., fight climate change, improve air quality, increase availability of clean water and improve sustainable waste management.

Furthermore, it is our opinion that the use-of-proceeds protocol developed for the Green Bond provides an appropriate means of tracking the use of proceeds of the bond and provides assurance to investors that the proceeds from the Green Bond will finance the nominated projects.

We applied the Environmental Protocol and the Use-of-Proceeds Protocol developed for the verification of environmental and use-of-proceeds criteria against the projects nominated by Hera.

On the basis of the information provided by Hera and the work undertaken, our opinion is that the Hera Green Bond meets the criteria set out in the Environmental and Use-of-Proceeds Protocols and is aligned with the Green Bond Principles”.

Scope

“Hera S.p.A is issuing a corporate “Green Bond” to finance projects belonging to the following categories, in line with Hera sustainable development commitments, strategy and objectives: Fight against climate change, Increase Air Quality, Improve availability of Clean Water, Increase Sustainable Waste management

Hera has commissioned DNV GL to provide an Opinion (“the Opinion”), based on the Green Bond Principles including its Appendices, in order to give external assurance to investors about the integrity of the bond with regards to the objectives stated above. The review was carried out in the period June 9 to June 20, 2014, and reflects our assessment of the subject matter at that moment in time.

No assurance is provided over the financial performance of the Bond or the value of any investments in the Bond, nor on the effective allocation of the bond’s proceeds. Our objective has been to provide assurance that the bond has met the criteria established on the basis set out below”.

Sources: Extracts from DNV GL Opinion letter, June 20th, 2014

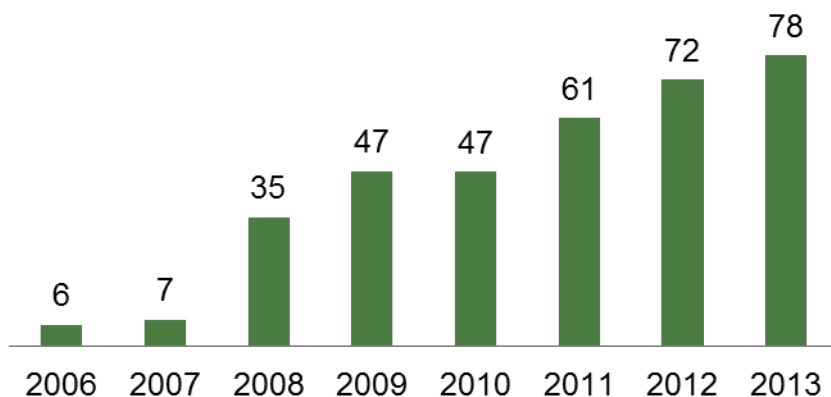
Green Investment: Increase of Energy Production from Non-fossil Fuels

Photovoltaic plants, anaerobic digestion plants (production of electricity from organic waste), biogas plants (production of electricity from landfill biogas). Future investments consider the acquisition of **3 operating photovoltaic** facilities for 1MWh (period 2014-17).

Investment	Date	Amount (mln Euro)
Photovoltaic plants (# 5)	2010-12	15
Biogas plants (# 7)	2006-13	5
Anaerobic digestion plants (# 3)	2008-13	33
<i>Pipeline of Photovoltaic plants (# 3)</i>	<i>2014-17</i>	<i>9</i>
Total		62



Renewable electric energy produced
(GWh)



Overall reduction of CO2
emitted in 2006-2013:
278,000 Tons

15 plants developed
in 2006- 2013

Green Investment – Increase of Energy Production From Non-Fossil Fuels: Example of Anaerobic Digester in Cesena

Hera manages (through Romagna Compost) a plant endowed with an **integrated anaerobic – aerobic system for the bio treatment of urban and special (but not dangerous) waste**.

The plant has a treatment capacity equal to:

- 40,000 ton/year of organic waste;
- 15,000 ton/year of lignocellulosic waste

The plant exclusively treats **organic materials**, which are reused based on the following process:

- Anaerobic Digestion** (in the absence of oxygen) of organic waste and production of biogas with high concentration of methane (around 55-60%) using the dry batch fermentation technology.
- Aerobic treatment** (in the presence of oxygen) of the outcome of anaerobic digestion (digested) through a first phase of intensive oxidation in aired lines and a second phase of aerobic stabilization in an aired slab.



The outcome after the process:

- Production of electricity and thermal energy via internal-combusting engines (cogenerators) fueled by the biogas (with concentration of methane of ca. 55%) produced by the anaerobic digestion
- Production of mixed compost, so called “Romagna Compost” (compliant with Law Decree 75/2010), that can also be used for bio agriculture.

**Electricity produced in 2013:
6,989 MWh
equal to the consumption of 2,588 families**

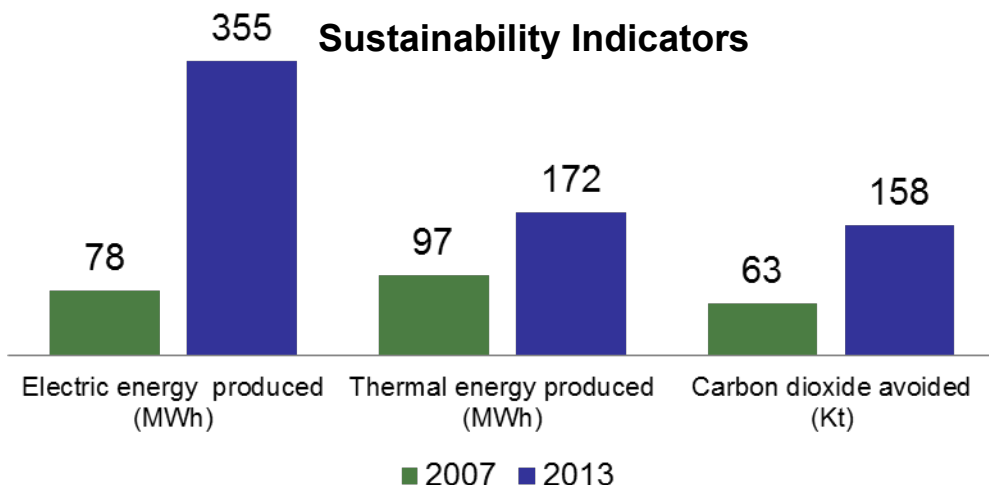
Green Investment: Increase of Energy Efficiency

Construction of cogeneration plants for the purpose of district heating (production of electricity and thermal energy), development of district heating network, increase in housing units served with thermal energy.

Investment	Date	Amount (mln euro)
Cogeneration plant in Imola: plant start in 2009	2006-13	91
Development of district heating network (BO, FE,FC,IF,MO)	2006-13	128
<i>Development of district heating¹ (BO,IF,FC,FE)</i>	2014-17	43
<i>Development of industrial cogeneration²</i>	2014-17	20
Total		282

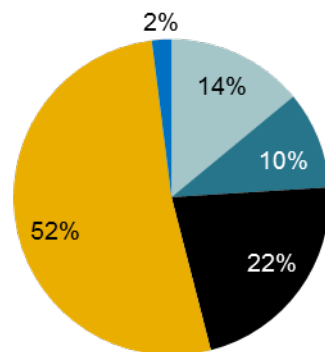
¹ Future investments: planned increase of citizens served for a total volume of 2.1mln m³ over the period 2014-2017

² Planned increase of installed capacity equal to 13MW by 2017



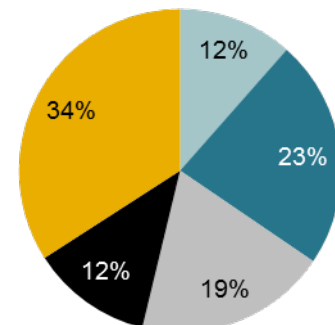
Sources used for district heating

2006



Geothermal
Waste to energy
Turbogas

2013



Methane for cogeneration
Methane for thermal boilers
Oil

Primary Energy saved:
34.460 TOE (Tons Oil Eq.)
+118% vs 2006

Over 82.000 housing units served
+65% vs. 2006

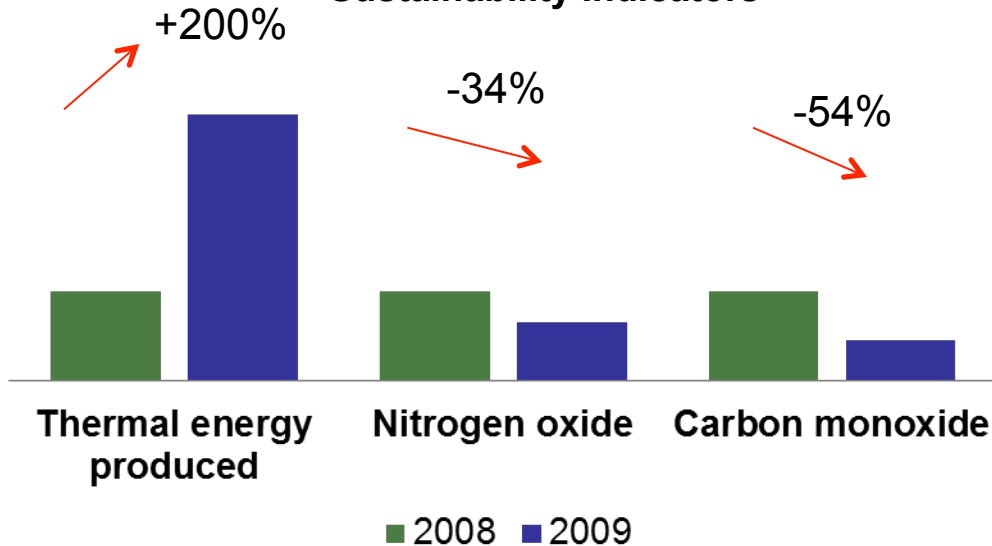
Green Investment - Increase of Energy Efficiency: Example of Imola

Plant for the production of electricity and thermal energy for the purposes of district heating in the Municipality of Imola.

- Location:** Casalegno (Imola)
- Capacity:** 80 MWe
- Start date:** 2009
- Amount:** 91 mln euro
- Certification:** EMAS, ISO14001
- Incentives:** Green Certificates for district heating



Sustainability Indicators



mg/Nm ³	National Limit	Authorized Limit	2013
Nitrogen oxide	60	15	7,1
Carbon monoxide	50	10	1,4
Ammonia Slip	Not envisaged	2,5	0,1
Total Particulate Matter	Not envisaged	5	<0,01
PM ₁₀	Not envisaged	1	<0,04

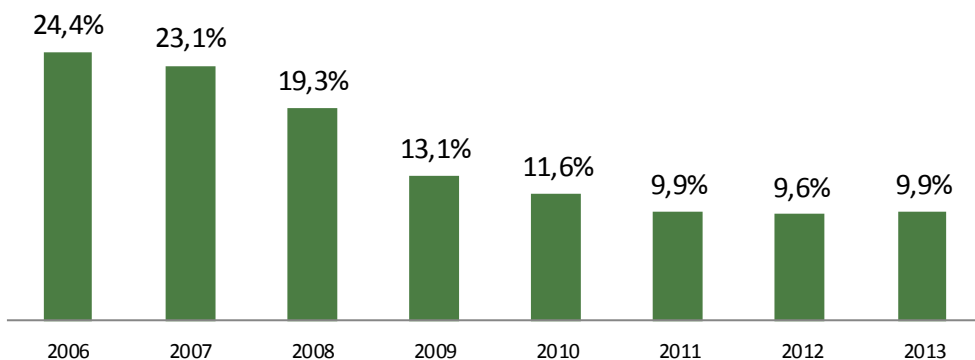
Green Investment: Improvement of WTE Plants for Waste Treatment

Revamping of existing plants to improve plant performances and reduce atmospheric emissions

Investment	Date	Plant start	Amount (mln euro)
WTE Ferrara:	2006-09	2008	43
WTE Modena fourth line	2006-11	2009	47
WTE Forlì	2006-10	2010	39
WTE Rimini	2006-11	2010	44
Total			173



Atmospheric Emissions compared to legal limits



* WTE atmospheric emissions (Ferrara, Forlì, Rimini, Modena plants) compared to legal limits defined by Italian D.Lgs. 133/2005 (best value <100%) (%)

Var. 2006 - 2013

- Waste treated: +82%
- Energy produced¹: +103% (equal to the consumption of over 124.000 families)
- Total emissions²: -2%

¹ Electric and Thermal energy produced in the considered plants

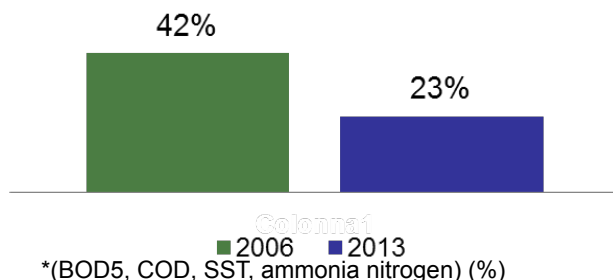
² Average of total emission variation of the following parameters monitored continuously: particulates, hydrochloric acid, nitric oxides, sulfur oxides, carbon monoxide, hydrofluoric acid and total organic carbon

Green Investment: Improvement of Wastewater Treatment Plants Efficiency

- Development of existing wastewater treatment plants and upgrade
- New wastewater treatment plants
 - The Piano Salvaguardia della Balneazione (PSB) in Rimini aims at reducing 100% the prohibition bathing and 84% the COD pollution.

Main plants financed	Date	Plant Start	Amount (mln euro)	Citizens equivalents
Forlì	2009-13	2013	7	250.000
Bologna	2009-12	2011	6	900.000
Lugo	2009-13	2012	5	270.000
Formellino – Faenza	2009-13	2011	3	99.000
Argenta	2009-12	2012	1	20.000
PSB Rimini	2013-18	-	15	-
Total			37	1.539.000

Quality of purified water compared to legal limits (best value <100%)*



Main investments to improve efficiency :

- Bologna : denitrification section, aimed mainly at improving the removal of nitrogen. the quality of outgoing water has improved in terms of ammonia nitrogen(-68%), in terms of BOD5 (-59%), as regards total phosphorus(-40%) and for total nitrogen (-21%). Electricity consumption remains stable.
- Forlì : total revamping of the plant. The quality of outgoing water shows an improvement in total nitrogen (-17%) and total phosphorus (-57%). Electricity consumption reduced of 33%.
- Lugo (RA): quality of outgoing water has improved with regard to all of the pollutants considered with percentage improvements in terms of COD (-14%), ammonia nitrogen (-89%), total nitrogen (-69%) . Electricity consumption remains stable.
- Formellino-Faenza: new disinfection section. The quality of outgoing water has improved in terms of total phosphorous (-34%), of total nitrogen (- 14%) , in terms of COD (-19%) and of BOD5 (-5%) Electricity consumption remains stable.
- Argenta (FE): quality of outgoing water has improved in terms of TSS (-27%), in terms of total nitrogen (- 35%) and total phosphorus(-32%) Electricity consumption fell by 41%.

Green Investment: Increase of Separate Waste Collection and Disposal and Reduction of Waste Disposed in Landfills

Extension of the separate waste collection services: purchase of waste containers (skips/drums, "igloo" bins) and construction of sorted waste collection plants

Investments	Date	Amount (mln euro)
Separate waste collection centres and containers	2009-13	18
Containers for separate waste collection	2009-13	16
<i>Development of separate waste collection services</i>		22
Total		56



of containers for separate waste collection
+45% vs. 2009

Size of containers for separate waste collection
+29% vs. 2009

Pro-capita separate waste collection 2013: 366 kg (+45% vs. 2006)

Urban waste collected and disposed via landfills in 2013: 16% (37% in 2006)
Average in Italy: 41%
Average in EU: 27%

Separate waste collection target 2017: +65%



Appendices

Use of Proceeds

*“The net proceeds of the issuance of the Notes will be used by the Issuer to finance and/or refinance, in whole or in part, **Eligible Green Projects** (as defined below), carried out directly and/or indirectly through the Issuer’s Subsidiaries.*

*“**Eligible Green Projects**” include Air Quality Projects, Projects to Fight Against Climate Change, Waste Management Projects and Water Quality Projects, each as defined below:*

- “Air Quality Projects” include capital expenditures in relation to the construction, management, extraordinary maintenance and operation of plants aimed at improving Waste-to-Energy (“WTE”) plants’ efficiency in order to reduce air pollution from waste treatment.
- “Projects to Fight Against Climate Change” include capital expenditures in relation to the construction, management, extraordinary maintenance and operation of plants and procedures related to (1) the increase of energy production by non-fossil fuels including (i) photovoltaic plants for electricity, (ii) biogas from landfills for electricity and (iii) biogas from composting plants for electricity and (2) the increase of energy efficiency through (i) high efficiency cogeneration, combined production of heat and power (CHP) systems, (ii) district heating grids partly connected to cogeneration and/or thermal energy production plants from non-fossil fuels and (iii) the improvement of WTE plants’ efficiency to increase electrical energy production from waste treatment.
- “Waste Management Projects” include capital expenditures in relation to the construction, management, extraordinary maintenance and operation of plants and procedures aimed at improving waste treatment plants efficiency and at reducing air pollution from waste treatment.
- “Water Quality Projects” include capital expenditures in relation to the construction, management, extraordinary maintenance and operation of plants and procedures aimed at improving wastewater treatment plants efficiency.

For the sake of completeness, Eligible Green Projects include new, on-going projects or existing projects funded since 2006. The list of the Eligible Green Projects which is expected to be refinanced by a portion of the net proceeds of the Notes is available from [the Issue Date] on the website of the Issuer (www.gruppohera.it). Upon issue of the Notes, DNV will attest that the criteria used to define and select Eligible Green Projects are compliant with the objective of the Issuer to have a positive impact on air quality, fight against climate change, promote sustainable waste management and water quality and that the projects financed through the Notes proceeds are compliant in all material aspects with these criteria.

After issuance, pending application of the net proceeds toward financing of new Eligible Green Projects, the Issuer will hold such amounts, at its discretion, in cash or other liquid marketable instruments in its liquidity portfolio. At the end of each calendar year and so long as the Notes are outstanding, the balance of the net proceeds of the issuance not already allocated to finance or refinance Eligible Green Projects will be reduced by amounts matching disbursements made during the calendar year to Eligible Green Projects. The Issuer will establish internal tracking systems to monitor and account for the allocation of the proceeds.

*A dedicated appendix will be included in the annual sustainability report of the Issuer (the “**Sustainability Report**”) referred to in page 95 of the Base Prospectus, which will continue to be verified by an independent third party and will focus on new Eligible Green Projects financed after the issuance of the Notes and on the compliance of the net proceeds’ allocation described above. In particular, the Sustainability Report will include the list of Eligible Green Projects financed and/or refinanced with the net proceeds of the Notes and information on Key Performance Indicators related to the Eligible Green Projects.”*

Full List of Selection Criteria of Projects Financed by the Green Bond

Categories	Environmental green projects category	Definition of criteria for projects admissibility	KPIs
Fight against climate change	Increase of energy production by non-fossil fuels	Photovoltaic plants for electrical energy production	<ul style="list-style-type: none"> - Net produced electricity from renewable non-fossil sources per operating year - Avoided CO2 emissions from fossil sources per operating year
		Biogas from landfills for electrical energy production	<ul style="list-style-type: none"> - Net produced electricity from renewable non-fossil sources per operating year - Avoided CO2 emissions from fossil sources per operating year
		Biogas from composting plants for electrical energy production	<ul style="list-style-type: none"> - Net produced electricity from renewable non-fossil sources per operating year - Avoided CO2 emissions from fossil sources per operating year
		District heating grids partly connected to cogeneration and/or thermal energy production plants from non-fossil fuels	<ul style="list-style-type: none"> - Distributed thermal energy per operating year - Mix of fuels used for district heating grids per operating year
	Increase of energy efficiency	High Efficiency Cogeneration, combined production of heat and power (CHP)	<ul style="list-style-type: none"> - PES Primary Energy Saving Indicator per operating year [%] - RISP Primary Energy Saving per operating year [MWh]
		Improve WTE plants efficiency to increase electrical energy production from waste treatment	<ul style="list-style-type: none"> - Net electrical energy produced per treated waste unit per operating year

Full List of Selection Criteria of Projects Financed by the Green Bond

Categories	Environmental green projects category	Definition of criteria for projects admissibility	KPIs
Air quality	Improvement of WTE plants for waste treatment	Improve WTE plants efficiency to reduce air pollution from waste treatment	- Quality of air emissions per treated waste unit per operating year
Water quality	Improvement of wastewater treatment plants	Improve wastewater treatment plants efficiency	- Inhabitants Equivalent - Quality of discharged water per treated water unit per operating year
Waste management	Increase of sorted waste collection and disposal and reduction of waste disposed in landfills	Community recycling depot	- Sorted waste collection for inhabitant per operational year - Sorted waste collection per operational year - Ratio of sorted waste to overall managed waste per operational year - New community recycling depots installed on territory per operational year
		Dumpsters for sorted waste collection	- Sorted waste collection for inhabitant per operational year - Number of dumpsters for sorted collection per operational year - Volume of waste dumpsters for sorted collection per operational year

Main Awards

The efforts of Hera Group to create sustainable value have been widely recognised by significant awards which certify the actions taken towards the social responsibility, the web communication, the environment and the technology of the new plants



**Top Employer
2013**



**3rd place On-line
Communication
2013**



**Best Urban
Hygiene Services
Provider
2013**



**2nd place
CSR On-line
2013**



**Best Utility
2012**



**Sustainable
Project 2012**



**“Sulle tracce
dei rifiuti 2012”**



**Best IR Websites
in EU 2012**

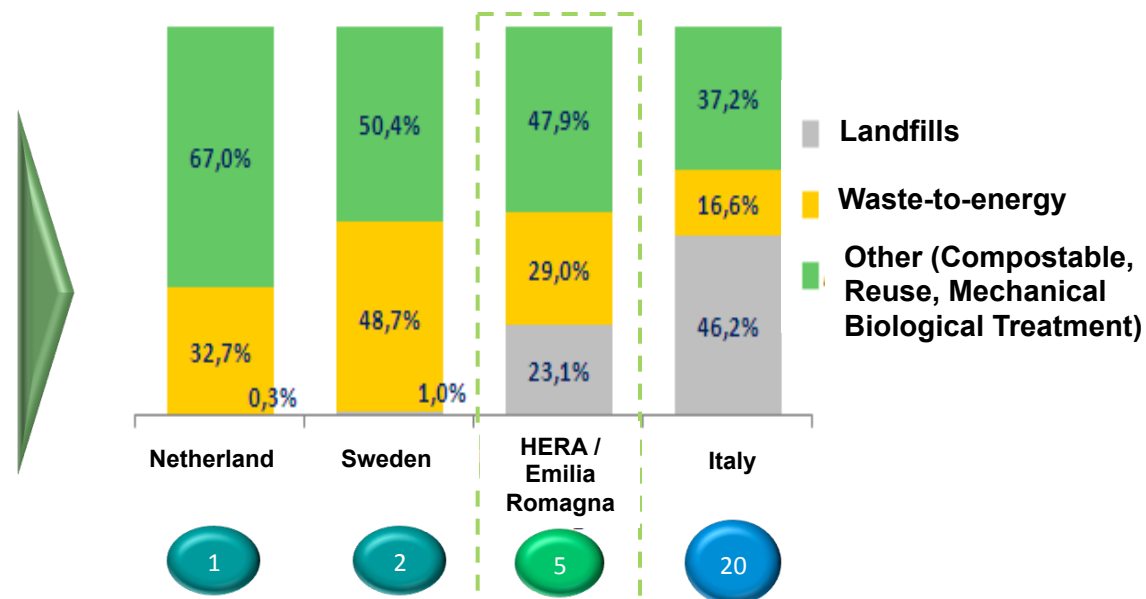


**Sustainable
Project 2012**

Green Investment : Separate Waste Collection and Urban Waste Management

In August 2012, the European Commission published a report on the urban waste management in the EU member states

Based on the most efficient management systems in Europe, **Hera and Emilia Romagna would rank #5**



Source: Screening of Waste management performance of EU member states, European Commission , July 2012

