



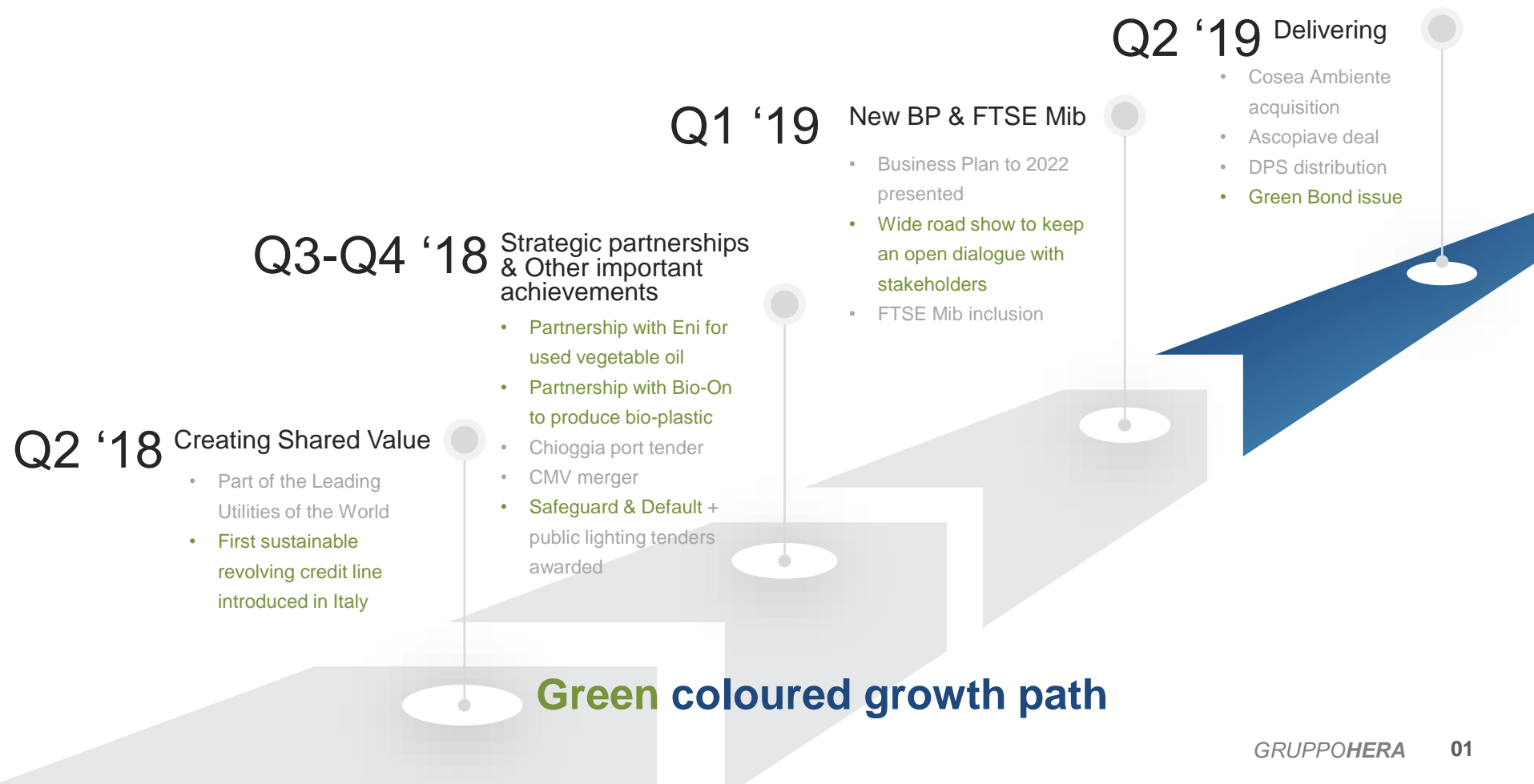
Hera

**Sustainability Day**

Borsa Italiana



# 12 MONTHS HIGHLIGHTS INCLUDE GREEN MILE STONES



# THE CLIMATE IS CHANGING FAST AND OUR PLANET IS SUFFERING

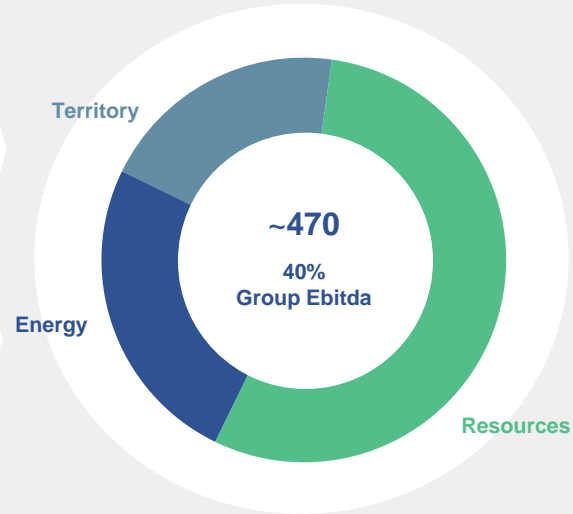


**Move from linear to circular economy to preserve the planet**

# CONCRETELY ACTING WITH A CLIMATE CHANGE STRATEGY



Global goals addressed



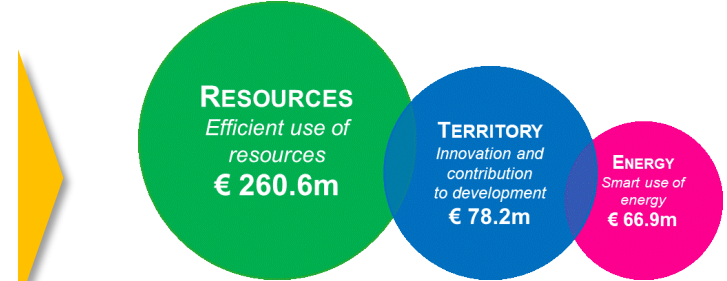
CSV Ebitda '22  
(M €)

75% of Ebitda growth target enhance CSV

# HERA STRATEGY DECLINED INTO THREE MAIN DRIVERS



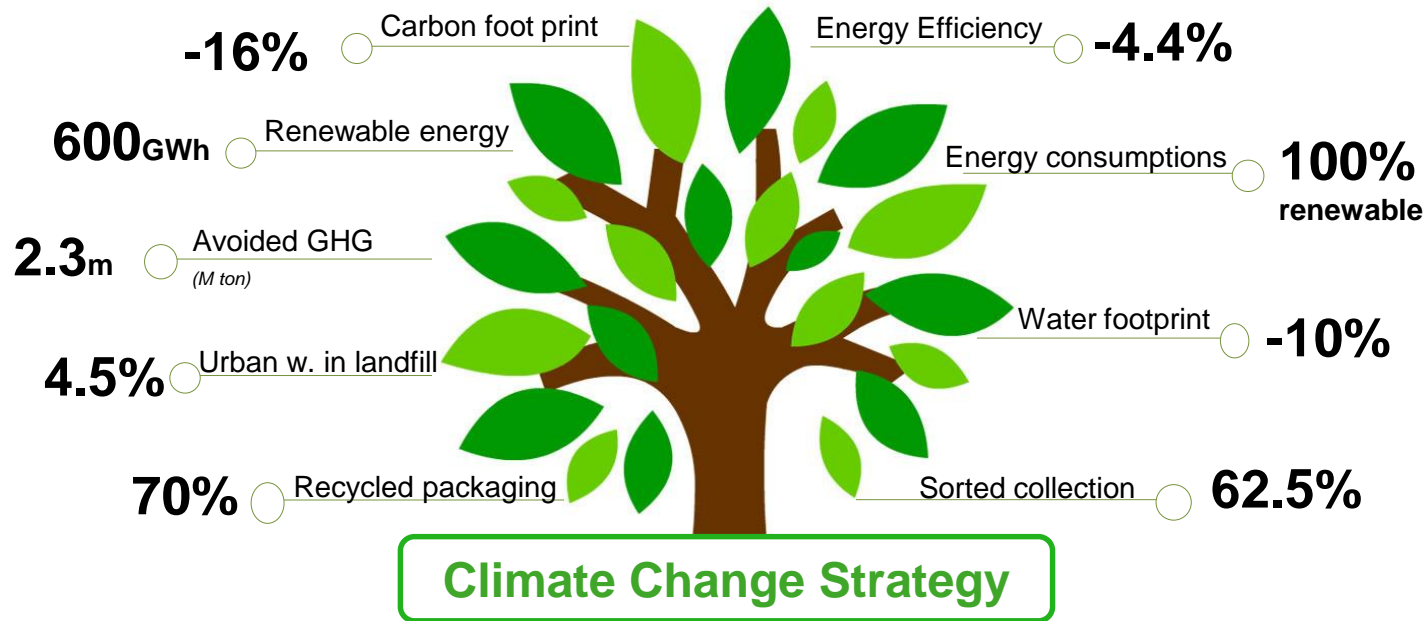
**REGENERATIVE, RESILIENT, SMART**



**375m€ CSV**  
(36% of '18 Group Ebitda)

**185m€ capex in '18 devoted to CSV projects**

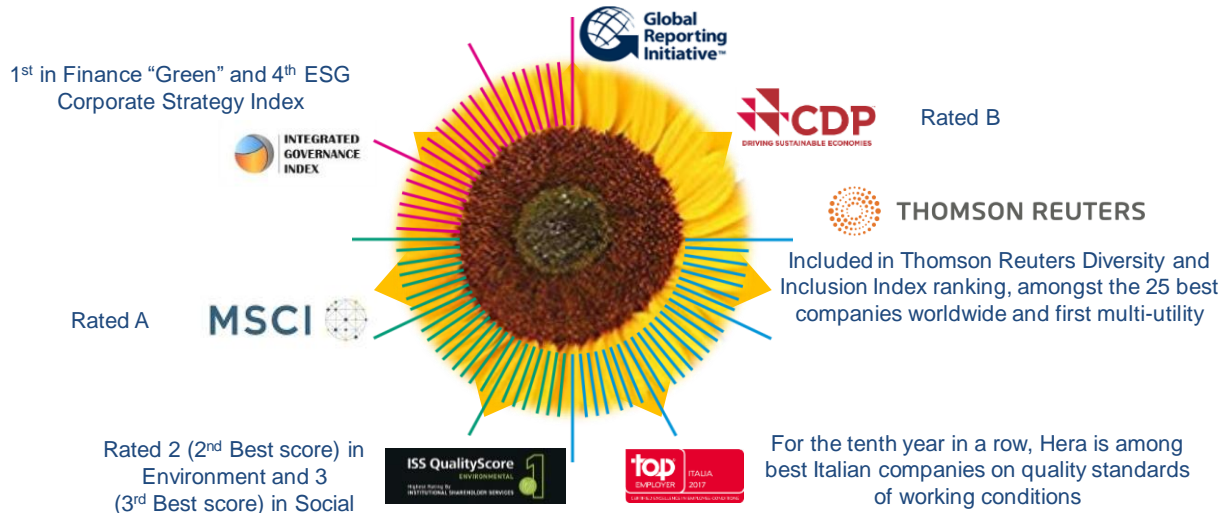
# HERA STRATEGY MAIN ACHIEVEMENTS ON KPIs



Providing cost efficiency and top line growth

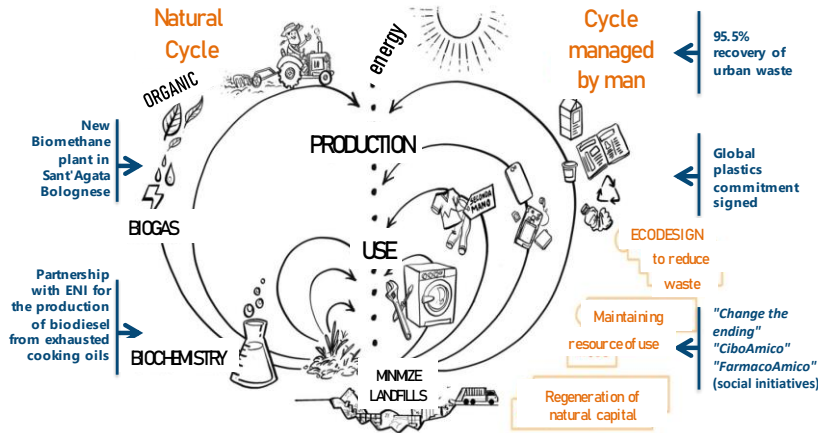
# RATING

Published since 2002 and approved by the Board of Directors  
It is Verified by a third party (Audirevi) in accordance to international guidelines:  
GRI standard (In accordance with Core option)

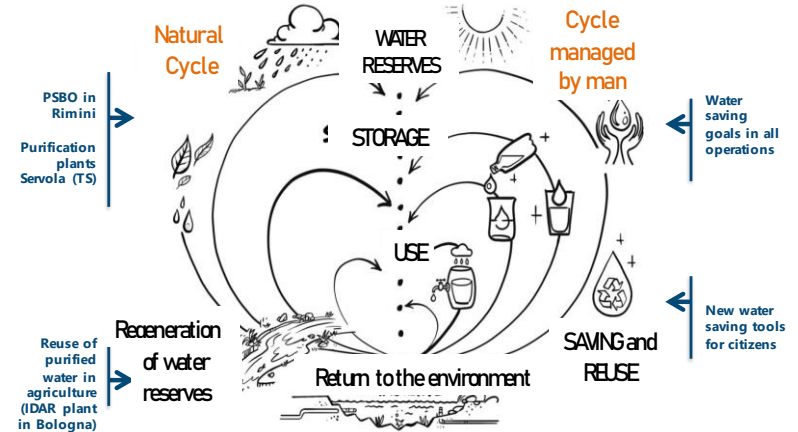


# HERA STRATEGY FOCUS ON CIRCULAR ECONOMY MODELS

## Circularity applied to the environmental sector



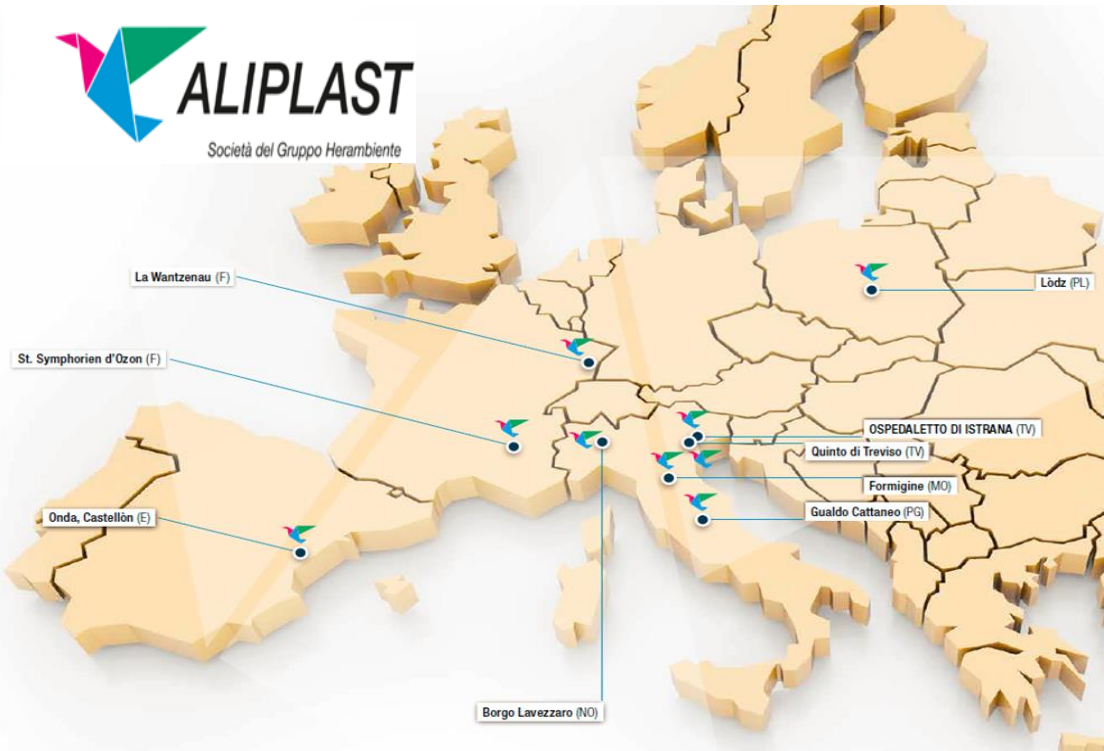
## Circularity applied to the water sector



**Aiming at eliminating environmental impact of activities**



# 1<sup>ST</sup> CONCRETE EXAMPLE: ALIPLAST GROUP LEADER IN PLASTIC RECYCLING



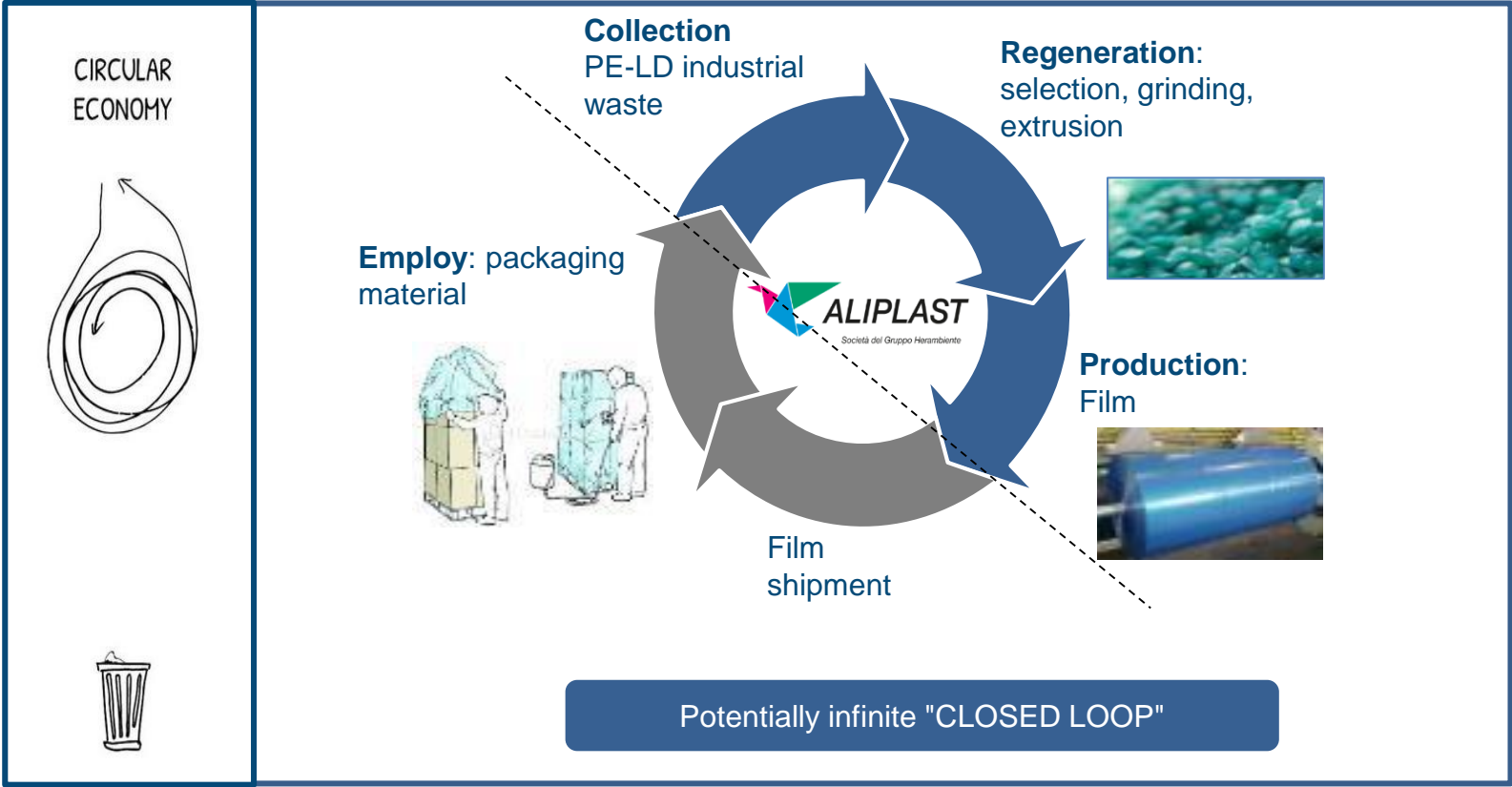
**>90%**   
Of the incoming plastic processed each year

**80.000 t**   
Of incoming plastic, processed each year

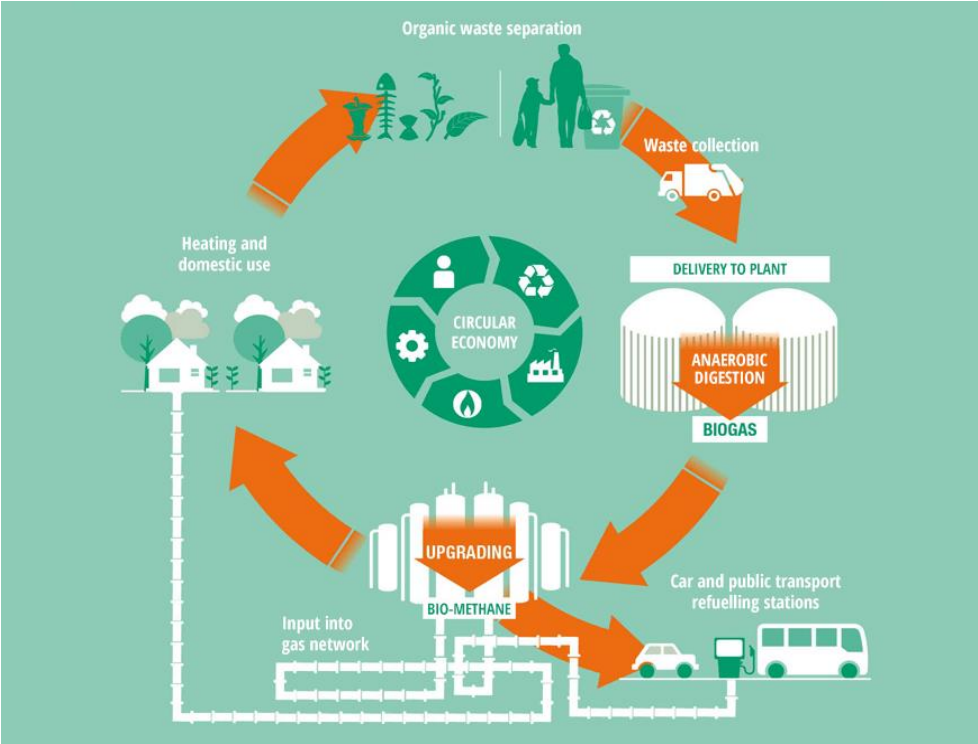
**80.000 t**   
Outgoing finished products/regenerated Polymers each year, including PE film, PET sheets and granules/flakes

**>1000**    
customers

# ALIPLAST CIRCULARITY: PE-LD FILM FOR INDUSTRIAL PACKAGING



# 2<sup>ND</sup> CONCRETE EXAMPLE: SANT'AGATA BOLOGNESE'S BIOMETHANE PLANT



# THE NUMBERS OF THE NEW BIOMETHANE PLANT



**100,000 TONNES**

organic waste from separate waste collection



**35,000 TONNES**

green waste and pruning material



**20,000 TONNES**

compost



**7,5 MILLION**

of m<sup>3</sup> of biomethane

Avoiding the use of fossil fuel equal to



**+6,000 TEP**

per year



**14,000 TONNES**

of CO<sub>2</sub>



From waste...



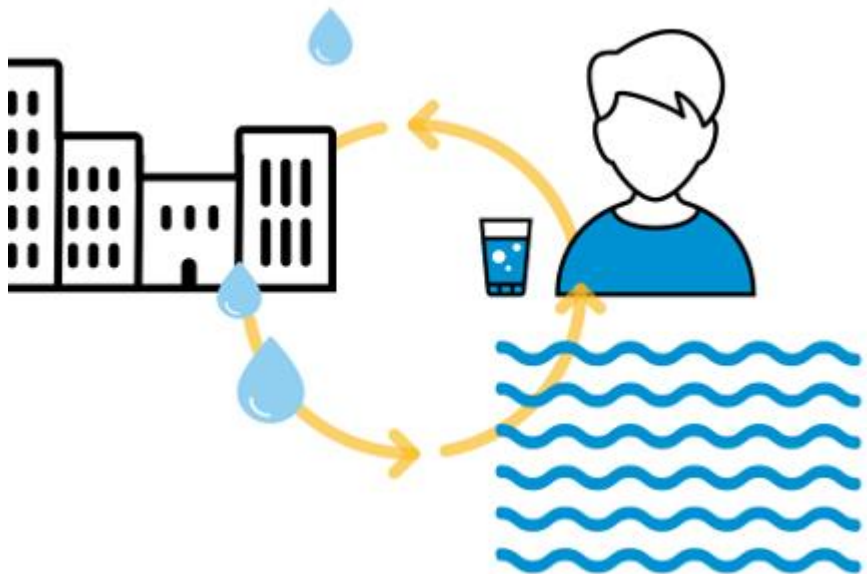
...to fuel




### 3<sup>RD</sup> EXAMPLE: SERVOLA'S WASTEWATER PLANT IN TRIESTE





# SERVOLA'S WASTEWATER PLANT TALKS TO THE SEA




 **300**  
people involved  
in the operations

 **0**  
incident

 **52,5**  
millions of  
investments

 **190 thousand**  
equivalent inhabitants  
served

 **80/100 '000m<sup>3</sup>**  
per day of treated  
wastewater

**Real time treatment adjustments based on sea conditions**

# ASCOPIAVE DEAL: 17TH JUNE SIGNED A “TERM SHEET”



Hera offer to Ascopiave was **selected, out of 10 others**, being **coherent** to the **development strategies** of both companies.



**Unique assets involved: gas distribution network contiguous** to Ascopiave’s and **customer base of high quality** in terms size and quality (low churn and unpaid ratios).



Hera will become **3<sup>rd</sup> player** at national level (>3.2 mln customers) with a **Leadership** in wealthy North-East part (>1 mln customers) controlling a strengthened JV.



Achieved **50% of Business Plan M&A target** in a fragmented area.



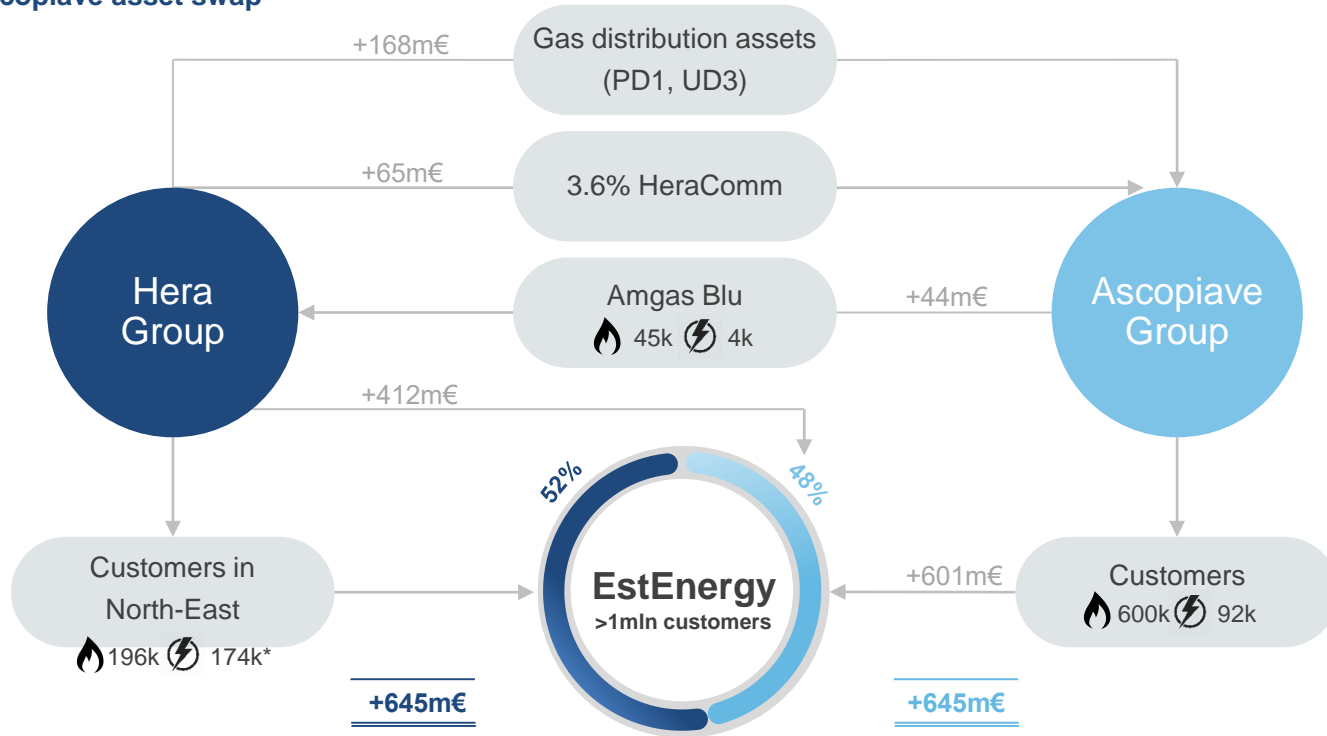
Visible potential upside from **economies of scale, synergies** and **cross selling**.

## A further step in the execution of our strategy

# STRENGTHENING ESTENERGY JV: DEAL STRUCTURE

## Hera and Ascopiave asset swap

(Equity value in M€)



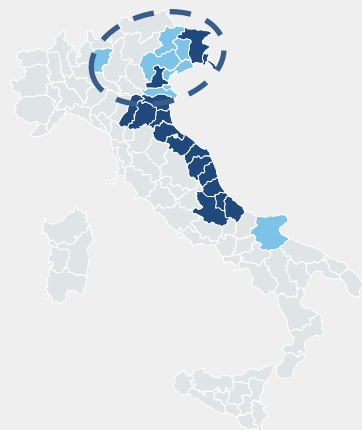
## A cash balanced deal

Gas customers Electricity customers

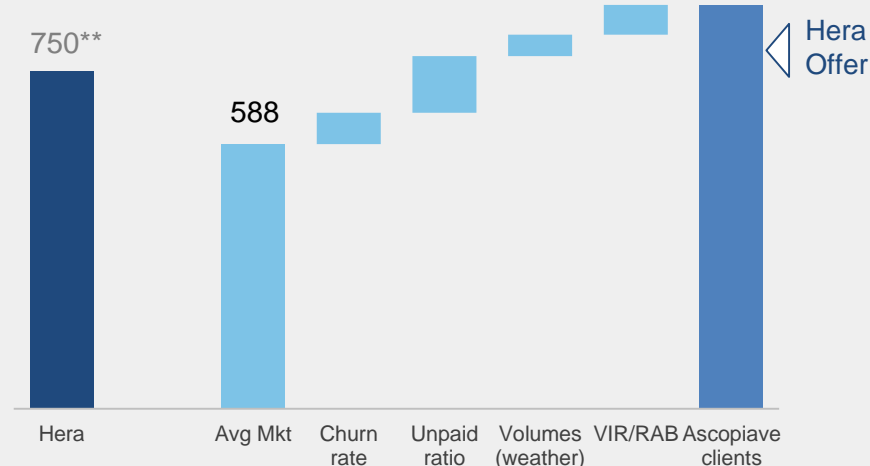
\*Of which ~90k under Maggior Tutela



# ANALYSIS OF VALUATION: EV OF 792€ PER CLIENT\*



■ Assets to be acquired  
■ Hera main presence in retail market



\* EV 587 m€ / 741k clients = 792 € per client

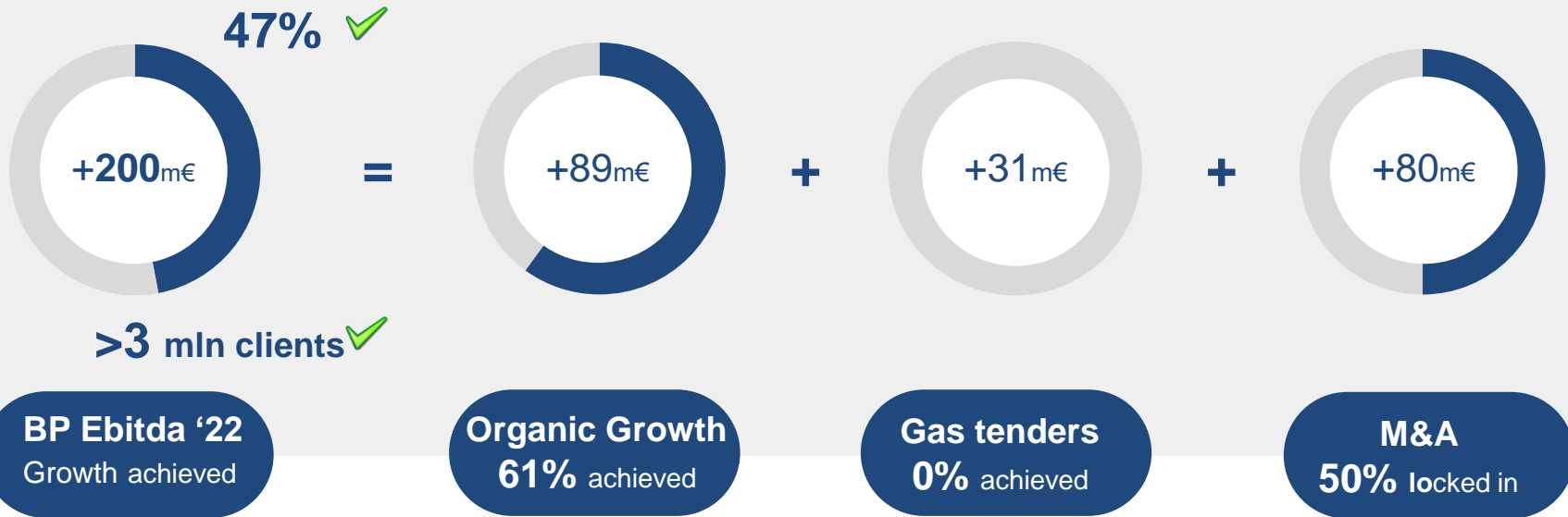
\*\* EV HeraComm 1,900 m€ / 2,525k clients = 770 € per client

**EstEnergy scope**

**Valuation**  
(EV/Client, €)

**Economies of scale, synergies and cross selling values “on top”**

# DEAL + RESULTS ACHIEVED GIVE EVIDENCE ON RELIABLE BP EXECUTION

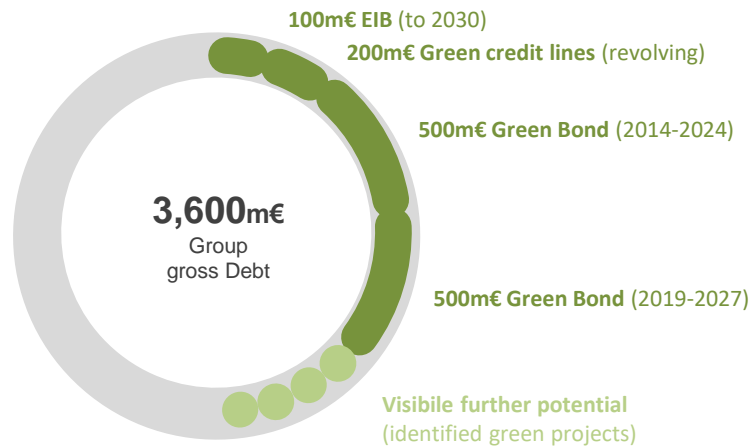


**47% growth achieved in only 25% of time** (15/60 months)

# CLOSING REMARKS (1)

## GREEN FINANCING

- **36%** debt underpinned by green financing investments almost already executed.
- **Transparent** use of proceeds and reporting on investments' KPIs.
- **Green financing framework** in place
- Further visible projects could enhance green financing up to **above 50%**.
- **Safe** and **long term** financing



**More than 1/3<sup>rd</sup> of debt is “GREEN” and ACCRETIVE**

## CLOSING REMARKS (2)



Clear climate change strategy moves towards circular economy



“Flag ship” projects are completed ready to create (shared) value



Ascopiave deal underpin solid perspectives



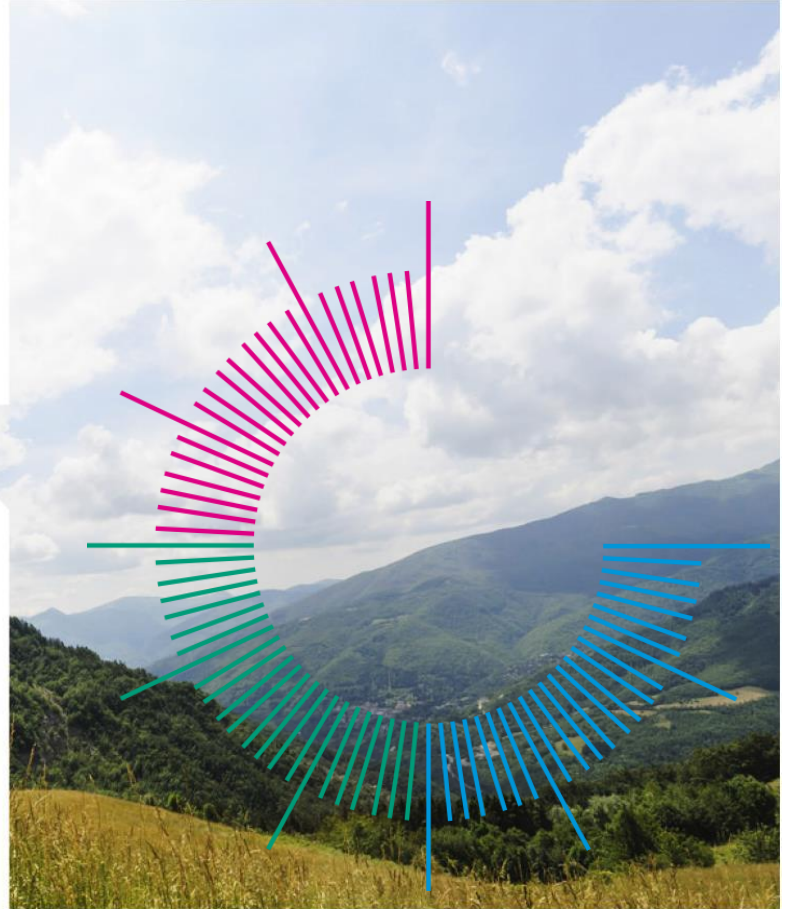
Business plan execution well on track



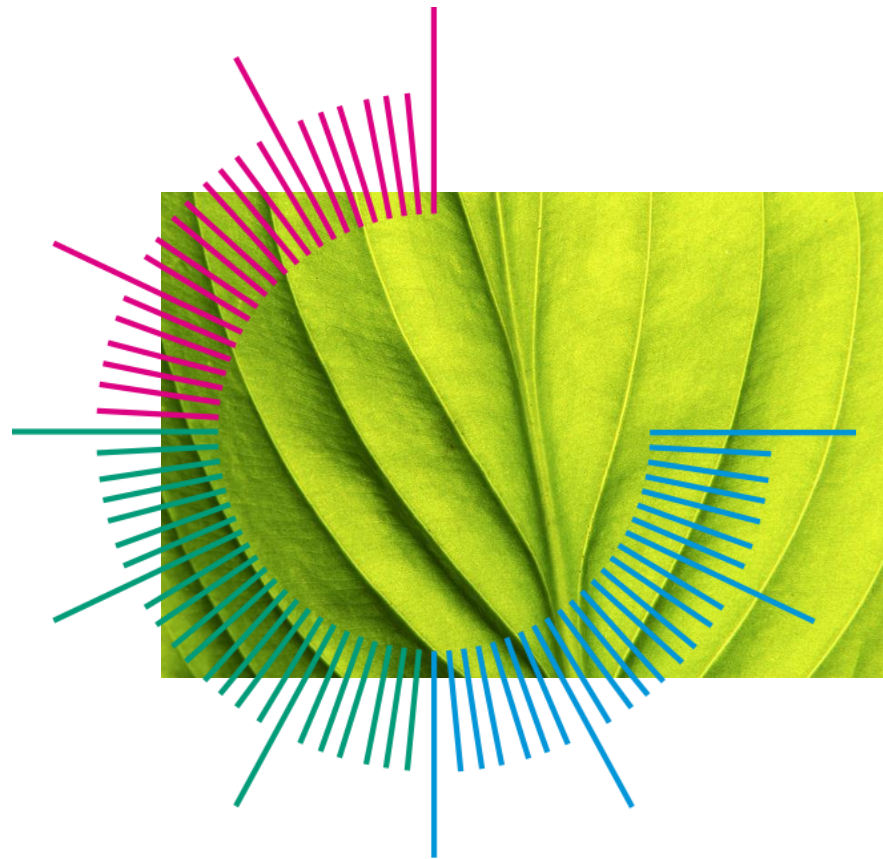
Growing fast, green and safe

**Very well on track**

# ANNEX



# Green Bond



# GREEN BOND: 1.084% YIELD FOLLOWING 8X OVERSUBSCRIPTION

## New Issue Indicative Termsheet

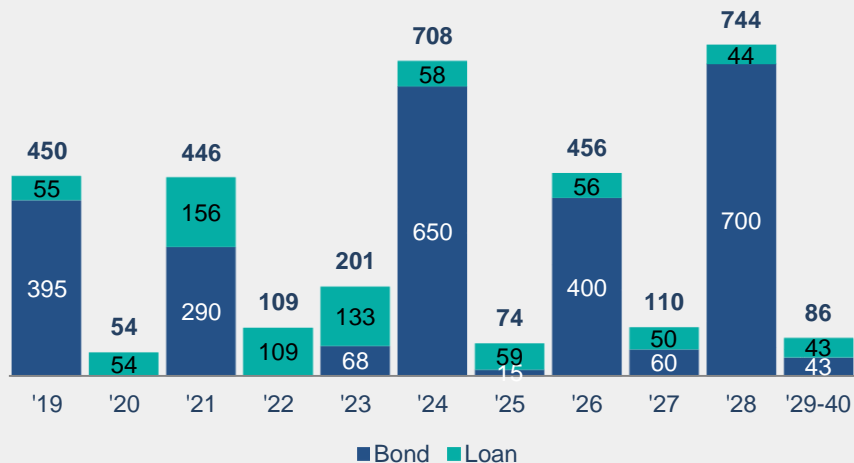
<b>Issuer</b>	Hera S.p.A.
<b>Exp. Issue Rating</b>	<b>BBB (S&amp;P)</b> <b>Baa2 (Moody's)</b>
<b>Format</b>	Senior Unsecured Notes, Reg S, Bearer
<b>Maturity</b>	<b>8y (2027)</b> ; 5° July '19
<b>Size</b>	EUR Benchmark
<b>Coupon</b>	Fixed, Annual <b>0.875%</b>
<b>Documentation</b>	EMTN Programme dated 18 June 2019
<b>Yield</b>	<b>1.084%</b>
<b>Listing</b>	Irish Stock Exchange
<b>Joint Bookrunners</b>	BNP Paribas, Credit Agricole CIB, Mediobanca, UniCredit
<b>Other Bookrunner</b>	BBVA
<b>Use of Proceeds</b>	The net proceeds will be used to finance some eligible green projects

## Intermediated Tender Offer

<b>Target Notes</b>	<ul style="list-style-type: none"><li>• XS0976307040 € 290m 3.250% 2021</li><li>• XS1084043451 € 500m 2.375% 2024</li></ul>
<b>Transaction Structure</b>	<ul style="list-style-type: none"><li>• 2021 Notes at -0.15%</li><li>• 2024 Notes at MS+50bps</li></ul>
<b>Amount achieved</b>	About EUR <b>200m</b> in nominal amount
<b>Offeror</b>	BNP Paribas
<b>Dealer Managers</b>	BNP Paribas, Credit Agricole CIB, Mediobanca, UniCredit
<b>Tender Agent</b>	Lucid Issuer Services

# HERA DEBT STRUCTURE AS 31 MARCH 2019

Debt maturity profile



Cash Available: ~€ 660m

Duration: ~6.3Y

Fixed interest rates

Portion of debt at fixed rates: 82%

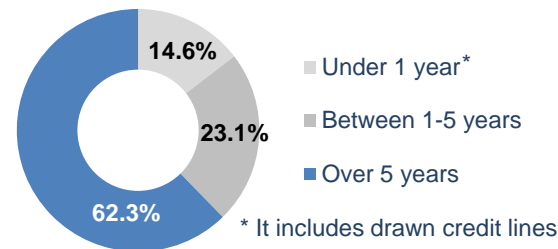
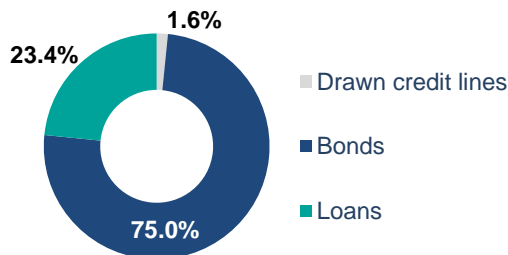
Committed credit lines: € 300m

Refinancing needs end '19

€ 395m of 10y bond is due in Dec-19

€ 350m bank loans signed at an average rate: <1%

Gross Debt	€ 3,436.8bn
Net Debt	€ 2,622.0bn





# RATING AGENCIES' LATEST REPORTS - EXCERPT

## MOODY'S

Last update: 2 April 2019

Senior unsecured rating Baa2 (Stable)

- ✓ Diversified business mix
- ✓ Sizeable portfolio of low-risk domestic regulated activities underpinned by a transparent and supportive regulatory framework
- ✓ Growth strategy based on small-scale, equity-funded, M&A activity
- ✓ Solid liquidity and financial profiles
- ✗ Country risk associated with Italy (Baa3 stable), given that Hera generates all its earnings domestically
- ✗ Exposure of unregulated businesses to the cyclical macroeconomic environment and, although to a lesser extent, to volatile power prices
- ✗ Liberalisation of the retail energy supply market in Italy in 2020 is likely to increase competition and could impact margins

**The stable outlook is in line with Italy's rating, reflecting the company's links with the sovereign, which constrain Hera's ratings at Baa2.** The stable outlook also reflects **Moody's expectation that Hera will maintain its current solid financial and liquidity profiles**

Any potential upgrade of Hera's ratings would be contingent on an upgrade of the Government of Italy's rating, combined with Hera maintaining its abovementioned credit features

## S&P Global Ratings

Last update: 14 June 2019

Long-Term ICR BBB (Positive)

- ✓ Hera's credit metrics could continue improving, thanks to solid business fundamentals over the coming two years
- ✓ Positive investments in its regulated gas and water distribution operations, soon-to-be-regulated waste treatment activities, and value-adding bolt-on acquisitions
- ✓ Commitment to strengthening its credit standing while implementing its growth strategy
- ✓ Good debt management through a smooth debt repayment profile and solid free cash flow generation
- ✗ Uncertainties from economic and political conditions in Italy, whilst no immediate impacts are expected

The positive outlook indicates that **S&P could raise the ratings if EBITDA growth, a supportive dividend policy, and positive discretionary cash flow lead to a sustained improvement in Hera's credit metrics**, with funds from operations to debt staying above 23% in the next 12-18 months

S&P would also revise Hera's outlook to stable if it lower its unsolicited rating on Italy to 'BBB-' from the current 'BBB', because it caps its rating on Hera at one notch above the sovereign rating.

# Actions towards Global agenda goals

Energy

## Smart use of energy



**-4,4%** energy consumption reduction compared to 2013  
**-5,3%** including projects already in the works

## Renewable energy



**100%** renewable energy for activities managed by Hera Spa, AcegasApsAmga and Marche Multiservizi

## Reduction of greenhouse gas emissions



**-16%** carbon footprint for energy production compared to 2015  
**-23%** carbon footprint by 2022

Resources

## Transition towards a circular economy



**93%** waste recovered, the amount of sorted waste recuperated  
**70%** level of packaging recycled

## Sustainable management of water



**95%** of urban areas brought in line with purification regulations  
**99,7%** purified water analysis in compliance with the law

## Innovation and digitalization



**22** projects in smart city, circular Economy, data analytics and customer experience

## Economic development and social inclusion



**8.120** workers the induced employment  
**816** people facing hardship included thanks to supplies from social cooperatives

## Managing skills and training



**973** workers hired under open-ended contracts on 2016-18  
**29,8** hours of training per capita

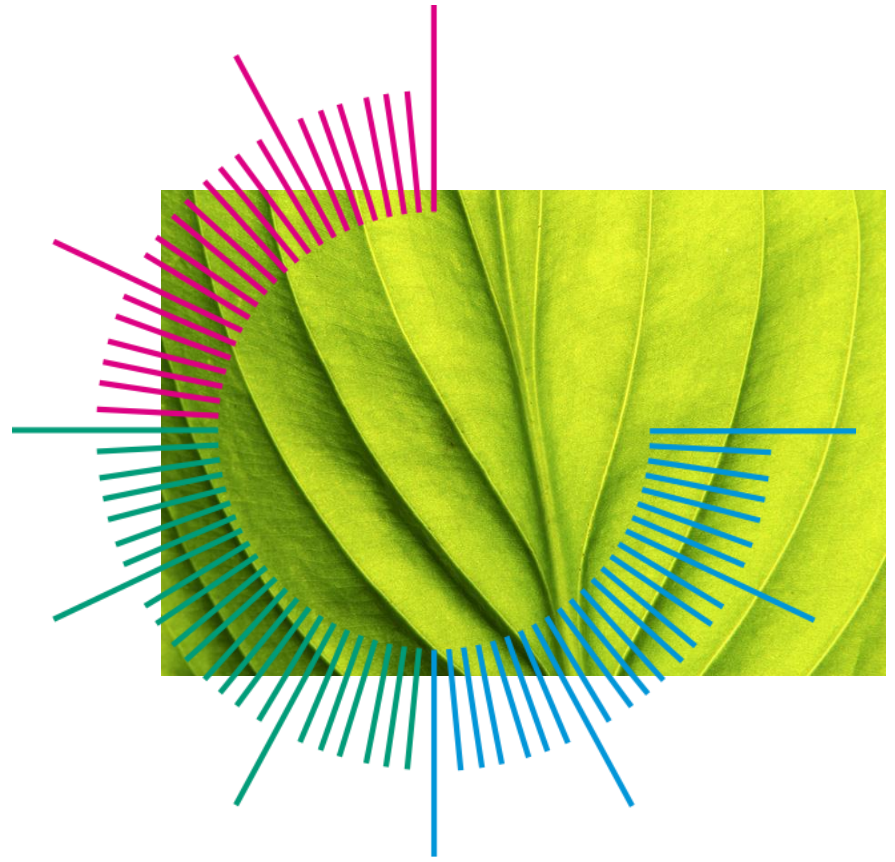
## Air and soil protection



**-86,2%** legal limits on emissions from waste-to-energy plants



# Green Financing Framework



# HERA GREEN FINANCING FRAMEWORK: ALIGNED WITH BEST MARKET PRACTICES



- Framework designed has an umbrella platform allowing HERA to issue various Green Financing instruments such as Green Bonds, Green Loans or any other instrument aiming at financing Eligible projects as defined in the “Use of Proceeds” section
- An amount equal to the net proceeds from the issuance of Green Financings to be used by Hera to finance and/or refinance, in whole or in part, new and existing Eligible Green Projects, carried out directly and/or indirectly through Hera’s subsidiaries
- Each Eligible Green Project can be allocated to one or several Green Financing instruments. Allocation will be monitored through HERA’s internal tracking system to avoid double counting

## Use of proceeds

- HERA’s eligible categories are the following:
  - Energy efficiency and infrastructure
  - Circular economy and sustainable waste management
  - Water infrastructure

## Projects selection process

- HERA has an internal procedure for the management of a Green Financing process and its related projects that involves the internal Ethics and Sustainability Committee
- Annual reporting of investments will be examined by the Ethics and Sustainability Committee

## Management of proceeds

- The net proceeds to be deposited in HERA’s general account and an equal amount will be earmarked for Eligible Green Projects’ allocation
- The balance of net proceeds of the issuance not already allocated to Eligible Green Projects to be reduced by amounts matching disbursements made to Eligible Green Projects
- Hera will use its best efforts to substitute any Green Projects in the case of divestment or if no longer eligible, as soon as practical once an appropriate substitution option has been identified

## Reporting

- HERA’s annual Green Financing report to be composed by both an allocation and impact reporting

### Allocation reporting

- It will disclose the aggregated amount of Green Financing instruments issued by type. Furthermore, it will detail :
  - The aggregated amount of allocation of the net proceeds to the projects at category level
  - The balance of any unallocated proceeds invested in cash or other liquid marketable instruments
  - The proportion of net proceeds used for financing versus refinancing

### Impact reporting






- It will evaluate the environmental impact of each eligible categories with relevant metrics associated

## External review

- HERA’s Green Financing Framework was reviewed externally by ISS-oekom
- According to ISS-oekom, HERA’s Framework evaluation as well as sustainability quality of the asset pool are positive

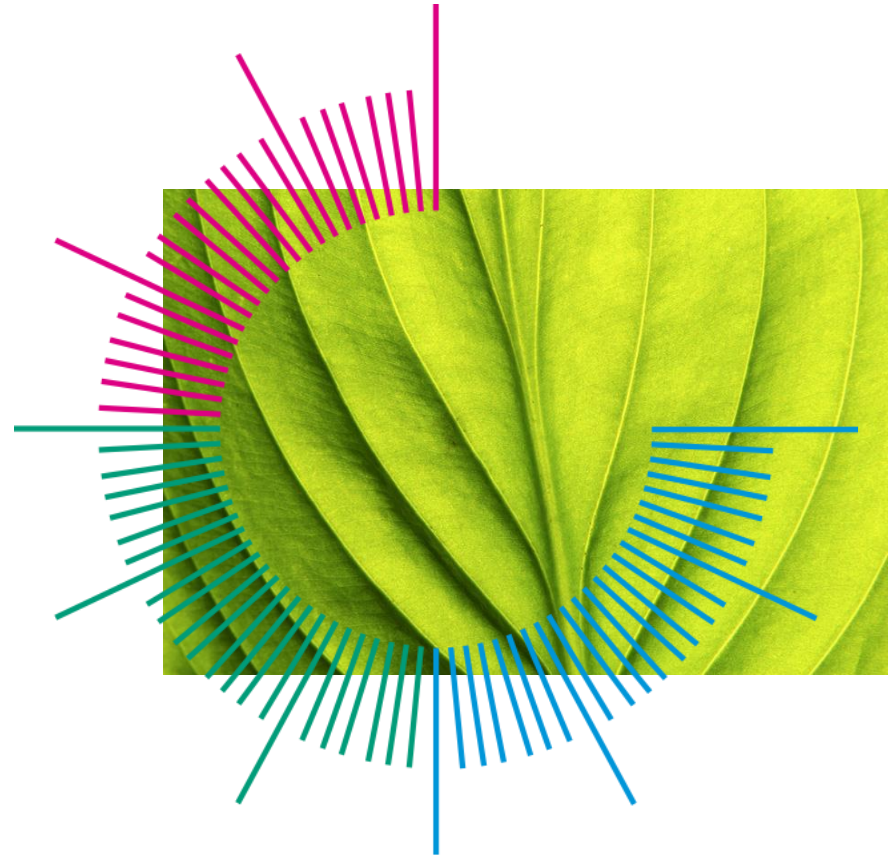


# HERA'S GREEN BOND: POTENTIAL PROJECT ALLOCATION

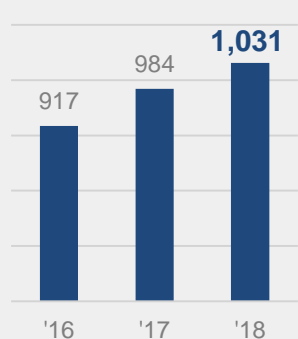
Potential Bond Allocation - Data in KEur						
SDGs	Hera's Eligible categories	2017	2018	2019	Total	Shares
 	Wastewater Sewage	44.277	33.980	66.920	145.177	29,0%
	Water infrastructure for resources and climate change adaption	4.273	35.843		40.116	8,0%
	<b>Total Water infrastructure</b>	<b>48.549</b>	<b>69.824</b>	<b>66.920</b>	<b>185.293</b>	<b>37,1%</b>
	Urban Waste Collection Systems: Community recycling depot, Dumpsters and containers for sorted waste collection, Pay as You Throw projects, Vehicles for urban waste collection	10.545	8.279	13.729	32.553	6,5%
	Facilities & Plants for recycling of materials including Plastic, Glass, and Raw Materials recycling and recovery and/or further re-use into production process and Waste Selection improvements	91.726	3.765	5.268	100.759	20,2%
	Waste to energy plants	5.168	5.087	6.090	16.345	3,3%
	Biological and Chemical Treatment and other waste treatment plants	14.533	17.185	9.148	40.866	8,2%
	<b>Total Circular Economy &amp; Sustainable Waste Management</b>	<b>121.972</b>	<b>34.316</b>	<b>34.235</b>	<b>190.523</b>	<b>38,1%</b>
 	Smart metering for GAS related activities	11.825	11.990	10.935	34.750	6,9%
	Smart grids for distributed generation and for climate change adaptation for GAS related activities	10.250			10.250	2,1%
	<b>Total Energy Efficiency and Energy Infrastructure - GAS</b>	<b>22.075</b>	<b>11.990</b>	<b>10.935</b>	<b>45.000</b>	<b>9,0%</b>
	Smart grids for distributed generation and for climate change adaptation	12.165	10.572	14.274	37.010	7,4%
	Smart metering	229	628	228	1.084	0,2%
	District heating grids	5.051	4.102	6.618	15.771	3,2%
	Public Lighting & Smart Cities	1.745	10.799	12.754	25.298	5,1%
	Charging stations	14	7	-	20	0,0%
	<b>Total Energy Efficiency and Energy Infrastructure - EE</b>	<b>19.203</b>	<b>26.107</b>	<b>33.873</b>	<b>79.184</b>	<b>15,8%</b>
	<b>Total per year / Grand Total</b>	<b>42%</b>	<b>28%</b>	<b>29%</b>	<b>500.000</b>	<b>100%</b>

Note: figures and percentages have been calculated assuming net issuance proceeds of € 500m

# Lastest results and BP to 2022 targets

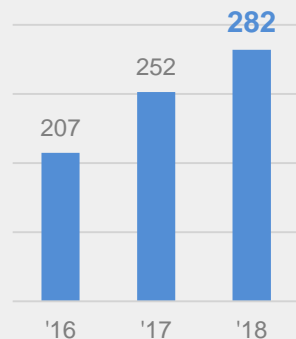


# LATEST RESULTS IN A SNAPSHOT



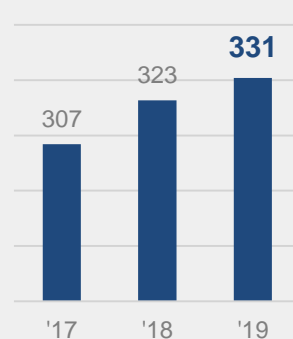
2018 Ebitda (M€)

**+4.7%**



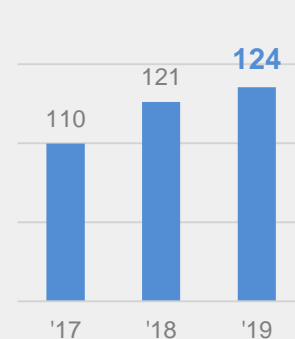
2018 Net Profit (M€)

**+12.1%**



Q1 '19 Ebitda (M€)

**+2.5%**

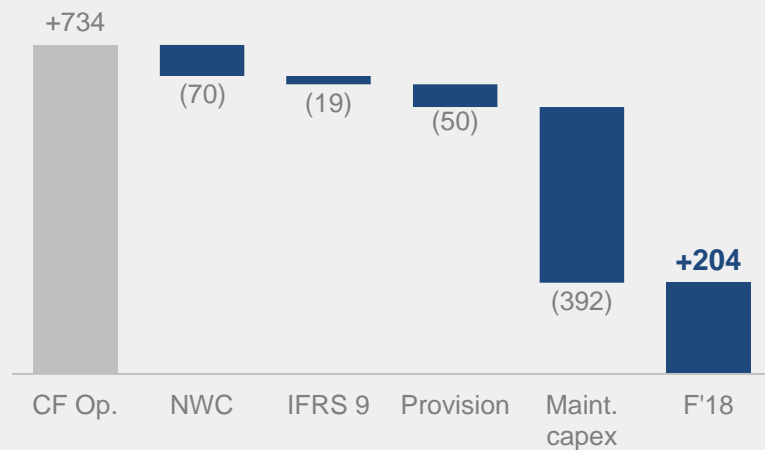


Q1 '19 Net Profit (M€)

**+3.1%**

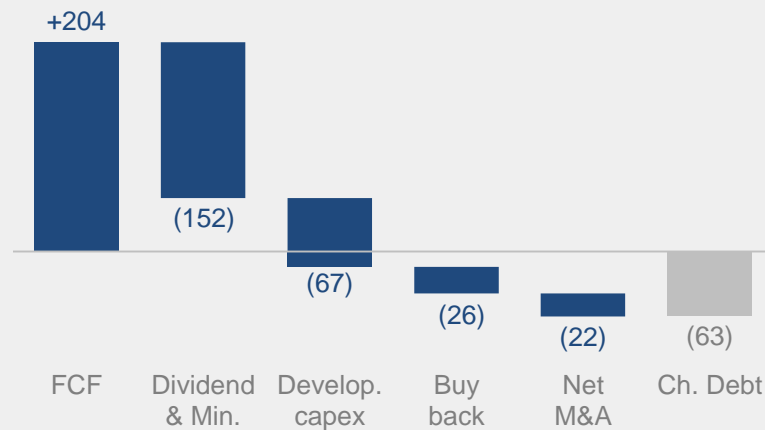
**Exceeding 1 billion Ebitda**

# 2018 CASH FLOWS



Free Cash Flow  
(M€)

**+204 M€**



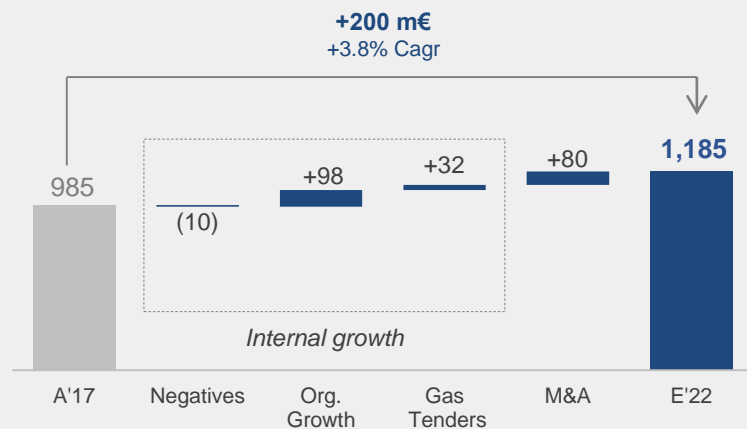
Capital allocation  
(M€)

**(267 M€)**

**Balancing remuneration and development**

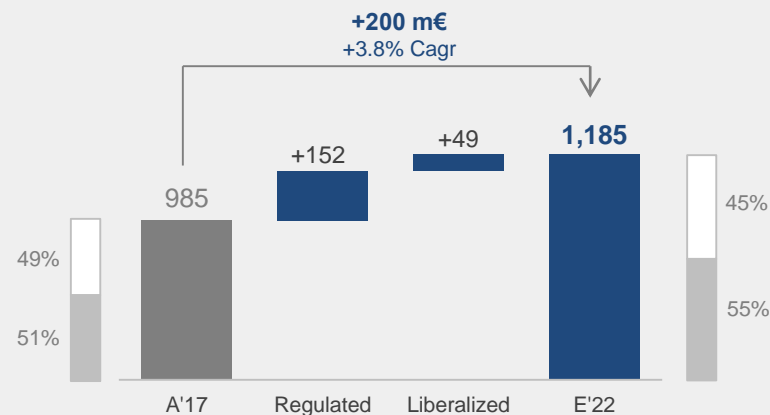


# BUSINESS PLAN TO 2022: EBITDA GROWTH TARGET



**Ebitda drivers (B€)**

**+200 M€**



**Ebitda by activities (B€)**

**>50% reg.**

□ liberalized  
■ regulated

**Coherent with track records**