COMPANY PROFILE

The identity, history, numbers and activities of a Group serving the country and its citizens

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Hera Group is one of Italy’s leading multi-utility companies, offering primary utility services that are vital for ensuring the development of the country and the communities served.
HERA’S GOAL IS TO BE THE BEST MULTI-UTILITY IN ITALY FOR ITS CUSTOMERS, EMPLOYEES AND SHAREHOLDERS. IT AIMS TO ACHIEVE THIS BY DEVELOPING AN ORIGINAL BUSINESS MODEL CAPABLE OF RADICAL INNOVATION, WHILST FULLY RESPECTING THE ENVIRONMENT AND WITH STRONG LOCAL ROOTS.
HERA, HOLDING ENERGIA RISORSE AMBIENTE

Created in 2002, Hera was the first example in Italy of the combination of municipal companies (involving 11 such companies operating in Emilia-Romagna) into a single multi-utility capable of creating a true “public service industry”. Over time, Hera has undertaken a path of constant, balanced growth, incorporating other companies active in the same areas.

Today, Hera is one of Italy’s biggest local utility companies and operates mainly in environmental services (collection and disposal of waste), energy (distribution and sale of electricity and gas) and water (mains water, sewerage and purification). The Group employs over 8,500 people, who are committed to responding to the various needs of more than 3.6 million citizens on a daily basis.
A LEADER IN WASTE MANAGEMENT, WATER AND ENERGY SERVICES

Hera Group is a sound company with a business model that is unique in Italy.

Strong local roots, an aptitude for innovation and an independent management: these are the key elements of a growth strategy that makes Hera’s business model totally unique within the public services sector in Italy.

This strategy has enabled the Group to achieve constant, balanced growth in all its main areas of activity, whether in regulated or free-market operations, helping it to become an industry leader.
4th operator
IN THE SALE
OF ELECTRICITY
9.4 TWh
OF ELECTRICITY
SOLD
720 thousand
ELECTRICITY
CUSTOMERS
12 thousand km
POWER GRID

3rd operator
IN GAS DISTRIBUTION
3.2 billion/m³
OF GAS DISTRIBUTED
1.7 million
GAS CUSTOMERS
20,600 km
GAS NETWORK

Piazza Unità d’Italia in Trieste
EXCELLENCE IN LOCAL PUBLIC SERVICES

Hera was born out of the gradual combination of companies formerly owned by municipal authorities, initially within Emilia-Romagna and subsequently also from the Adriatic and North-Eastern regions. As a result, around 59% of the Company’s share capital is currently held by over 180 municipalities within Emilia-Romagna, as well as by the municipal authorities of Padua and Trieste, due to the incorporation of AcegasAps, and of Udine, thanks to the recent integration of Amga. Hera’s shareholder structure also includes several Emilia-Romagna-based banking foundations: Carimonte Holding S.p.A. (owned by the Cassa di Risparmio di Modena Foundation and the Banca del Monte di Bologna e Ravenna Foundation), the Cassa dei Risparmi di Forlì Foundation, the Cassa di Risparmio di Imola Foundation and the Cassa di Risparmio di Modena Foundation. More than 33% of the share capital is free-floating, with both private shareholders and institutional investors acquiring these shares.

The shareholder municipalities have signed a shareholders’ pact covering 51% of the share capital, thereby guaranteeing that a majority of the Company will remain in public hands. Another shareholders’ pact is in place between some of Hera’s private shareholders, which covers 7.6% of the share capital. The parties to this agreement include the banking foundations and Società Gas Rimini S.p.A. This broad shareholder structure, a distinctive feature of the Italian multi-utility sector, has always meant that the Group has an independent and authoritative management that responds to the wishes expressed by the shareholders represented on the Board of Directors whilst still being able to pursue wide-ranging strategies aimed at the overall development of the business.
The Hera Group headquarters in Bologna

CORPORATE GOVERNANCE ONLINE. Hera Group’s website contains an extensive section dedicated to corporate governance (www.gruppohera.it/gruppo/corporate_governance) where, in addition to the composition of the corporate boards, you can find details on corporate governance regulations (articles of association, governance report, etc.), an up-to-date calendar of corporate events and a useful section explaining the most commonly used corporate governance terminology.
HERA GROUP’S PATH OF DEVELOPMENT

Hera was founded in 2002 as a result of the combination of 11 municipal companies.

HERA’S VISION
The experience and history of the various municipal companies from which it was created have given Hera a wealth of expertise, technology and local knowledge.

THE KEY STAGES OF HERA’S JOURNEY
- Creation of Hera
- Listing on the stock market
- Acquisition of AGA (Ferrara)
- Acquisition of Meta (Modena)
- Acquisition of:
  - GEAT (Riccione)
  - ASPES (Pesaro)
  - SAT (Sassuolo)

2002  2003  2004  2005  2006

Vehicle belonging to the Bologna municipal gas company.
Photo: Zagnoli, c. 1960
Hera’s wealth of expertise, technological excellence and ability to understand the needs of the local community lie at the heart of its tradition of efficiency, innovation and closeness to the people of the Emilia-Romagna municipal companies.

In 2002, 11 such municipal companies, including the Bologna-based Seabo and a number of Romagna companies, joined together to satisfy the growing needs of an extremely dynamic region and to maximise the value of the assets held by the municipalities in their respective companies. The new company was listed on the stock market in 2003, representing the first operation of this scale in Italy’s highly fragmented local public services sector.

Hera Group immediately positioned itself as a major player in the consolidation taking place in the sector and began a path of constant growth, to be achieved both organically and through a major programme of acquisitions of other former municipal companies in the region, including Meta Modena in 2005. Over time, this expansion was extended to include the Marche region (via the creation of Marche Multiservizi in 2007) and, more recently, the north-east, with the integration of AcegasAps (Padua and Trieste) in 2013 and Amga Udine in 2014.
The quantity, nature and variety of services offered make Hera’s business especially complicated. Since its creation, the Group has been active in four key service areas: integrated water cycle (catchment, treatment, distribution of drinking water and complete management of the sewerage and purification cycle), environment (waste collection and street cleaning, waste recovery, treatment and disposal), gas (distribution and sale of methane gas, district heating service), and electricity (distribution and sale of electricity). Other activities include public lighting and telecommunication services. Regulations and tariffs also differ in the various service areas. The water cycle, urban hygiene, urban waste treatment and disposal, and distribution of electricity and gas are subject to regulated tariffs, meaning they are decided by control and supervisory authorities. The sale of electricity and gas and the treatment and disposal of special waste, on the other hand, are subject to free-market tariffs, albeit under the scope of precise references and regulatory constraints. The various operating areas pertain to three distinct segments, which are standardised in terms of complementary services, the possibility of synergies and, often, tariff and regulatory system: networks (integrated water cycle, distribution of gas and electricity), environment (urban hygiene, waste recovery, treatment and disposal), and energy (sale of electricity and gas).

THE BUSINESS PORTFOLIO

SERVICES: THE ABILITY TO MANAGE COMPLEXITY
There are various specialist companies operating within each segment. The Group also contains regional companies that oversee all locally managed services, as well as companies that specialise in complementary business, such as public lighting and telecommunications.

The diagram below shows the main Group companies based on this classification.

- **Environment**
  - HERAMBIENTE
  - AKRON

- **Energy**
  - HERA COMM
  - HERA COMM MARCHE
  - HERA TRADING
  - HERA ENERGIE RINNOVABILI
  - EST ENERGY

- **Networks**

- **Other**
  - HERA LUCE
  - ACANTHO SPA

- **Regional Companies**
  - AEGAS-APS ANGA
  - MARCHE MULTISERVIZI (HERA OWNS 44.82%)
Managing networks spanning 20 thousand km, Hera Group distributes natural gas to 1.7 million customers in the provinces of Bologna, Ravenna, Forlì-Cesena, Ferrara, Modena, Rimini, Florence, Padua, Trieste, Gorizia and Udine. Through its subsidiary Marche Multiservizi, it also has a presence in the province of Pesaro-Urbino. Management of the gas networks is based on efficiency and constant attention to safety, which is possible thanks partly to considerable investment in innovative projects and improving the service.

One of Hera’s key strengths in this area is its emergency repair system. Coordinated by a remote control centre that is among the most advanced in Europe, it provides on-site assistance in around 34 minutes on average.

Hera has also launched a large-scale programme to replace mechanical gas meters with new electronic devices, a technological revolution involving high-consumption customers that will soon be extended to cover standard domestic usage.

In Bologna, Imola, Forlì, Cesena, Ferrara, Modena, Ravenna and Padua, the Group also offers district heating services, providing heat to buildings located far away from the point of production. With networks spanning 460 km, Hera serves around 82 thousand apartments. In 2013, its environmentally friendly technology enabled it to achieve a primary energy saving of more than 34 thousand Tonnes of Oil Equivalent (TOE).

The safety of the gas networks is backed up by an inspection schedule aimed at searching for any hidden irregularities and providing an immediate repair service. The extent of the inspection goes well beyond the minimum standard required, with 68.7% of high- and medium-pressure networks and 80.9% of low-pressure networks inspected, compared with the levels of 30% and 20% respectively set out by the Electricity, Gas and Water Authority. The proportion of AcegasAps networks inspected is 92.1% for high- and medium-pressure networks and 84% for low-pressure networks.

A detail of the Ferrara district heating plant
**GAS TENDERS**

Legislative Decree 164/00 has introduced a public tender process for the awarding of local gas distribution concessions in Italy. The new legislation has defined 177 regions (generally one or two per province) in which tenders will be announced between 2014 and 2018, identifying a fairly broad scope (on average around 200 thousand redelivery points). The tenders will involve a network management of 12 years, with those awarded concessions being required to reimburse the outgoing manager any residual value the network may have. This multi-year process will result in a concentration of operators, which will be able to make investments and ensure higher standards of service and efficiency thanks to their larger scale. In Italy, unlike in most European countries, the management of local gas networks is fragmented, mainly among small and medium-sized operators: **of more than 200 active operators, the largest five cover 60% of the market**. This means that most operators struggle to generate synergies to reduce management costs (and therefore end-customer distribution tariffs) and make the necessary investments to ensure the quality and safety of the service, as well as to meet the increasingly stringent quality standards set out by the Electricity, Gas and Water Authority.

**REMOTE CONTROL**

The Forlì regional remote control centre is the only building of its kind in Italy. It monitors 220 thousand points and performs real-time control of the functioning of Hera’s plant system and water, gas and district heating networks, which cover 70 thousand km in Emilia-Romagna and Tuscany, as well as providing remote assistance should any irregularities be identified. The centre’s 60 staff also operate an emergency repair call centre, which is open 24 hours a day, seven days a week and receives over 300 thousand phone calls a year from throughout the region. By March 2015, the centre will be extended to cover the networks and plants of AcegasApsAmga, located in the regional capitals and the provinces of Trieste, Padua, Gorizia and Udine.

**THE ANTI-INTERFERENCE PROJECT**

In recent years, Hera has worked with the Emilia-Romagna region to map all the stretches of gas network it managed in the region, supplementing traditional information about gas pipelines with environmental information such as hydrogeological instability and seismic risk. This activity, which is ongoing and involves periodic updates, enables Hera to tailor its service management according to the risks present. It is one of the first projects of this kind in Italy which goes into such detail.
ENVIRONMENTAL HYGIENE
AN INTEGRATED SERVICE IN 196 MUNICIPALITIES

An efficient system that responds to the characteristics of each community

The environmental hygiene services provided by Hera Group in 196 municipalities in Emilia-Romagna, Friuli-Venezia Giulia, Marche, Tuscany and Veneto are part of an integrated waste management system. Activities include sorted urban waste collection, washing and cleaning roads, pavements and porticos, cleaning up green areas and complementary services such as the reclamation of degraded areas and cleaning up beaches. Maintaining a strong link with the local area is key to the corporate mission, with the Group’s environmental services being the result of many years of experience and collaboration with local authorities in order to identify the best management techniques and waste collection systems to suit the various regional and urban characteristics of each community.

- 3.3 million citizens served
- 196 municipalities served
- 52.6% sorted waste collection
- 2 mln tonnes/year of urban waste collected
- 171 collection centres

The historic centre of Imola
With regard to collection, the Hera organisational model is aimed at collecting material in order to maximise the quantity and quality of separated waste collection through a technically and economically sustainable service.

Hera’s waste management system (WMS) features three main services:

- **LOCAL COLLECTION:** for households and small non-domestic users, carried out in accordance with the methods which best suit the context, from roadside containers grouped together by collection type to electronically monitored roadside containers and door-to-door household collections. The Group has made considerable investments in innovative automated roadside collection systems capable of increasing quantities of separated waste while having a minimal impact on citizens’ habits;

- **“TARGET USER” HOME COLLECTIONS:** for non-domestic users that produce specific waste similar to urban waste (cardboard from shops, glass or cans from bars, organic waste from canteens and restaurants, etc.);

- **SEPARATED WASTE COLLECTION CENTRES:** also known as ecological stations, these facilities complete the range of services on offer to citizens, with the sorted collection of all types of urban waste, including hazardous waste.

The entire system is integrated with other extensive collections, such as the on-request collection of bulky waste, green waste collections, and the collection of certain types of waste, including hazardous waste, from specific premises (such as batteries and drugs).

In each municipality, local waste collection usually features a combination of these methods. The flexibility of the method proposed by Hera allows the most suitable collection systems in terms of economic sustainability to be applied in the various areas (historic town centre, industrial zones, residential areas, rural areas, etc.)

### SORTED WASTE COLLECTION

<table>
<thead>
<tr>
<th>Year</th>
<th>Green waste</th>
<th>Plastic</th>
<th>Glass</th>
<th>Other metals</th>
<th>Paper</th>
<th>Wood</th>
<th>Organic waste</th>
<th>Iron</th>
<th>Glass</th>
<th>Other metals</th>
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<tbody>
<tr>
<td>2006</td>
<td>63.9 kg</td>
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<td>1.4 kg</td>
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<td>1.4 kg</td>
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<td>2007</td>
<td>58.7 kg</td>
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<td>2008</td>
<td>30.6 kg</td>
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<td>2009</td>
<td>45.0 kg</td>
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<td>2010</td>
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<td>2011</td>
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<td>2012</td>
<td>50.5%</td>
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<td>2013</td>
<td>52.6%</td>
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</tr>
</tbody>
</table>

### SORTED WASTE COLLECTION PER CAPITA

(Alt. lbs/inhabitants/year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Paper</th>
<th>Wood</th>
<th>Green waste</th>
<th>Plastic</th>
<th>Organic waste</th>
<th>Iron</th>
<th>Glass</th>
<th>Other metals</th>
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<td>2006</td>
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### TRACKING DOWN WASTE

Through the “Tracking down waste” project, Hera is committed to accounting annually for the percentage of sorted waste collection which is effectively recovered in the municipalities of Emilia-Romagna served by the Company and in its treatment plants. Focusing on the eight main recovery chains (paper, wood, green waste, plastic, organic waste, iron, glass and other metals), the figures for 2012 showed that more than 93.5% of separated waste collection was effectively recovered.

↑ The size of the coloured circles indicates the amount collected for each inhabitant, while the size of the white circles indicates the quantity not recovered.
The Waste Treatment Business

Herambiente, a subsidiary of the Group, is Italy’s leading waste disposal operator. A unique range of services for businesses...

Herambiente was established on 1 July 2009 from the Hera Group Environment Division, as a result of the desire to concentrate the Group’s exclusive expertise and well-equipped facilities in a new company, a leader in the waste disposal sector. With 75 plants and 5.4 million tonnes of waste treated, Herambiente is Italy’s leading operator in the sector. In 2010, with a view to medium- and long-term investment, 25% of Herambiente’s share capital was acquired by Ambiente Arancione Cooperatief U.A., a vehicle for equity investments controlled by UK fund EISER Infrastructure Limited and Dutch pension fund APG. A shareholder of major importance, it consolidated Herambiente’s growth programme with a view to gradually further strengthening its position as a national leader. Its considerable plant resources enable it to respond efficiently and promptly to the treatment needs of all kinds of waste, including hazardous and non-hazardous special waste, and to cover all areas of treatment: storage and initial pre-treatment, the selection and recovery of dry materials (paper, cardboard, glass, plastic and cans), anaerobic digestion and composting, waste-to-energy production with high energy recovery, landfills, chemical and physical treatment of liquid waste, and recovery or safe disposal of muddy waste and powdery waste.

In addition to Herambiente’s facilities, the plants managed by the Marche Multiservizi group and by AcegasApsAmga take the total volume of waste treated by Hera Group to 6.3 million tonnes. This plant base is used for urban waste and waste produced by industrial activities. Herambiente has strengthened its commercial presence with the creation in 2014 of Herambiente Servizi Industriali, which combines the experience accrued by Herambiente and AcegasApsAmga.

↑ View of the Romagna countryside

*Hera Group Total
The company is involved in the management of industrial waste and associated environmental services as a key partner of all companies throughout the country, offering full-service waste management solutions, with two sales offices in Ravenna and Padua. Herambiente Servizi Industriali currently serves more than 2 thousand small and medium-sized businesses and over 150 large companies, with around 300 thousand tonnes of waste treated or traded.

Herambiente’s development strategy pursues the responsible management of natural resources through an integrated system that is fully compliant with the regulatory framework and in line with the priorities established by European directives for the industry:

- reducing the amount and hazardous nature of waste produced;
- promoting the reuse, recycling and recovery of materials and energy;
- minimising disposal in landfills.

In line with European best practice, Herambiente is continuing to reduce the percentage of urban waste disposed in landfills, which fell from 30.1% in 2009 to 16.4% in 2013.

LARGE PLANT ENGINEERING

One of the characteristics that makes Hera Group stand out from other domestic and international operators is its capacity to carry out in-house design and construction work for waste treatment and electricity and thermal energy plants. These skills have been developed by the Large Plant Engineering Division, which takes care of all stages, from conception to operational start-up and final inspection. The Group’s expertise in this area is renowned both in Italy and internationally, with an increasing number of projects designed and executed by Hera technicians on behalf of other Italian and foreign companies.

WASTE BECOMES A RESOURCE: ENERGY RECOVERY

Waste can be used to obtain material that can subsequently be reintroduced into the production cycle (mainly through separated waste collection) and energy (particularly through biomass treatment, anaerobic digestion, conversion into energy of biogas from landfills and waste-to-energy production). This means that the best possible use is made of waste that would otherwise end up in landfills. By taking full advantage of the capacity of plants and investing in dedicated sections of the waste management chain, Herambiente produced 817 GWh of electricity and 240 GWh of thermal energy in 2013. This was in addition to the 218 GWh of electricity generated by AcegasApsAmga and the 17 GWh by Marche Multiservizi.

The energy produced by Hera Group from waste is therefore sufficient to cover the energy consumption of more than 416 thousand families.

The Romagna Compost plant in Cesena
WATER SERVICE: MANAGEMENT OF A SHARED RESOURCE

The water cycle that serves 3.6 million citizens

Hera Group is one of the largest domestic operators in integrated water service management. With a total network of over 53 thousand km and approximately 1,400 production plants (such as wells), potability treatment and purification plants, 3.6 million citizens receive catchment, purification, distribution, sewerage and depuration services. Thanks to considerable investments in infrastructure (€1 billion in the last 10 years for Hera S.p.A. alone) and the implementation of technological solutions involving automation and remote control, the Group provides continuity of supply, excellent water quality and a network whose percentage of leaks is one of the lowest in the country (27.8% in 2012, compared with a national average of 32%).

Hera is committed to paying close attention to the quality of the drinking water provided and the water that is subsequently purified and reintroduced into the environment, with over 335 thousand tests conducted each year throughout the Group’s area of activity, or more than 918 per day. Hera ensures full compliance with regulatory requirements through targeted checks at all stages of the cycle, via analysis and monitoring activities managed by the Laboratories System. With 75 specialised technicians, two main sites and seven logistics units located throughout the region, the research laboratories, which are accredited and certified in compliance with the highest industry standards, ensure optimum monitoring of the water service in the Emilia-Romagna region using tests conducted on drinking water samples taken from throughout the entire network.

Hera Group aims to provide a water cycle service that fully satisfies the needs of the communities served, with levels of service that are as standardised as possible throughout the various areas. Specifically, providing a continuous service and reducing leaks are at the heart of the “smart grid” experimental projects, which range from remote water meter reading to the division of the water network into districts in order to record and report any irregularities in consumption and subsequently search for hidden leaks. Hera has also launched an innovative service for the customers served in Emilia-Romagna: a free SMS alert in the event of planned interruptions to the water service.

3.6 million CITIZENS SERVED

298 mln/m³ OF WATER SOLD

↑ The historic centre of Rimini
Hera’s website has been expanded to include a section dedicated entirely to the water cycle, with a number of useful facts and details. The new section can also be used to consult the “In buone acque” (“In good waters”) report on drinking water quality. You can also view the “L’esperto risponde” (“Ask the expert”) section, which contains frequently asked questions, data on the quality of the water distributed in each municipality and a map of Hera’s plants. To view the website’s water section, visit www.gruppohera.it/acqua.
Over 12 thousand km of network serving 623 thousand inhabitants

Hera also oversees the distribution of electricity through 12 thousand km of grids in 26 municipalities in the provinces of Modena, Bologna, Ravenna, Gorizia and Trieste, serving a total of around 623 thousand inhabitants.

The Group’s main commitment in this sector is the implementation of smart grids and the distribution of digital meters. These are designed to ensure the fast and remote management and exchange of an enormous volume of information about effective electricity consumption between producer, distributor and consumer.
COMPANY PROFILE

The Modena remote control centre

From Modena, Hera’s electricity remote control centre manages more than 10 thousand km of electricity grids and power stations in 24 municipalities in the provinces of Bologna, Modena and Ravenna, an area that is home to over 390 thousand people. This means that the service is managed by a single control centre, enabling it to make the most of the new technologies implemented by Hera, such as remote control and automation, to offer its customers a high-quality service. The centre is monitored around the clock and works in close contact with the electricity call centre, which takes phone calls from all citizens served by Hera seeking assistance from the electricity emergency callout service (around 22 thousand calls are made each year).

The challenge facing electricity distributors today is how to adapt their grids to the increasing production of electricity from alternative energy sources. An ever larger number of users are moving from passive consumers to active producers, becoming “prosumers”. As a result of this change, smart grids are required, since they have the flexibility to manage the changes in the power load (sudden peaks or troughs) resulting from the injection into the grid of energy from renewable sources, such as solar, wind or hydroelectric power, caused by unpredictable weather conditions. A smart grid predicts and minimises the impact of problems and can remotely communicate with users. In addition to this, a smart grid integrates and manages the actions of all users connected to the grid and of the withdrawal and generation points, ensuring the efficiency of the system and maintaining high levels of safety, continuity and quality of the supply.

Hera Group began investing in smart grids some time ago, launching projects such as grid automation and charging stations for electric cars. The Group’s significant initiatives also include a grid modelling project, which involves simulating the behaviour of the “real” grid. A special IT application can be used to study the effects of the connection of a photovoltaic plant or an unforeseen fault at a primary power station, thereby providing information on the grid’s behaviour in advance, which can be used to formulate effective, timely responses.

SMART GRIDS: MAKING THE BEST POSSIBLE USE OF RENEWABLES

↑ The Modena remote control centre
September 2013 saw the launch of HEnergia, the Forlì-based centre for applied research into renewable energies, which Hera created in order to study the new frontiers of the green economy: solar power and hydrogen fuel, as well as biomass in the future. The centre, which is the only one of its kind in the Italian utilities sector, was created in collaboration with the Department of Industrial Engineering at the University of Bologna, and is expected to make a significant contribution to Italy’s research base, with an ongoing focus on industrial applications.

In 2013 alone, Hera presented Gestore Servizi Energetici (the government body that awards energy efficiency incentives) with 35 energy efficiency projects, including 18 relating to Group plants, which will produce an estimated saving of over 155 thousand toe. The projects eligible for white certificates relate to areas including water treatment plants, waste water purification plants, public lighting, remote cooling, gas networks, waste-to-energy plants for urban waste, and biodigester plants for organic waste from separated collection.

The Group has also developed a number of projects in collaboration with third-party companies operating in the industrial sector (particularly in the food, textile, chemical, ceramics, metallurgy and engineering industries) and with major retailers. Due to their highly innovative nature, the energy efficiency measures proposed by Hera were mentioned in the International Energy Agency’s 2013 report and are considered to be among the most important such measures being studied around the world.

Hera Group, also through its subsidiary Hera Energie Rinnovabili, is extremely committed to generating energy from renewable and similar sources with a low environmental impact, which currently represent 72% of the Group’s total production. Net energy produced from such sources is 1,541 GWh, equivalent to the energy consumed by 440 thousand households, with two thirds coming from electricity and one third from thermal energy. Hera has the fourth-highest level of energy efficiency of all Italian operators, a position it has achieved through targeted measures at its plants, at end-customer production systems and in the industrial cogeneration sector.

The Group offers considerable expertise in the execution of energy efficiency projects, in collaboration with industrial customers, with a view to identifying and designing energy optimisation measures, as well as acquiring economic incentives in the form of white certificates.

ENERGY SERVICES AND RENEWABLE ENERGY PRODUCTION
THE STRATEGIC IMPORTANCE OF TRADING

The sale of natural gas and electricity has contributed to the growth of the Group in the energy sector.

Hera Group has always been one of the leading national operators in the distribution and sale of natural gas, with 3.4 billion cubic metres sold, 1.4 million sales customers and 1.7 million distribution customers. It has gradually extended its presence to include electricity sales, reaching a total of 720 thousand customers with 9.4 TWh of energy sold.

Energy procurement policies, whether for gas or electricity, are a key factor in Hera’s commercial success. Another important element has been the development of expertise in the wholesale market since the process of liberalising energy markets was begun. Today, via Hera Trading, the Group operates in the gas sector at the virtual exchange point in Italy and at the major European hubs (Baumgarten in Austria, NCG in Germany and TTF in the Netherlands). In the electricity sector, in addition to its presence on the Italian electricity market, Hera operates on the markets of France, Switzerland, Germany, Austria and Slovenia.

Its gas portfolio consists of a particularly efficient mix based on short-term spot contracts that reflect the best conditions available at the time. Hera has recently signed a long-term agreement with the Shah Deniz consortium to buy gas from Azerbaijan via the Trans Adriatic Pipeline (TAP), on which work is due to begin shortly.

With regard to electricity, the Group has favoured a balanced, flexible mix of supplies, involving purchases on the Italian electricity market, imports from bordering countries and some autonomous power generation. Hera produces 145 MW of electricity from cogeneration and has photovoltaic plants with a capacity of 10 MW spread throughout the country, as well as generating energy from waste recovery, with 113 MW of installed capacity in the form of biodigester plants, waste-to-energy plants and biogas production plants at landfills.
The Group is one of the major operators in Italy in the sale of free-market energy services through Hera Comm. It has adopted a winning strategy based on a multi-business approach and tailor-made solutions to best respond to customers’ needs, taking into account changes in lifestyle and consumption. In addition to sales of gas and electricity on the free market, Hera Comm is responsible for invoicing and after-sales assistance through both physical (customer branches) and virtual (online services, call centres) channels for all services managed by the Group. Hera Comm offers its energy services through a well-organised sales network that is capable of adapting to the various characteristics of the market segments it deals with. It benefits from both a “physical” network of branches, key account managers and agents, and separate contact channels such as call centres and online services. In addition to sales activities, Hera Comm constantly monitors service quality standards so as to ensure reliability and transparency for its customers.

Recent developments in the Triveneto area have resulted in Hera Group also holding 51% of Est Energy, an energy services sales company active in Veneto and Friuli-Venezia Giulia that also manages AcegasApsAmga customer branches in Padua and Trieste. The Group also controls AcegasAps Service, which operates a standard offer service in the municipality of Trieste, and Amga Energia e Servizi, which is active in electricity and gas sales, primarily in the municipality of Udine.
The importance of customers and their needs to the Group’s sales policy has led it to strengthen contact channels and service standards in recent years, including when it comes to after-sales service. Transparency, reliability and availability are the lynchpins of an extensive and all-embracing customer relations system consisting of call centres, online services and, most importantly, a network of 154 Group branches, including 120 for Hera, 19 for Marche Multiservizi and 15 for AcegasAps and Amga Energia e Servizi. The Company has invested considerable resources in these branches to improve the welcome customers receive, keep waiting times to a minimum and extend opening hours. The development of specific IT systems and organisational improvements have led to an average wait time at branches of 13.2 minutes. In order to offer a more accessible service, the Group’s website highlights the area that customers can use to access the Hera Online portal, which is available around the clock. Customers can also take advantage of two freephone numbers (one for residential customers and one for businesses) designed to enable the Group to respond promptly to their various needs. Hera’s customer satisfaction survey shows an overall approval rating of 75% among residential customers, the highest level ever recorded. The Group’s work at its branches and call centres was also deemed excellent, receiving approval ratings of 76% and 73% respectively.

THE NEW BILL: STRAIGHTFORWARD AND EASY TO UNDERSTAND. After listening to the suggestions of a great many of its customers, Hera has created a new bill that is both more transparent and easier to read and understand, thanks to a reorganisation of its content, the inclusion of a graphic showing consumption trends and colour highlighting to indicate the key figures and those of greatest interest. The new bill has retained the landscape format and the use of icons for the various services invoiced, distinctive features of which customers approve. Citizens are also paying ever greater attention to the environment: in 2013, around 53 thousand Hera customers signed up to the “Elimina la bolletta, regala un albero alla tua città” (“Eliminate bills and give your town a tree”) campaign to promote the replacement of paper bills with an electronic version.

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<th>Electricity bill overview</th>
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<tr>
<td>Historic average daily consumption</td>
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<td>consumption recorded</td>
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<tr>
<td>0.6</td>
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<td>from</td>
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<td>The new bill in detail</td>
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76/100 CUSTOMER SATISFACTION RATING FOR BRANCHES

13.2 minutes WAIT TIME IN BRANCH

49 seconds WAIT TIME FOR RESIDENTIAL-CUSTOMER CALL CENTRES

191,500 CUSTOMERS REGISTERED ONLINE
Hera Group is Italy’s second-largest operator in public lighting and associated services. It currently operates public lighting services via more than 347 thousand lighting points in around 80 municipalities in the regions of Emilia-Romagna, Tuscany, Marche, Veneto, Friuli-Venezia Giulia, Umbria, Piedmont and Lombardy. It also manages over 8,700 traffic lights.

More specifically, Hera Luce manages public lighting in 66 municipalities (in seven regions) and operates around 265 thousand lighting points and nearly 6 thousand traffic lights, 80% of which use low-energy-consumption lights, while AcegasApsAmga manages over 83 thousand lighting points and nearly 3 thousand traffic lights.

This service aims to reduce consumption thanks to the use of innovative solutions such as LED lighting and integrated services, whilst also ensuring prompt repairs and maintenance work.

Hera Group also promotes itself to local authorities, not only as a service provider, but primarily as a qualified partner with which to develop projects that can add value to the local area and improve environmental sustainability.

Hera Luce is permanently committed to searching for solutions to make cities more efficient and “smarter” via remote management and control. Such technologies can transform lighting points into smart infrastructures that can be remotely controlled and provide services, as well as collecting and transmitting information thanks to the installation of additional components (Wi-Fi access points, CCTV cameras, information panels, charging points, etc.).
**ACANTHO: THE TELECOMMUNICATIONS COMPANY**

Hera Group operates in the field of telecommunications via its subsidiary Acantho, which offers integrated data connectivity, telephone, video, data centre and broadband and wireless internet services. It pays special attention to the main area in which the Group operates, where it has built a fibre optic network spanning more than 3,500 km (including 1,872 km in metropolitan areas) and a 1,600 m² data centre. The fibre optic network runs from urban centres to suburban areas, providing broadband connection for individuals, businesses and other telecommunications operators.

This development also covered areas affected by the digital divide, i.e. those areas with minimal internet connectivity. Connectivity was upgraded by building fibre optic and wireless (radio) networks over a wide-ranging area in rural and mountainous regions. This infrastructure also generates benefits for those who use the internet via mobile devices such as smartphones and tablets, since mobile network operators use the fibre optic network to connect their antennas, thus allowing customers to use 4G internet services.

**A GREEN DATA CENTRE**

Acantho has fitted its Imola data centre with free cooling and trigeneration systems. The free cooling system enables the data centre to be cooled between autumn and spring simply by circulating cool air from outside, thereby respecting the environment whilst also lowering the electricity consumption required to run the centre. The trigeneration system offers three advantages: the use of natural gas-fuelled engines generates electricity to power the data centre’s servers; the residual heat from the fuel combustion is used to heat the offices in winter; and in summer, this same heat can be used to cool water that is subsequently injected into the air conditioning system. The combined effects of these systems result in a 30% reduction in the data centre’s electricity requirements (thanks to the free cooling system) and enable the centre to produce one fifth of the energy it consumes, thereby reducing CO₂ emissions by 20%.
COMPANY PROFILE

The identity, history, numbers and activities of a Group serving the country and its citizens

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