

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

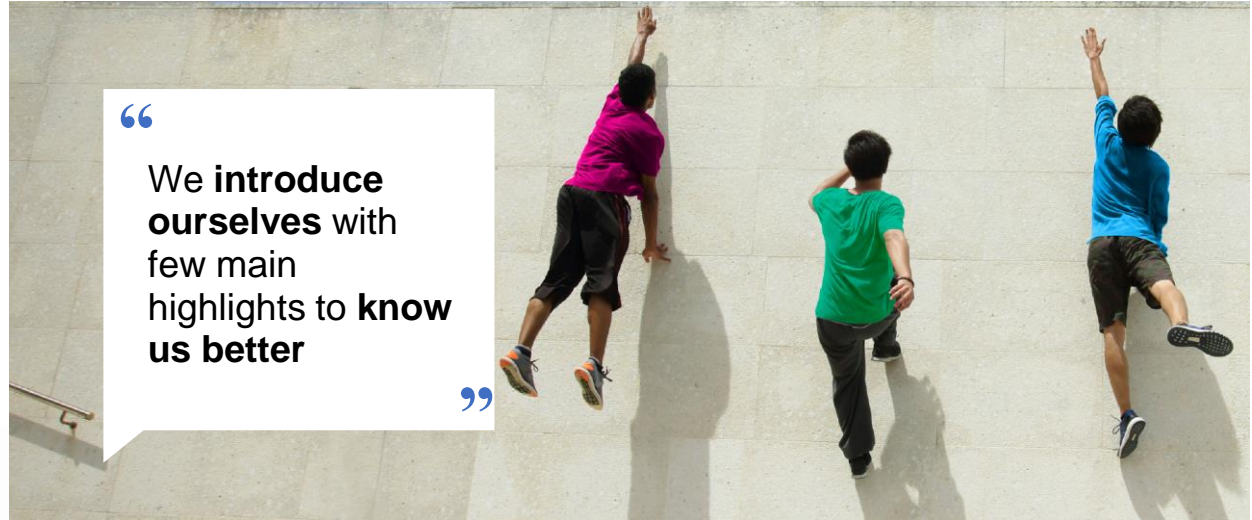
Business Plan to '25 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

HERA «in a snapshot»



“

We **introduce ourselves** with few main highlights to **know us better**

”

*Surf directly to the items
of your interest*

INVESTMENT CASE

What is key

x

Multi-utility business

44% regulated business

56% liberalised business

Growth story

Reliable Dividend flow

Low risk exposure

Strong cash generation

Sound balance sheet

Outperform BP execution

Stable shareholding

Stable governance

Sustainability profile

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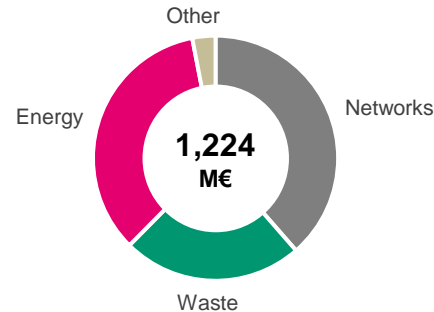
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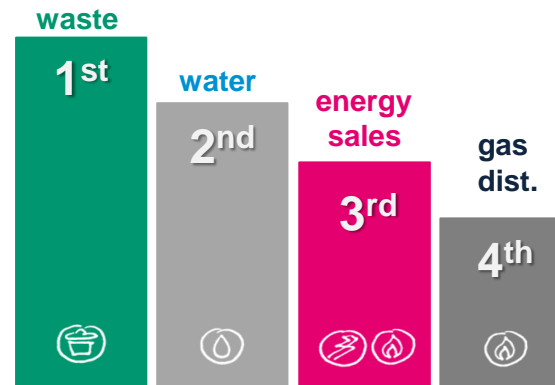
MULTI-UTILITY BUSINESS

Ebitda Y2021

(M€)



National ranking



- In Italy **the services** of Water, Waste collection&treatment, gas distribution & supply and electricity distribution & supply **are often** managed at a local level by **“municipal” companies** (owned by local public entities).
- Italian **government** has **estimated** a number of local multi-utilities **above 1,500** units (Cottarelli report).
- In order to **overcome** the **fragmentation** of the market in small medium sized **inefficient** companies, the Government introduced in 2002 **incentives for consolidation**.
- **Hera** was established in 2002 with the **merger of 11 multi-utilities municipal companies** on the back of these incentives and has expanded since then organically and through further 41 M&A.
- Even today, market fragmentation is high, offering **plenty of M&A opportunities**

Large player in a fragmented industry

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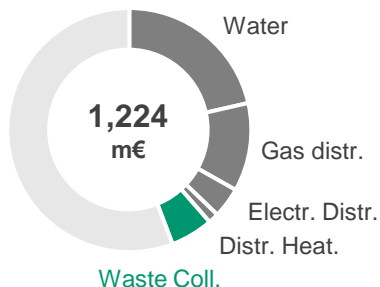
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44% REGULATED BUSINESS

Ebitda Y2021

(M€)



Networks include:

- Water
- Gas distribution
- Electricity distribution

Waste collection:

- Collection activities of residential waste ("urban waste") and street cleaning

Value drivers	Water	Gas distr.	Electr. distr.	Waste coll.
RAB (b€)	1.64	1.04	0.37	0.3
Return (real pre-tax)	4.8%	5.6%	5.2%	6.3%
Concession length	~2028	-	2030	~2028
Tenders	-	Ongoing	-	Ongoing
Independent Authority (national)	ARERA	ARERA	ARERA	ARERA

80% of invested capital relates to **regulated** activities

Protected returns from:



Inflation



Spread



Demand cyclicality

Fully protected return

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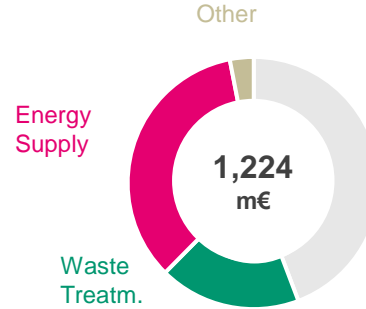
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56% LIBERALISED BUSINESS

Ebitda Y2021

(M€)



Waste treatment:

- **Largest asset base** in Italy, Hera is benefitting from the Italian infrastructural gap vs all main EU countries
- **Fast growing treatment prices** in last 4 years (still ongoing) due to a infrastructural gap

National ranking



Energy supply:

- **Customer base** of 3.4 mln clients
- **Fastest growing** customer base (last 5 years)
- **Lowest churn rate** in Italy (2018)
- No exposure to **energy price** fluctuation (negligible power generation, procurement and supply contracts **100% hedged**)

Strong competitive advantages

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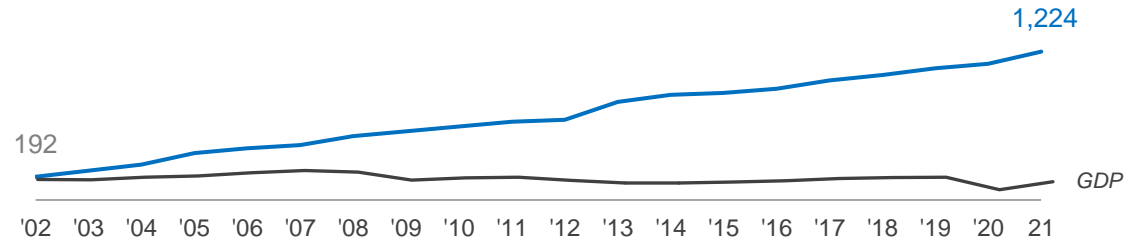
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GROWTH STORY

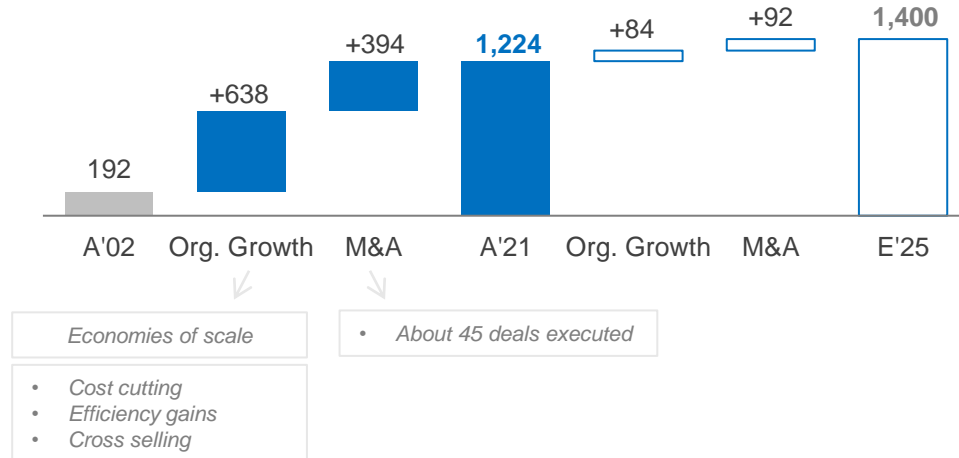
Resilient and un-interrupted growth

(Ebitda M€, cumulated GDP growth rate %)



Growth drivers

(M€)



Further growth ahead

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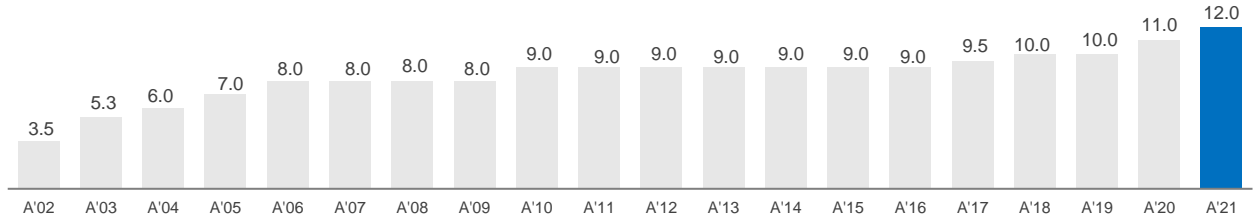
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RELIABLE DIVIDEND FLOW

DPS
(c€)



- One of the few European stocks that has **always paid a stable/growing** dividend
- As a consequence, Hera is included in the **SPDR S&P Euro Dividend Aristocrats Ucits Etf.**

Total Shareholder's Return since IPO **+317%**

- **TSR signed a CAGR of +7% while EPS a CAGR of +9%** (since IPO)

Pursuing a visible shareholders' remuneration & transferring earning growth to stock value

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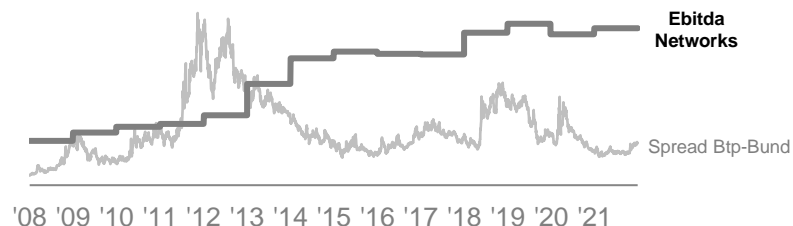
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LOW RISK EXPOSURE

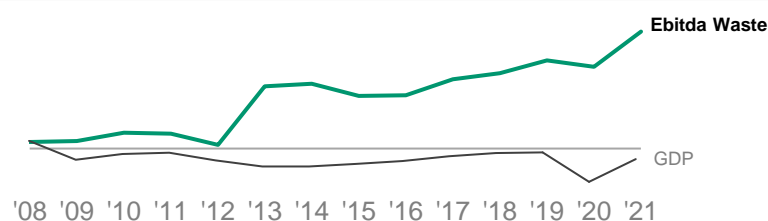
Networks

- RAB inflated
- Neutral to spread
- Neutral to demand cyclical



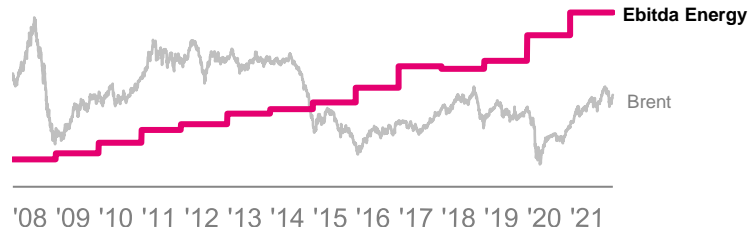
Waste

- Low competition (treatment plant scarcity in Italy)
- GDP affects primarily waste exported and only subsequently the domestic treatments of waste



Energy

- Negligible power generation
- Procurement / supply contracts are matched to fully hedge commodity prices fluctuation



Negligible exposure to macro variables in all activities

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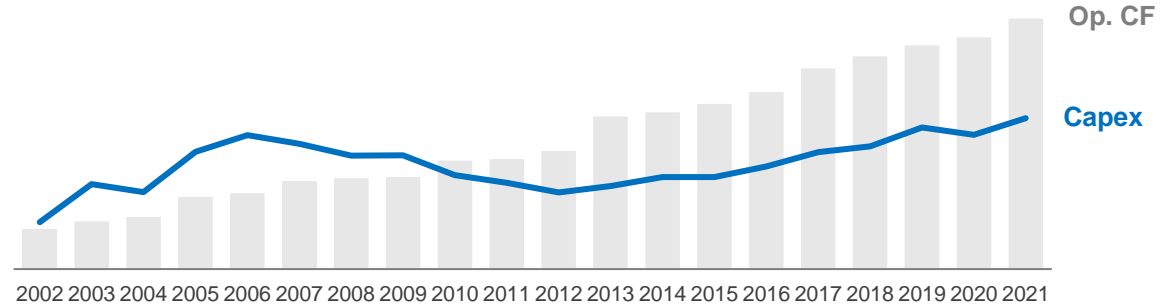
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STRONG CASH GENERATION

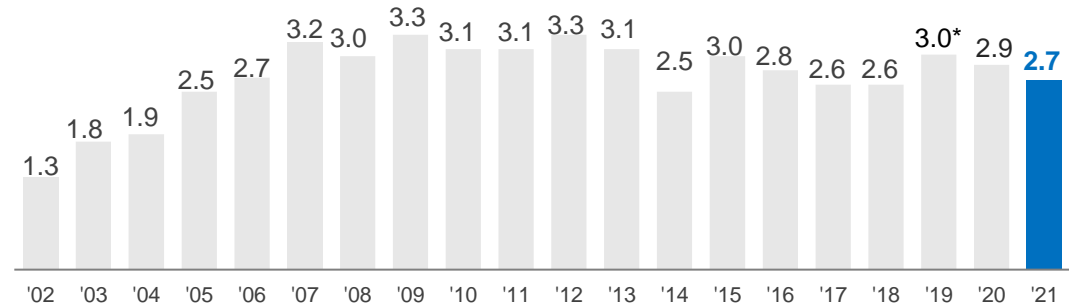
Cash flows resilient and un-interrupted growth

(Net profit+Depreciations, Capex)



Debt/Ebitda

(x)



*Including figurative items (without cash outlay) as a result of the partnership with the Ascopiave Group in the sales sector

Growing cash flows & sound balance sheet

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SOUND BALANCE SHEET

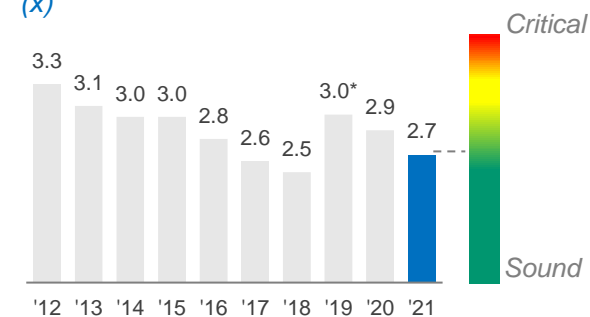
Net Invested Capital

60%

in regulated asset base

Leverage

(x)



Financial Debt

Duration

7 years

Fixed rate

93%

Floated bond

86%

Ratings

**STANDARD
& POOR'S**

BBB+/A-2
Stable outlook

MOODY'S

Baa2
Stable outlook

Better credit standing than Italy

*Including figurative debt stemming from Ascopiave deal

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OUTPERFORM BP EXECUTION

5Y Business plan targets

Ebitda Target

BP 2013-2017: 950 m€

BP 2014-2018: 1,020 m€

BP 2015-2019: 1,030 m€

BP 2016-2020: 1,080 m€

BP 2017-2021: 1,135 m€

Debt/Ebitda Target

BP 2013-2017: 2.9x

BP 2014-2018: 2.8x

BP 2015-2019: 2.9x

BP 2016-2020: 2.8x

BP 2017-2021: 2.9x

Achievements

Actual performance

985 m€ *Outperform*

1,031 m€ *Outperform*

1,085 m€ *Outperform*

1,123 m€ *Outperform*

1,224 m€ *Outperform*

Actual performance

2.6x *Outperform*

2.5x *Outperform*

2.5x* *Outperform*

2.4x* *Outperform*

2.7x *Outperform*

Reliable plan execution

*At homogeneous perimeter (before Ascopiave deal incurred at 2019 end.)

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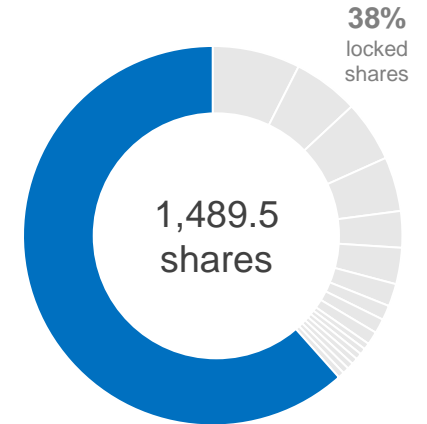
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STABLE SHAREHOLDING

- **Largest shareholder** holds < than 10% stake
- **High diversification among public entities** (111 Municipalities have locked in a pact 38% of share capital)
- **Large presence of institutional shareholders** from EU, US, UK and Australia
- Enclosed into **FTSEMIB index** since 18th March 2019



5.2 b€ Market Cap



A public company shareholding

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STABLE GOVERNANCE

Board of Directors

(n° of BdD members)

 Elected by
Public shareholders
 Elected by
Minority shareholders



2002
*Hera's
establishment*

2003
*Hera's
listing*

2004-2005
*Agea-Meta
mergers*

2013
*Acegas Aps
merger*

2014
*Amga Udine
merger*

Today

Executive Chairman



Tommasi di Vignano

C.E.O.



Venier

Managing Director

CEO

Stability of Top executives for 19 years

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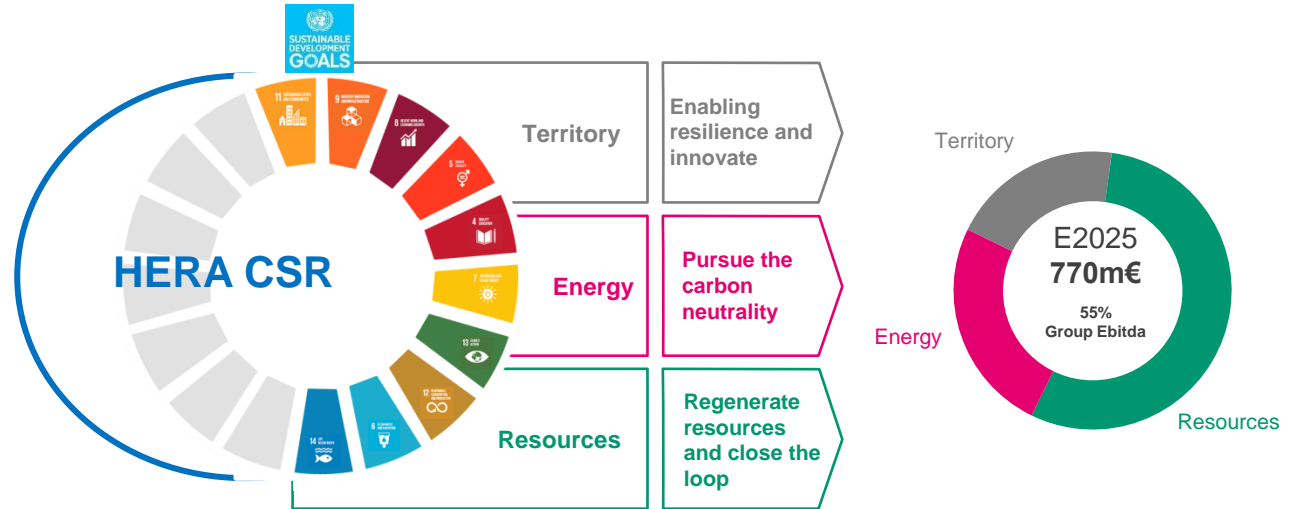
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SUSTAINABILITY PROFILE



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA

**Best multi and water utility worldwide
according to S&P Global**



TOP 100 COMPANY 2019
Diversity and Inclusion Index



55% of Ebitda by 2025 is CSV

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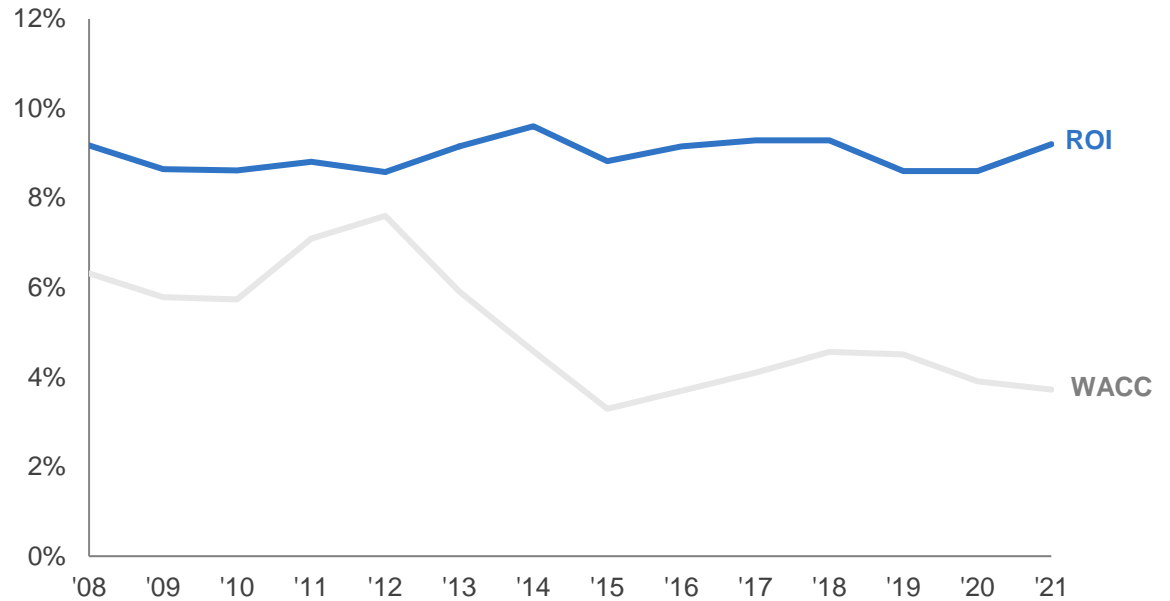
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VALUE CREATION

Value creation

(ROI% vs WACC%)



Enhanced value creation

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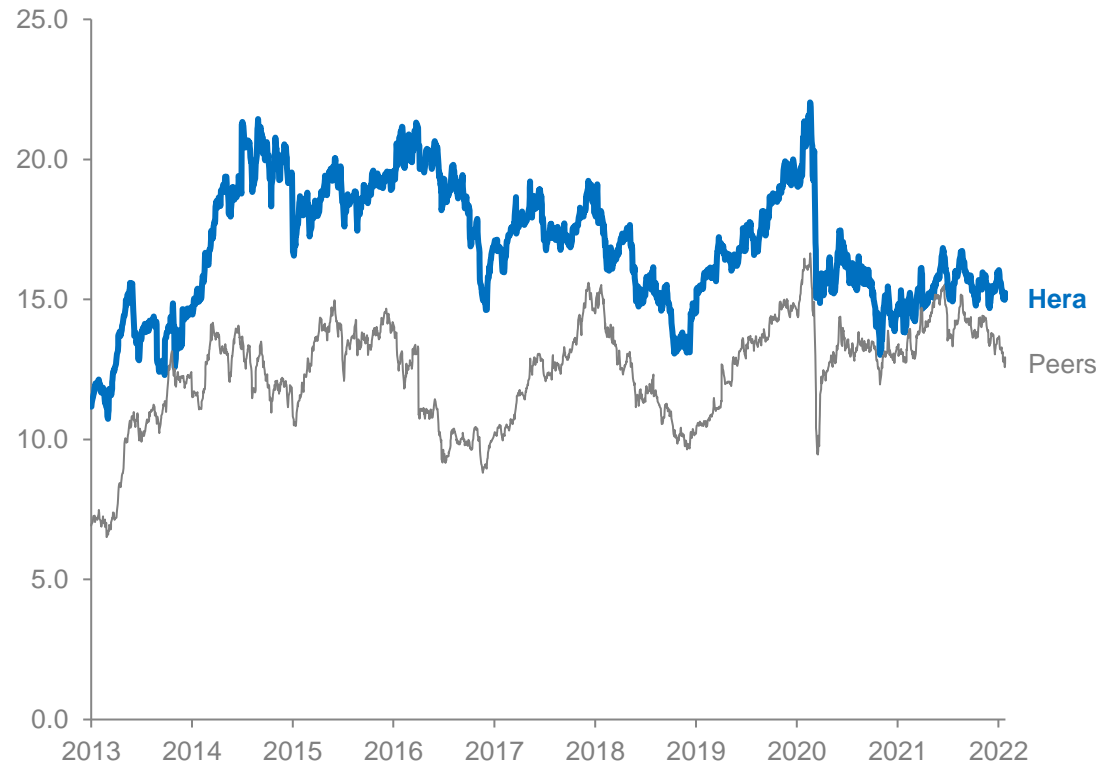
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VALUATION

Market P/E multiples

(x)



Constant premium vs peers

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History x

In a nutshell

Growth drivers

Organic growth

Cost cutting

Efficiency gains

Top line growth

Mergers

Acquisitions

M&A multiples

M&A potentials

Track record & Risk exposure ▼

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HISTORY IN A NUTSHELL

- **Hera** is the outcome of the **largest merger** incurred in the **multi-utility sector** (merger of 11 companies in 2002).
- In 2003, **Hera floated** on the Stock Exchange, **promising** to investors that it would have **doubled its Ebitda in 5 years**, exploiting synergies and economies of scale from the merger.
- **First financial report** highlighted **+50%** increase of **Net profits**.
- On the back of these results, Hera has:
 - deployed the business model by **merging other 34** companies in the surrounding areas.
 - continued to **extract synergies**, cost cuttings and efficiency, **exploiting** the **economies of scale** and a clear orientation of management towards value creation principles.
- The **un-interrupted growth** ended up in an increased **Ebitda** and **Net Invested Capital** by **6.3x** and a cash generation that has deleveraged the company to 2.7x Debt/Ebitda, despite a constant and increasing dividend per share paid.
- Today the **Group** is **operating** in the **Northern-Eastern part of Italy** (wealthy area) and it is well positioned for a **further step change**, also thanks to **market challenges** of the **next 5 years** and the possibility to leverage its strong competitive advantages

A linear growth expanding in a selected areas

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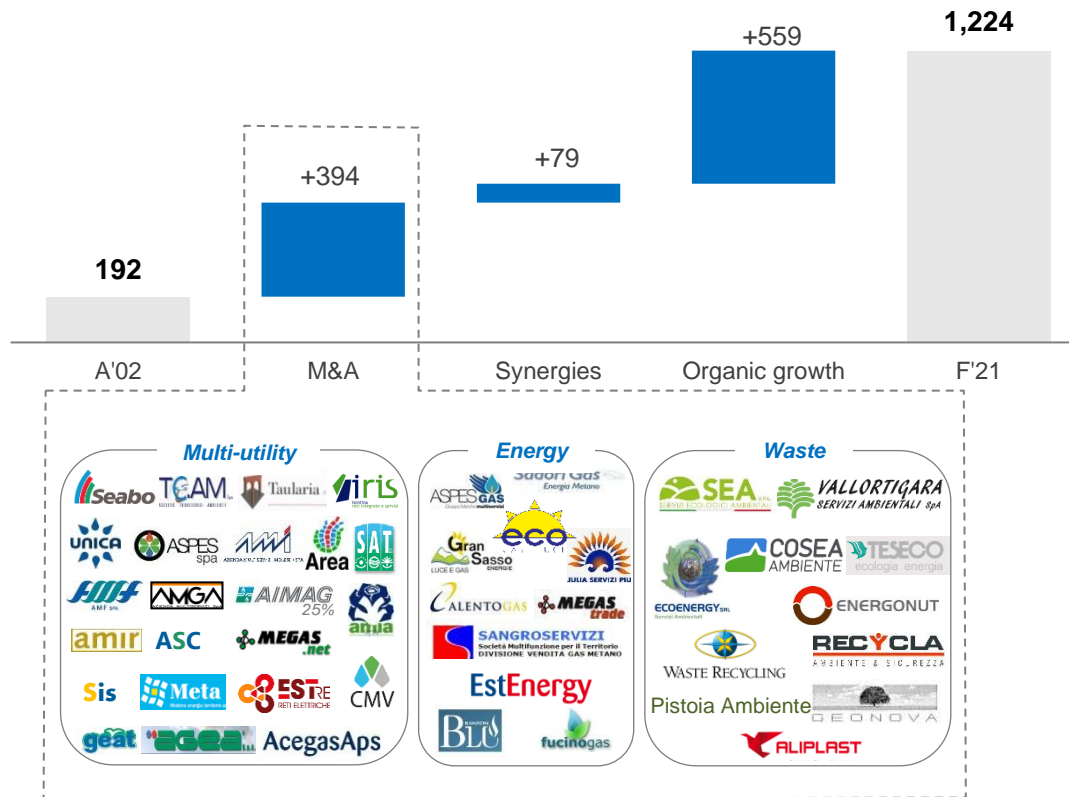
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GROWTH DRIVERS

Track record Ebitda by drivers

(B€)



High fragmented market share offers a clear growth opportunity

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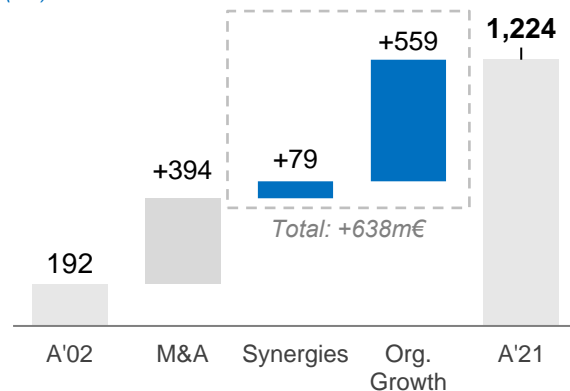
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ORGANIC GROWTH & SYNERGIES

Track record Ebitda by drivers

(M€)

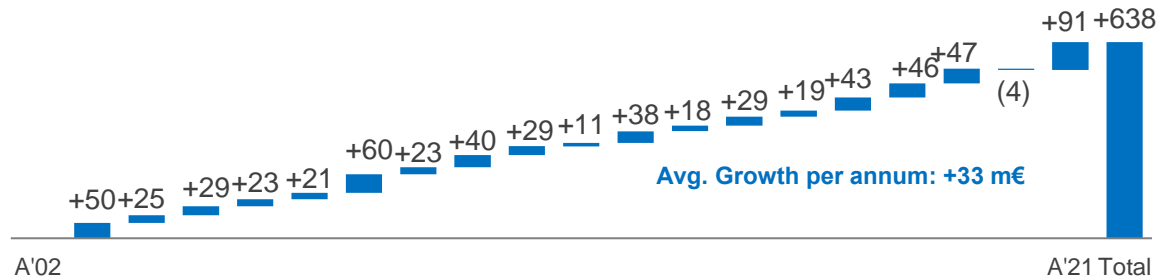


Organic growth drivers

- Cost cutting
- Efficiency gains
- Top line growth
 - Cross selling
 - Increase tariffs/prices
 - Expand customer base

Organic Growth & Synergies always positive

(B€)



Organic Growth: a constant contributor to growth

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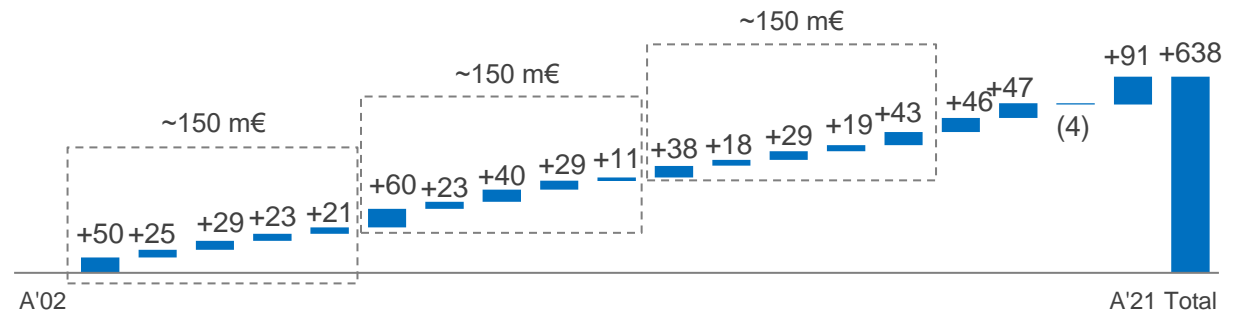
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COST CUTTING

- Merging a large number of small-mid sized companies, the **economies of scale underpinned a tough cost cutting** (still ongoing)

Organic Growth & Synergies always positive

(M€)



- **~40% of Organic Growth & Synergies** has come from **cost cutting**:
 - procurement cost
 - overheads
 - control on personnel turnover
 - synergies among Group companies

Cost cutting: the 'quick-win' name of the game

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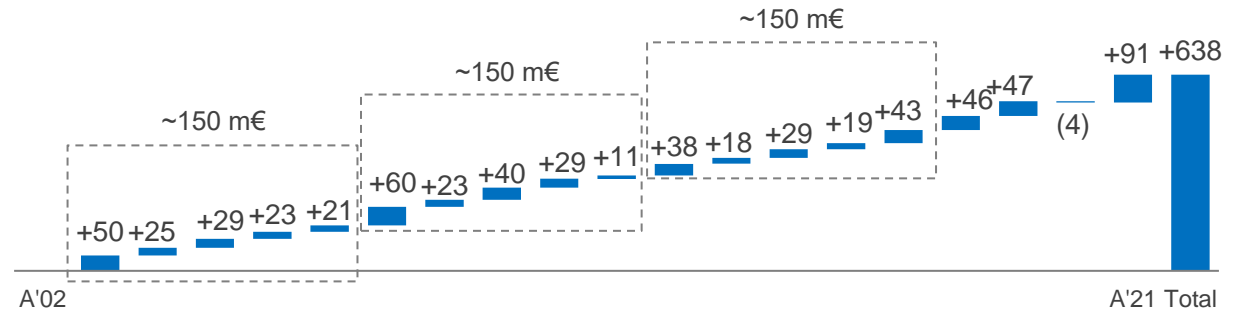
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EFFICIENCY GAINS

- By moving towards an 'industrial approach' to business management, the culture of people has progressively changed to address gains in efficiency

Organic growth & synergies always positive

(M€)



- ~40% of Organic growth & synergies has come from efficiency gains:
 - IT systems
 - unique remote control of Networks
 - internal benchmarking (among Group companies) to deploy Group best practices
 - innovation (digitalization, AI, etc)
 - continuous training of personnel
 - variable remuneration system linked to Group results

Efficiency gains: a never ending process

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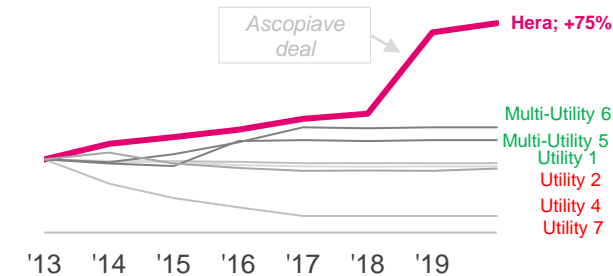
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TOP LINE GROWTH

- **REGULATED ACTIVITIES** (50% of Ebitda) adjust tariffs by **inflation**, **interest rates** (spread) and by **development capex**.
- **WASTE TREATMENT** in Italy is 'short' causing the need to export waste abroad at higher costs (due to more expensive logistics that have a high incidence on the cost base). This market is shortening also in EU causing an **increase in treatment prices**. As a consequence, prices for waste treatment has been moving upward since the last 3 years.
- In **ELECTRICITY SUPPLY**, Hera has a strong track record in **expanding customer base**:

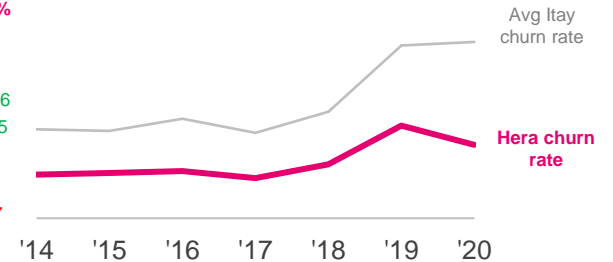
Client expansion of Italian competitors

(%)



Churn rate

(%)



- **Cross selling** is performed at **marginal costs** by **selling the all 4 services** managed to a wide customer base. Today still **only 40%** (from 10% in 2008) of gas, water and waste retail clients **are served with electricity supply services**
- **One unique bill** to each client for all 4 services allows to maintain **2nd best cost to serve in Italy** and a **high loyalty**.

Extracting value from clients at marginal costs

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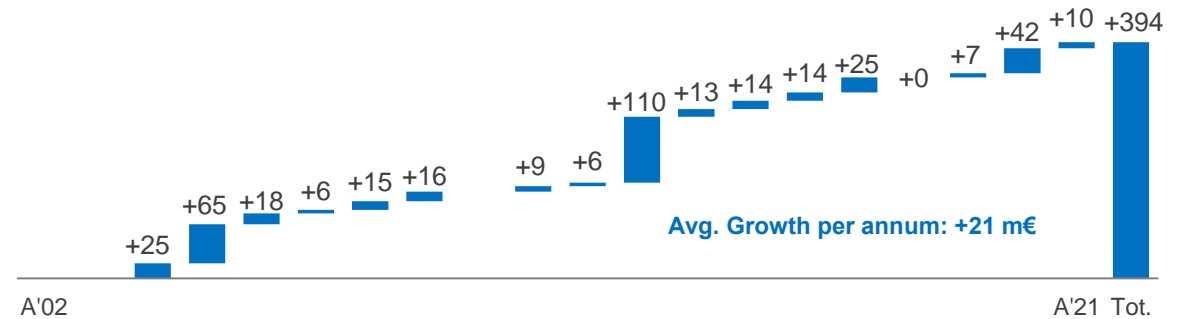
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MERGERS

- **23 mergers** of multi-utilities and **22 acquisitions** of mono-business companies (waste, energy supply).

Constant M&A contribution to Ebitda

(M€)



- Always targeted **only core businesses** (gas, water, waste, electricity)
- Targeted **multi-utilities** in **surrounding areas** (to maintain a geographical continuity of the served territory) to enhance synergy extraction from Networks (main activity of multi-utilities).
- Multi-utilities are merged and paid with new issued shares (**share swaps**).
- EV/Ebitda **multiples** have **never** been **dilutive** for Hera shareholders.
- **Synergy extraction** has been the value creation of mergers.
- Within 5Y from the mergers, Hera has extracted an average amount of **synergies** from mergers equal to **+25%** of the original **Ebitda** of the **target company**.

Mergers in surrounding areas to maximize synergies

INVESTMENT CASE

What is key ▼

History x

In a nutshell

Growth drivers

Organic growth

Cost cutting

Efficiency gains

Top line growth

Mergers

Acquisitions

M&A multiples

M&A potentials

Track record & Risk exposure ▼

Business & Markets ▼

Business Plan to '25 ▼

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Valuation & “ESG” Ratings ▼

ACQUISITIONS

- **22 Acquisitions executed** focused on core activities of **Waste treatment** and **Energy supply**, which are still highly fragmented sectors.
- **Market multiples** have been **applied**:
 - €/customer in **Energy supply**
 - EV/Ebitda in **waste treatment**
- Deals were **settled with cash** considerations (no share dilution)
- The **geographical scope** of “Acquisitions” is **national** (not only in the surroundings), since:
 - **Waste treatment** main synergies comes from plants **proximity to clients**
 - **Energy supply** main synergies are **not linked to geography**
- **Synergies extracted** from acquisitions varies case by case in dependence of the business and the **target company**

Acquisition focused on “cherry picking”

INVESTMENT CASE

What is key ▼

History x

In a nutshell

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Acquisitions

M&A multiples

M&A potentials

Track record & Risk exposure ▼

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M&A MULTIPLES

- **Never dilutive multiples** applied to M&A
- **Hera** has a clear **competitive advantage** in M&A, having a **market valuation** at '**premium**' vs peers
- **Multiples** always **exclude synergy potentials** (value creation for Hera's shareholders)

**Multiples never dilutive thanks
also to Hera mkt premium**

INVESTMENT CASE

What is key ▼

History x

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Top line growth

Mergers

Acquisitions

M&A multiples

M&A potentials

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M&A POTENTIALS

M&A potential by sector

Multi-utility	Counterpart	Consideration	Multiples	Potentials targets
	Municipalities	Shares/cash	Non dilutive	>500 Multi-utility
Energy	Counterpart	Consideration	Multiples	Potentials targets
	Entrepreneur	Cash	Mkt multiples	>500 companies
Waste	Counterpart	Consideration	Multiples	Potentials targets
	Entrepreneur	Cash	Mkt multiples	>100 companies

- Being the **largest multi-utility***, the **3rd largest player** in **Energy supply** and the **1st player** in **Waste treatment**, Hera is a natural consolidator of these fragmented sectors due to its
 - **adequate critical mass**
 - **low financial leverage**
 - **solid track record**

Visible potentials to confirm our growth through M&A

*by market cap

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

At a glance

Group Ebitda growth

Ebitda Networks

Ebitda Waste

Ebitda Energy

Ebitda/employee

EPS and share evolution

Capex

Cash flows

Dividend per share

Debt/Ebitda

S&P's and Moody's

Value creation

Business & Markets ▼

Business Plan to '25 ▼

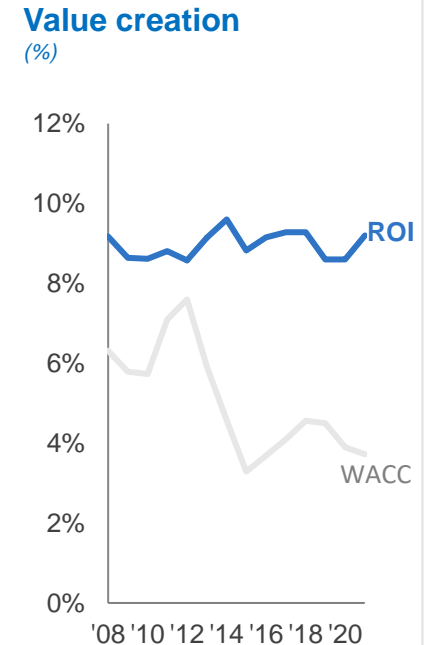
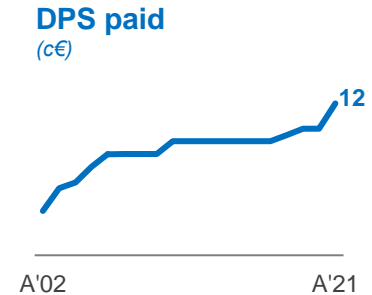
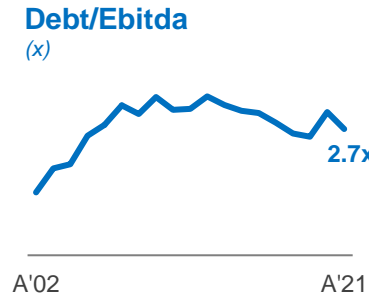
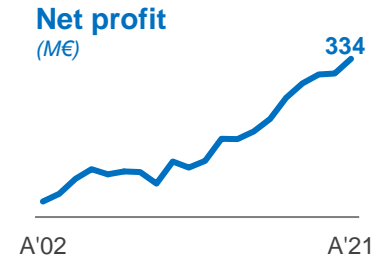
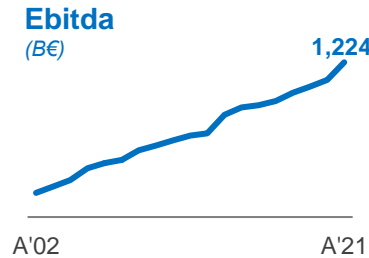
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

TRACK RECORD & RISK EXPOSURE AT A GLANCE

- **Since 2002, in a turbulent environment** (major events incurred, such as gas supply market liberalisation, Italian power generation overcapacity, weak GDP growth, climate change events, several waste management crisis, difficult authorization process to expand waste plants, change in regulations, sovereign debt crisis, Robin Hood tax) **Hera has performed an un-interrupted growth for 19 years in a row.**



Creating value although the turbulent scenario

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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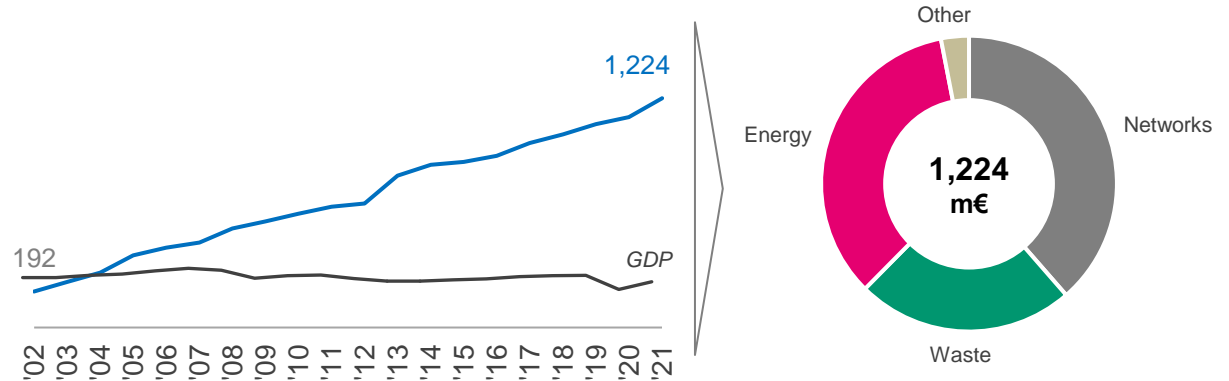
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Valuation & "ESG" Ratings ▼

GROUP EBITDA GROWTH

Resilient and un-interrupted growth since establishment

(Ebitda M€, cumulated GDP growth rate %)



- **REGULATED tariffs** of Networks (about 45% of Group Ebitda) are **protected by demand cyclicality, inflation and change in interest rates (spread)**.
- **Prices and demand of WASTE TREATMENT** services (about 25% of Group Ebitda) are **growing** due to the tough Italian infrastructural gap.
- **ENERGY SUPPLY** (about 30% of Group Ebitda) demand mainly **depend on the climate** and not on the economic cycle. Hera strategy has substantially neutralized margins from commodity prices fluctuation.

Resilient to macro variables

INVESTMENT CASE

What is key ▼

History ▼

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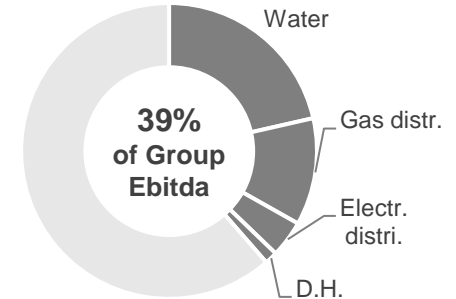
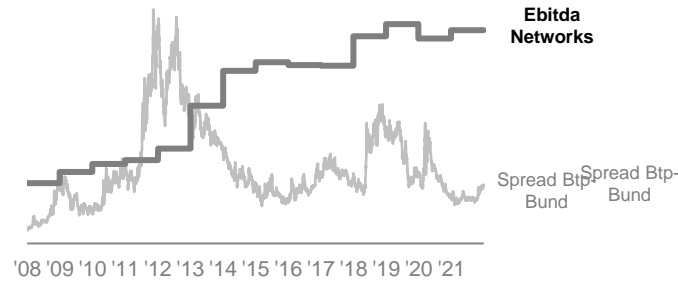
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

EBITDA NETWORKS

Ebitda
(M€)



- Networks are **regulated** activities.
- Tariff systems (water, gas, electricity) are **protecting returns from:**



Inflation



Spread



Demand cyclicality

Full protection on regulated Networks

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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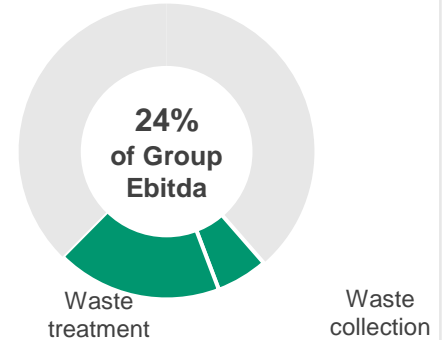
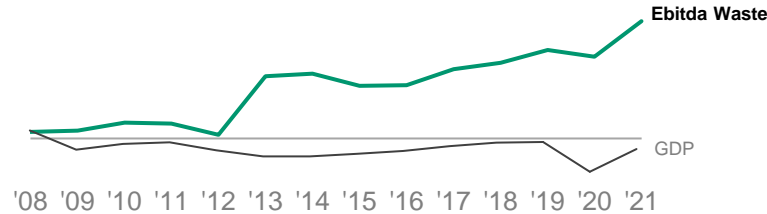
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

EBITDA WASTE

Ebitda
(M€)



- **Waste collection** activities are protected from inflation, interest rates and demand cyclicity
- **Waste treatment** capacity in Italy is short and has caused an increase in demand and prices over the last 5 years
- **Waste treatment** demand is sensitive to GDP: impacts affect primarily the exported waste (expensive but forced by national shortage) and only afterward the domestic waste treatments.

Price and demand increase on the back of Italian shortage

INVESTMENT CASE

What is key ▼

History ▼

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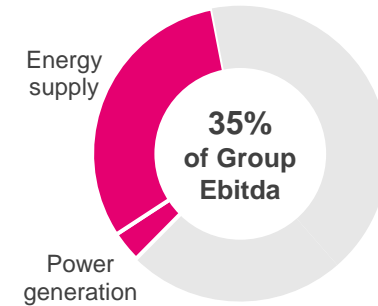
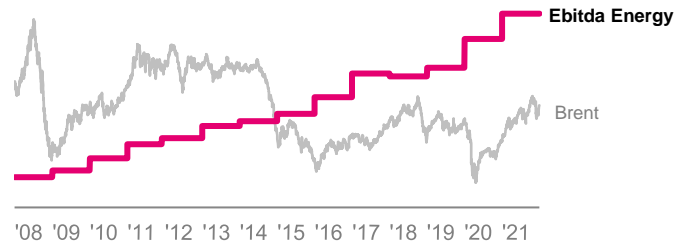
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Governance ▼

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Valuation & "ESG" Ratings ▼

EBITDA ENERGY



- **Energy supply**

- These activities are managed **passing through commodity prices to customers** by hedging supply contracts (mainly retail customers) with procurement contract (short term contracts with diversified suppliers) so to neutralize results from commodity price fluctuation.
- Procurement on wholesale market of commodities (long and liquid market) is carried out with trading activities following a risk adverse strategy that sets the **maximum value at risk equal to 3.5 m€**.

- **Power generation**

- Hera has a **negligible** power generation: results are as a consequence negligibly affected by spark spreads or CO2 certificates price fluctuation.

Risk adverse strategy to neutralize risk exposure

INVESTMENT CASE

What is key ▼

History ▼

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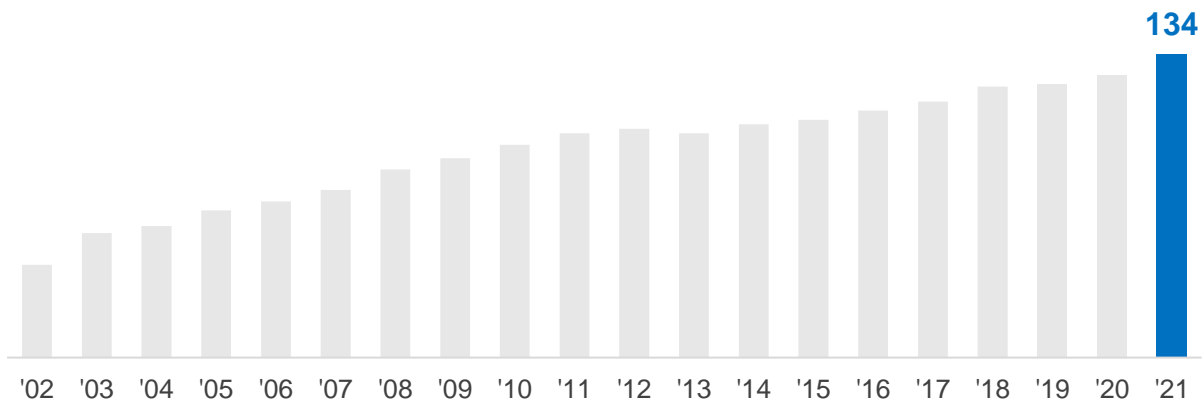
Sustainability ▼

Valuation & "ESG" Ratings ▼

EBITDA/EMPLOYEE

Ebitda per employee

(Ebitda per employee k€ per capita)



Economies of scale

- Cost cutting
- Efficiency gains
- Control of personnel turnover
- Cross selling
- Market expansion
- Price/tariffs increase



+6.4%
Cagr
Ebitda/employee

Never ending efficiency improvements

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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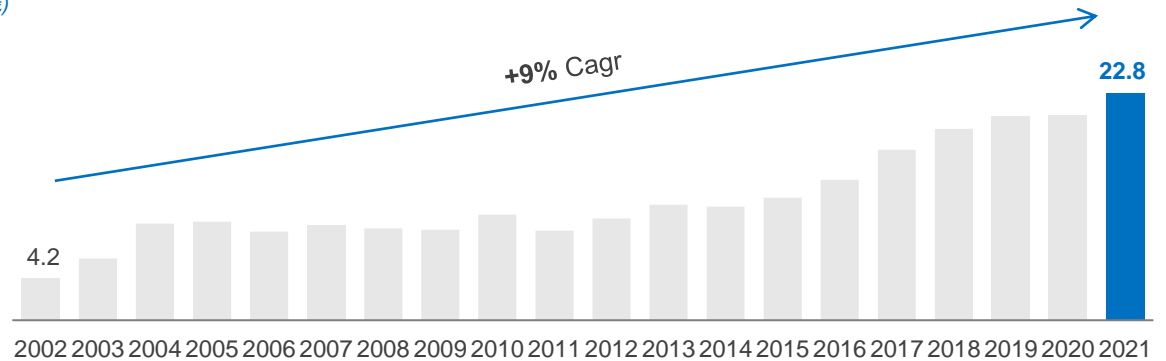
Sustainability ▼

Valuation & "ESG" Ratings ▼

EPS AND SHARE EVOLUTION

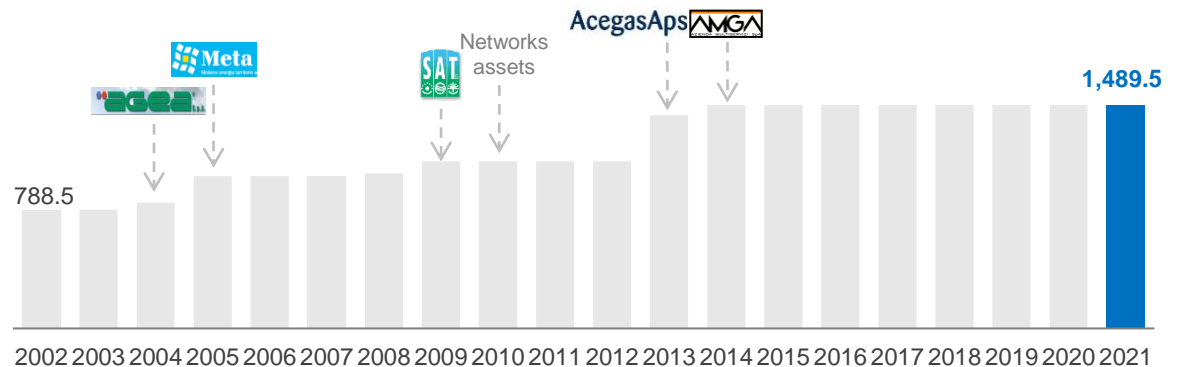
EPS

(c€)



Share capital increase due to mergers executed

(mln of shares)



Visible value creation from M&A

*Adjusted

INVESTMENT CASE

What is key ▼

History ▼

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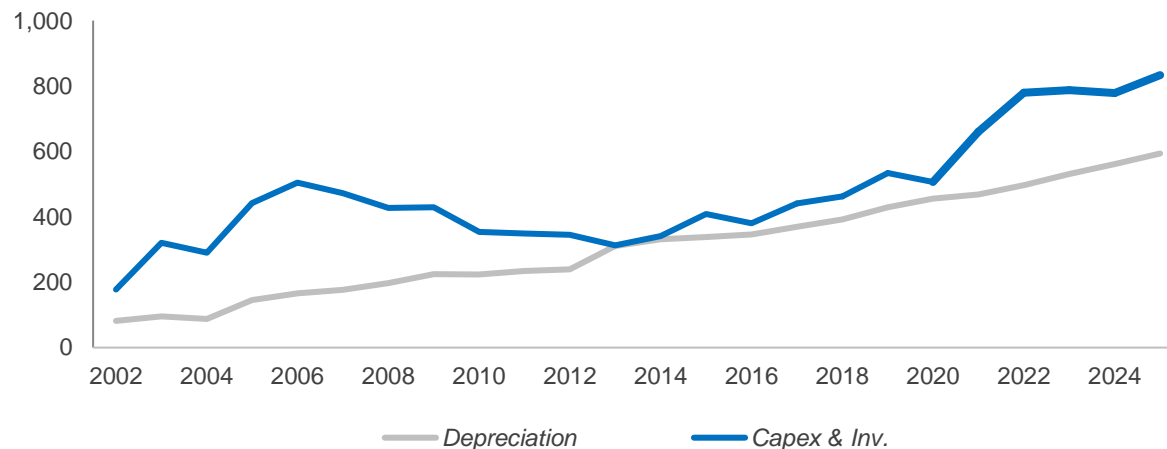
Sustainability ▼

Valuation & "ESG" Ratings ▼

CAPEX

Infrastructure developments

(M€)



- Strong efforts to **renew asset base** in 2002-2012
- **Negligible write offs** in 19 years
- **Achieved a solid asset platform** in all activities
- **Since 2017** a new wave of infrastructure **development**

Strong asset platform underpin solid results

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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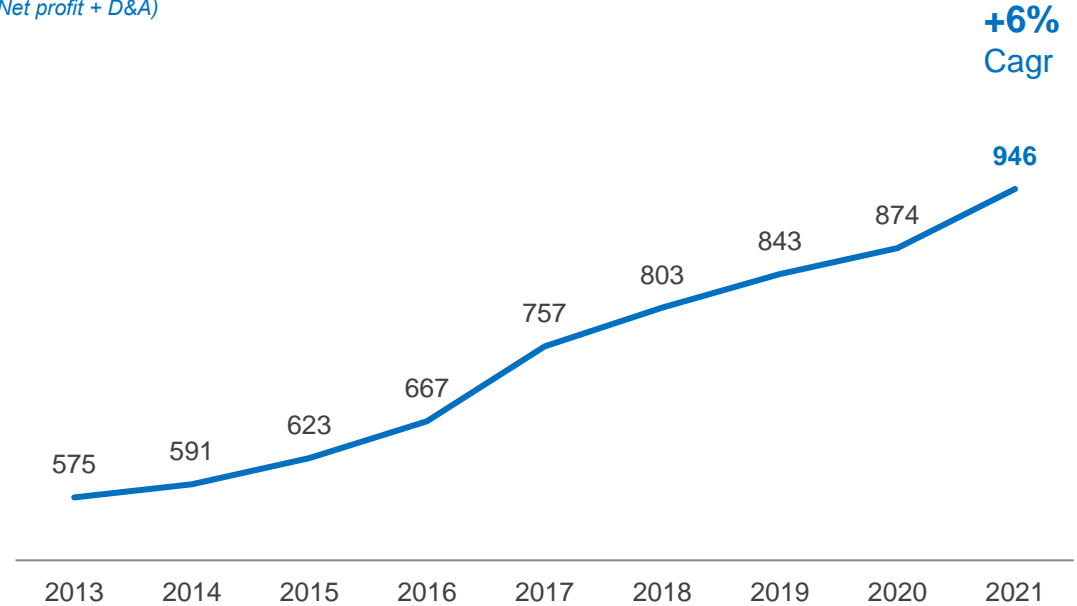
Sustainability ▼

Valuation & "ESG" Ratings ▼

CASH FLOWS

Operating cash flows

(M€, Net profit + D&A)



Healthy and growing cash flows

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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Business & Markets ▼

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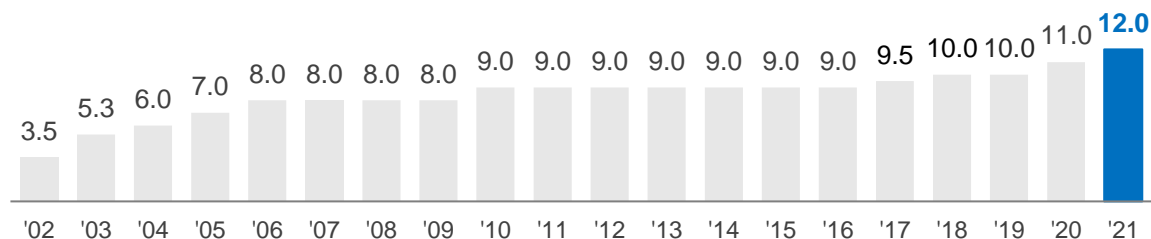
Governance ▼

Sustainability ▼

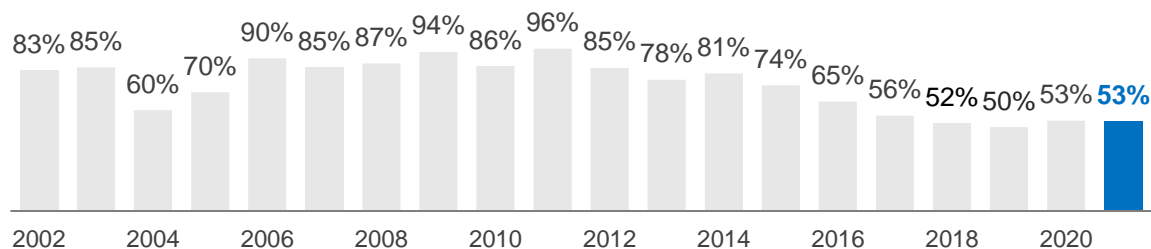
Valuation & "ESG" Ratings ▼

DIVIDEND PER SHARE

Dividend per Share (c€)



Payout (%)



- Always maintain promised DPS payments
- Sustainable payout ratios

Un-interrupted dividend growth

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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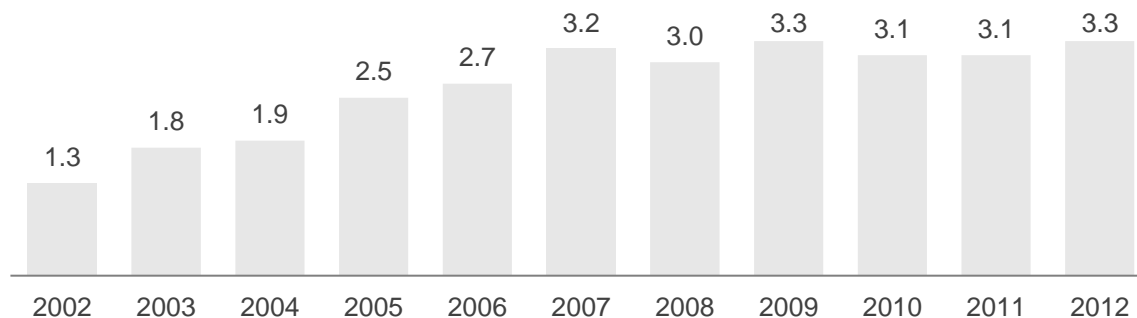
Sustainability ▼

Valuation & "ESG" Ratings ▼

DEBT/EBITDA

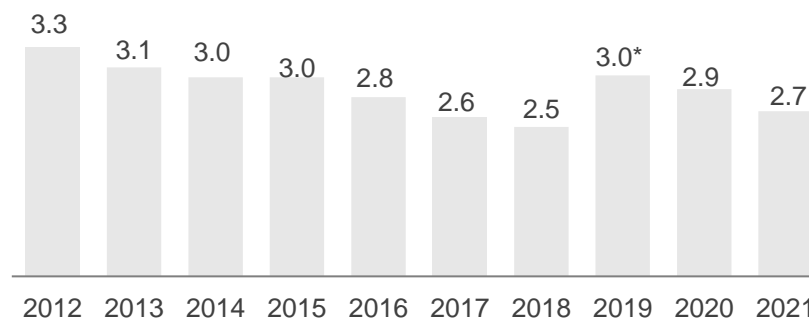
2002-2012: infrastructure renewal

(Debt/Ebitda)



2012-2021: solid infrastructures

(Debt/Ebitda)



Gathered some financial flexibility for further growth

* Including the consolidation of the non-monetary effects resulting from the partnership with Ascopiave

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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Business & Markets ▼

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S&P's AND MOODY's

Credit standing

**STANDARD
& POOR'S**

BBB+/A-2

Stable outlook

MOODY'S

Baa2

Stable outlook

- **1 notch above Italian Republic** credit standing
- Debt with **no covenants** (only remain above investment grade)
- **No material refinancing needs** in next 5 years
- **450 m€** committed **credit lines** available
- **93%** Debt **fixed rate**
- **86%** Debt made of **floatated bonds**

Better credit standing than Italy

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure x

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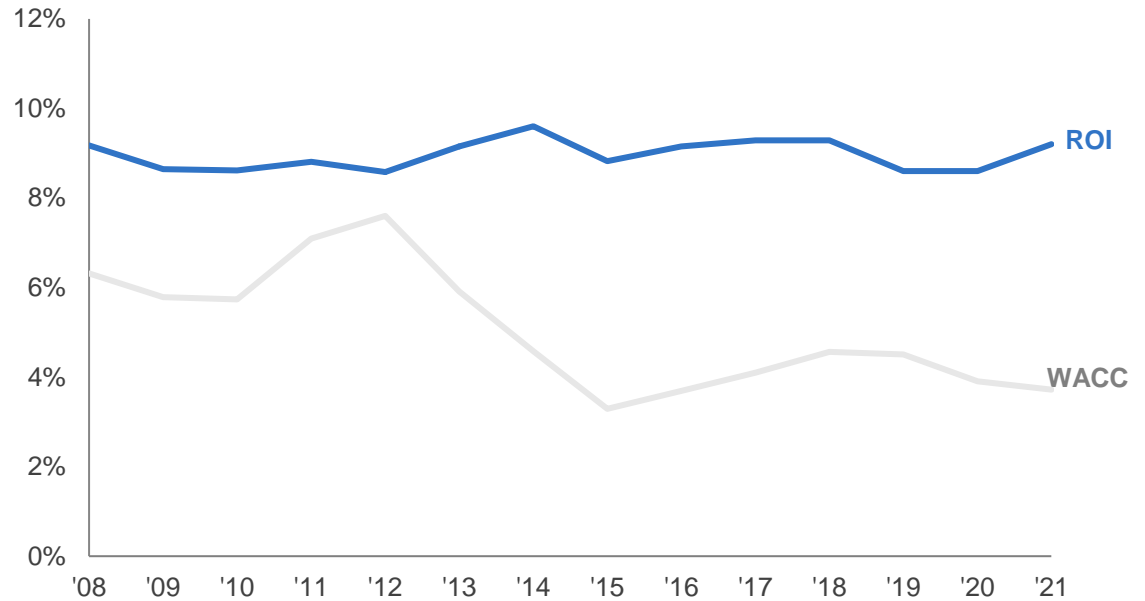
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

VALUE CREATION

ROI vs WACC (%)



Grown to enhance value creation

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

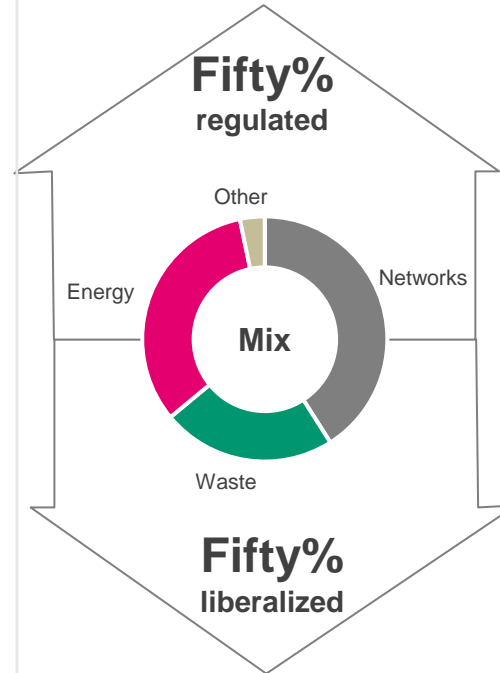
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

BUSINESS MIX

Visible cash flows



Growth opportunities

Valuable advantage in a Balanced multi-utility mix

- **Primary utility services** (waste, water, gas) in Italy have been historically managed by **municipal companies** (multi-utility) serving a small local area of citizens (often even in one town) on the basis of a local concession (monopoly)
- Still today, the **utility services market** is highly **fragmented** (more than 1,500 multi-utility, Cottarelli report) causing inefficiency to the system and the Government aims at promoting consolidation (e.g. Madia Law, gas tenders)
- **Hera** has become the **2nd largest multi-utility** of the country through **45 M&A deals** (main sector consolidator) and implementing effective actions to gain **efficiency**
- Serving **3.5 million citizens**, a **multi-utility approach** adds relevant advantages:
 - Maintain a low cost-to-serve
 - Cross selling services to existing clients at marginal costs
 - Increase customer loyalty (one single bill, call centre and shops for all utility services provided)
 - Enhance synergy potentials from mergers

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

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NETWORKS (1)

What

Networks include mainly:

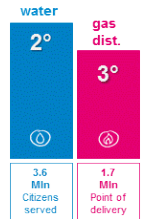
Water
(*21 Ebitda: 262m€)

Gas distribution
(*21 Ebitda: 144m€)

Electricity distribution
(*21 Ebitda: 49m€)

Size

In these **highly fragmented markets** (>1,000 water operators, >200 gas distributors), **Hera** highlight a **relevant size** compared to the national players:



Value drivers

The activities are based on **local concessions** (long term). The **tariff system** guarantees an allowed return real pre-tax and pre-interests (Ebit) on the Regulated Asset Base (RAB). At the end of the **regulatory period** (4-5 years) the national Authority **ARERA reviews** the tariff system in all regulated businesses giving visibility in the medium-long term.

Value drivers	Water	Gas distr.	Electr. distr.
RAB (b€)	1.64	1.04	0.37
Return (real, pre-tax)	4.8%	5.6%	5.2%
Concession length	~2028	Expired	2030
Independent Authority (national)	ARERA	ARERA	ARERA

➔ **60%**
of Group
Net Invested
Capital

Hera benefits from sizable economies of scale and a reliable regulation

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

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NETWORKS (2)



- Hera's **Water** local concessions last on average to 2028
- Water business includes:
 - Fresh water distribution
 - Metering
 - Sewerage management

- Hera Water activities has highlighted **KPIs among national best practices** (Mediobanca studies) also thanks to relevant capex (1.95 b€) sustained since 2002.
- **Water tariffs** in Italy are still one of the **lowest in EU** and for this reason water **infrastructures** highlight a **significant gap** compared to EU countries (about 60 b€ gap) causing every year a significant amount of penalties from authorities to Italian small – medium sized water operators (mainly).
- **Since 2012 the ARERA took over the regulation in Water** and designed a new tariff system that sustains and incentives capex. Since then Italian capex has tripled in Water activities, being returns fully protected by inflation, demand cyclicalities, interest rates and guaranteeing a premium/penalties in case of outperform/underperform on efficiency and service quality targets. Authority tariff "review" will incur at year end (end of regulatory period).

Stable regulatory framework

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

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NETWORKS (3)



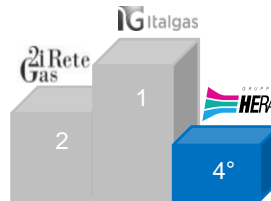
- **Gas distribution** local **concessions** has **expired** all over the country
- The 220 Italian operator will go through a **tender process** (now ongoing) to regain a new concession (of the length of 13 years).

Tenders

- Rules for Gas tenders have been set identifying 177 concessions on provincial basis on areas called ATEMs (broader areas than before). Being the concession areas changed, in each ATEM there are currently more than 1 player. The tender will assign the concession to a unique winner that will need to pay for the assets owned by the losing players.
- Small-mid sized player will face difficulties in competing with large player. We expect that this tendering process will reduce the number of player from 220 down to about 20 players.

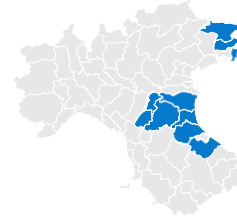
Hera's advantages

Large player



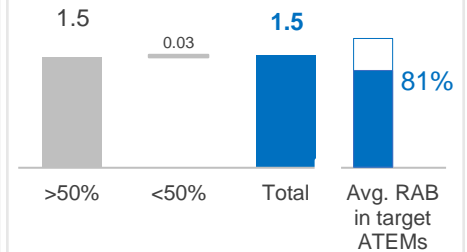
National ranking

Concentrated presence



Contiguity allows better efficiency

Deep penetration in ref. ATEMs



Hera have expansion potentials in reference territories thanks to tenders

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

WASTE COLLECTION (1)

What



Urban waste



Trucks for collection



Waste containers in the cities



Industrial waste

Waste collection
2021 Ebitda: **69m€**

Value drivers

- This regulated activity refers to collection of urban waste and sweeping activities
- Tariff system today sets a **return** equal to **5.6%** (increased from the local rule of "inflation + Italian bond yield = ~3.5%). 100% of costs (logistic, management, sorting, recycling) are recognized
- **ARERA**, the new national authority has just approved a **new tariff system** that **aligns returns with the other regulated activities**.
- **Increasing the sorted "urban" waste** (EU law sets a limit of max 50% of urban waste disposed of directly in landfills) will **free capacity** in Hera's treatment plants that can then be used **to treat more "special" waste**
- Waste collection concessions are already expired in E-R region. In this region the tendering process is ongoing

ARERA new tariff system increased returns

INVESTMENT CASE

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History ▼

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Energy supply (2)

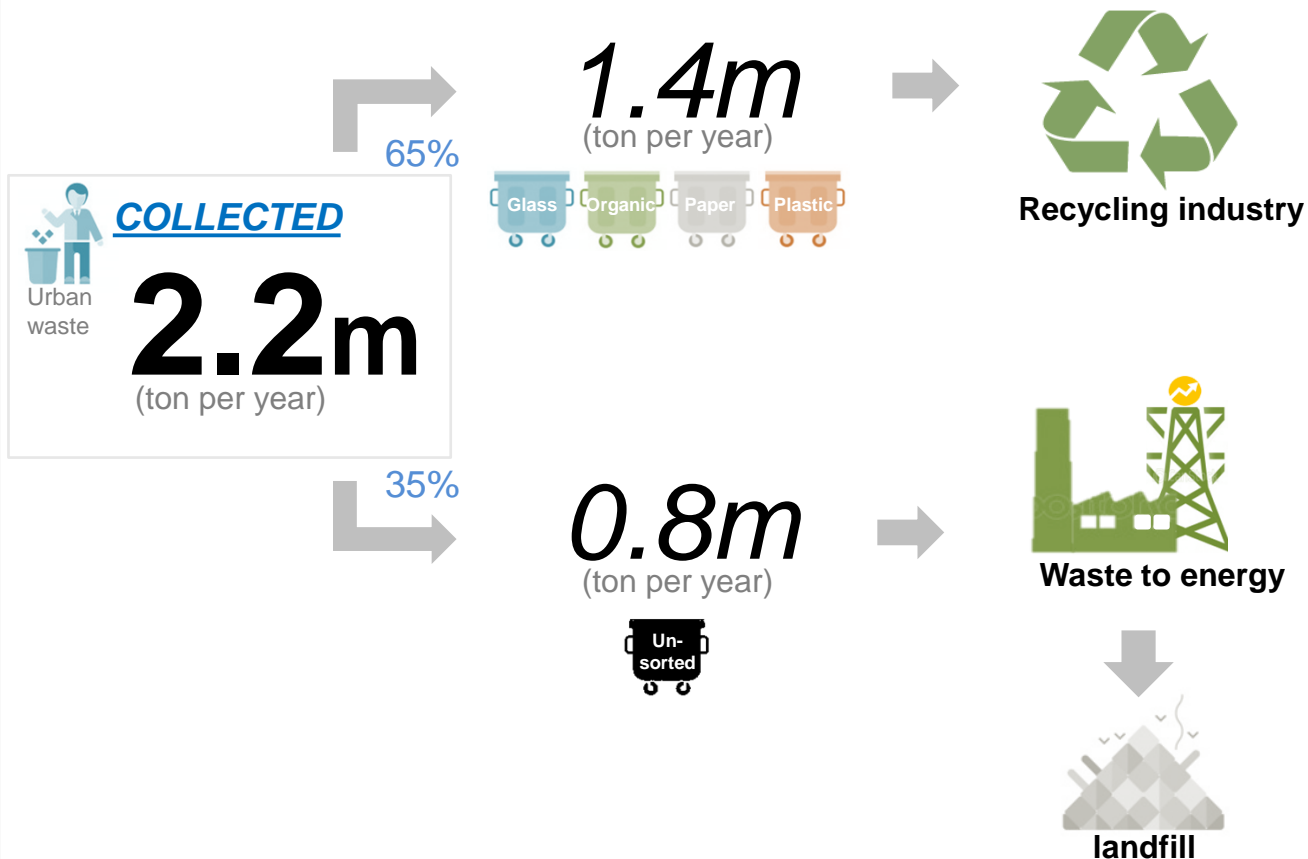
Business Plan to '25 ▼

Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

WASTE COLLECTION (2)



Waste collected is managed respecting the environment

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

Business mix

Networks (1)

Networks (2)

Networks (3)

Waste collection (1)

Waste collection (2)

Waste treatment (1)

Waste treatment (2)

Waste treatment (3)

Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

Governance ▼

Sustainability ▼

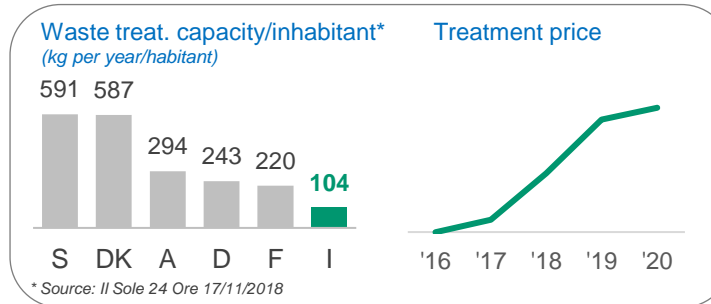
Valuation & "ESG" Ratings ▼

WASTE TREATMENT (1)

- Hera is the **Italian leader** in waste treatment having about **92 plants** with a total capacity of 7.2 million ton/y.
- Thanks to the **market fragmentation** Hera has grown also through M&A in last 5 years:



- Due to the Italian tough shortage in capacity, **in last 5 years** special waste (industrial waste or urban waste produced outside Hera's reference territory) **treatment prices have increased double digit**



Returns are benefiting from prices increase

Italian leader (n. plant by type)

- 10 WTEs
- 8 Landfills
- 19 Sorting plants
- 17 Chemical-physical plants
- 7 Composting plants
- 5 Bio-digesters
- 1 Bio-methane
- 3 Inertization plants
- 3 Sludge treatment plants
- 22 Other

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

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Energy supply (2)

Business Plan to '25 ▼

Governance ▼

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Valuation & "ESG" Ratings ▼

WASTE TREATMENT (2)

- Prices go up due to the difficulty in obtaining the authorization (from local political authorities) to expand treatment plant capacity.
- As a consequence, a **significant part of waste** produced in Italy is **exported** abroad to other better infrastructured EU countries (**sustaining high logistic costs**).
- Urban waste showed to be un-elastic to GDP whereas Industrial waste is sensitive to GDP. Any change due to GDP will affect waste treatment volume starting from those exported (and later on the waste treated in Italy).

The name of the game

- **Increase plant capacity** (make or buy).
- **Enhance recycling/reuse/regenerate** activities on waste so to reduce use of treatment plants capacity available.
 - Enhance **sorting of Urban** waste of citizens
 - Increase **sorting of waste from industries** (special waste)
 - Expand **in-house sorting plants** capacity
- To recycle/reuse/regenerate waste is not only a matter of sustainability but permit also to enhance net profits maintaining same plant capacity.

Domestic waste treatments are independent from GDP

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets x

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Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

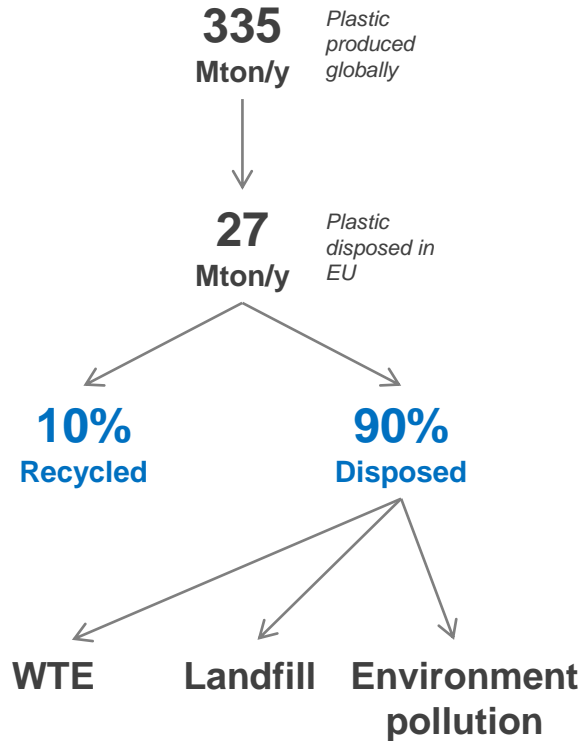
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

WASTE TREATMENT (3)

Plastic cycle (today)



- Today **rules are evolving** to force more sustainable use of plastic
- **Customer sensitiveness increasing** on environmental issues
- **Corporates** are moving ahead stating their **aim to increase recycled plastic**
- Corporates will need to:
 - **change engineering of production process/products**
 - AND/OR**
 - **use more intensively Hera (Aliplast) available expertise**
- **Aliplast** serve several global corporations in Italy satisfying a demand that they **might significantly increase** on the back of above mentioned trends.
- Aliplast, **among largest EU player** in the industry, highlights an activity of only 0.1 m ton per year.

Potential fast growth of demand due to high sensitiveness

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

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Energy supply (1)

Energy supply (2)

Business Plan to '25 ▼

Governance ▼

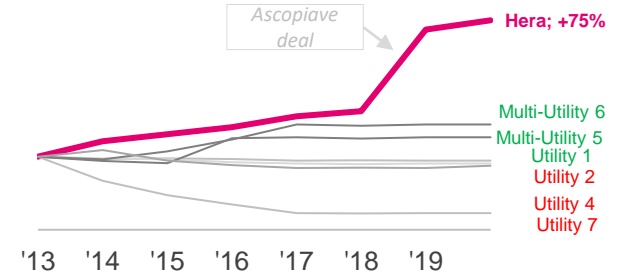
Sustainability ▼

Valuation & "ESG" Ratings ▼

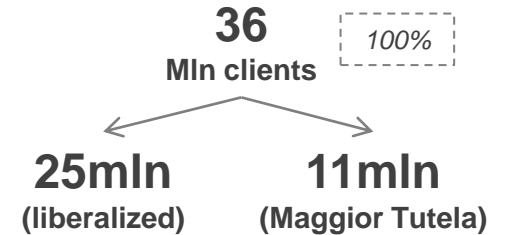
ENERGY SUPPLY (1)

- Hera is the **3rd largest Italian player** in a highly fragmented market and it has shown to be the **fastest growing company** (in terms of client expansion) also thanks to several acquisitions of small players.
- Electricity supply **market** is **70%** held by the **Italian incumbent** holding a large part of 'Maggior Tutela' clients (clients managed with a "regulated" contract and that has still not moved to the liberalized market contract).
- **The law** forces the **full liberalization** of electricity supply market in **2024**.
- **Maggior Tutela** clients will mainly be **released by the Italian incumbent** in **favour** to the **other market players** (the incumbent will not be allowed to retain a market share above 50%)

Client expansion (%)



Total market today



3rd and fastest growing market player

INVESTMENT CASE

What is key ▼

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Business Plan to '25 ▼

Governance ▼

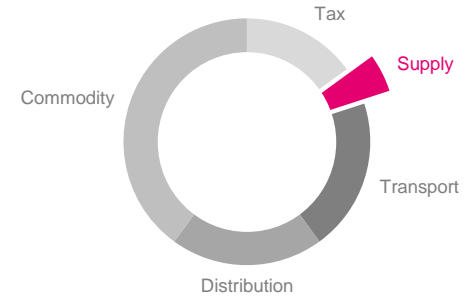
Sustainability ▼

Valuation & "ESG" Ratings ▼

ENERGY SUPPLY (2)

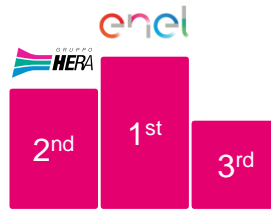
- Supply margins constitute the “thinnest part” of the bill and therefore competition is currently not ‘based’ on the price level.
- Hera has a negligible Power generation and procures electricity and gas on the wholesale market sterilizing price fluctuation risk, hedging, almost at 100%, procurement contracts with supply contracts.
- Expand customer base, maintain a low “cost to serve” and maintain their loyalty are the key growth drivers for Energy supply business

Full bill breakdown by cost



Hera competitive adv.

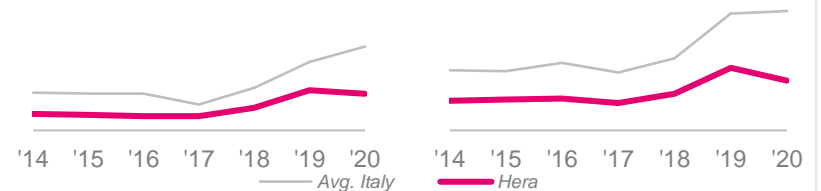
Cost to serve (national ranking 2019)



Low churn rates in Energy supply

Retail gas supply

Retail electricity supply



Solid competitive advantages to sustain further growth

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

Business Plan to '25 x

Main targets

Dividend policy

Capex plan

Ebitda target

Risk exposure

M&A potentials

Gas tenders

Maggior tutela

Plastic strategy

Trends in treatment prices

Cash flows and other fin. targets

Networks Ebitda growth

Waste Ebitda growth

Energy Ebitda growth

Governance ▼

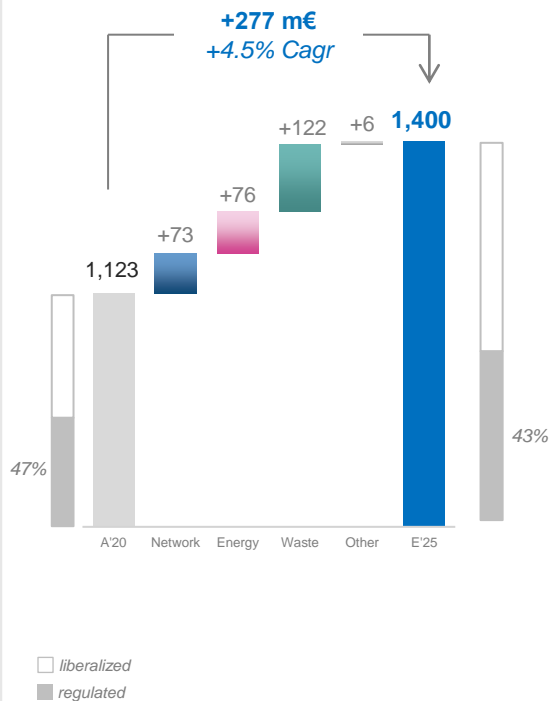
Sustainability ▼

Valuation & "ESG" Ratings ▼

MAIN TARGETS TO 2025

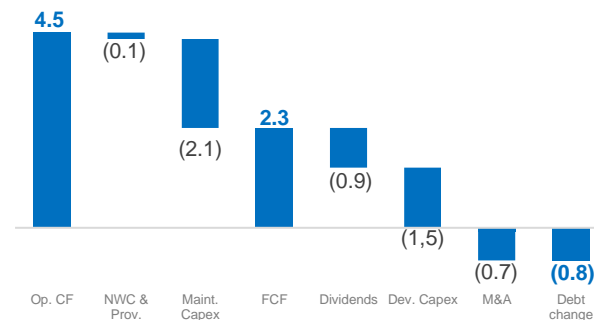
Ebitda by activities

(M€)



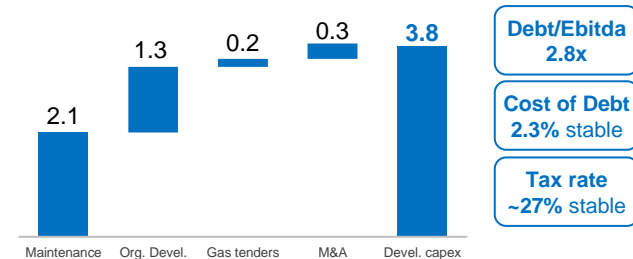
Cum. cash flows '21-'25

(B€)



Development capex & other targets

(B€)



Increasing all targets vs Business plan to '24

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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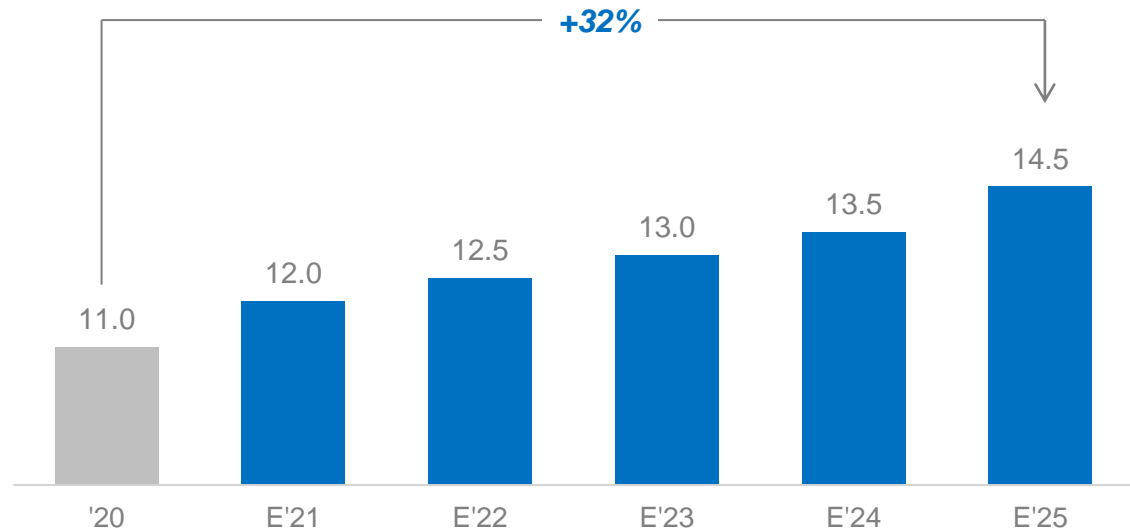
Governance ▼

Sustainability ▼

Valuation & “ESG” Ratings ▼

DIVIDEND POLICY

Dividend per Share (c€)



Higher dividends from the “floor” set last year

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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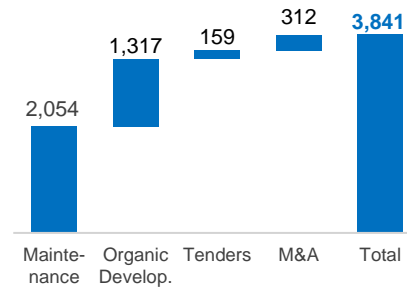
Sustainability ▼

Valuation & "ESG" Ratings ▼

CAPEX PLAN

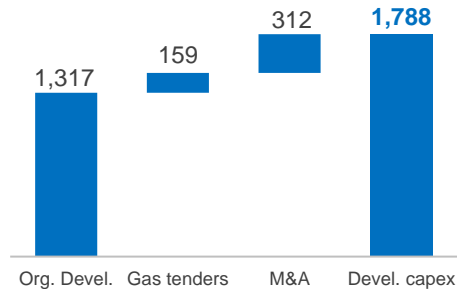
Capex plan '21-'25

(M€)



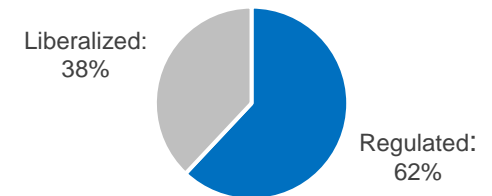
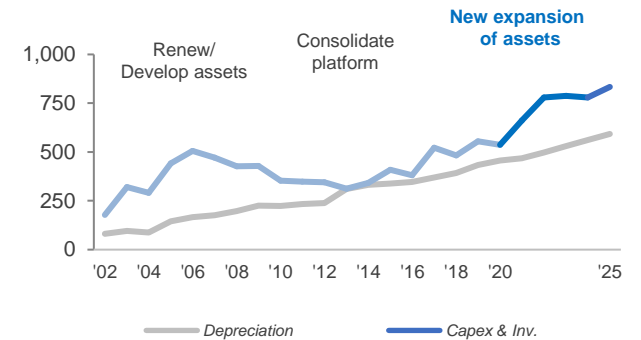
Development projects

(M€)



A new cycle of infrastructure development

(M€)



Organic development capex up by +75% vs BP to '24

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

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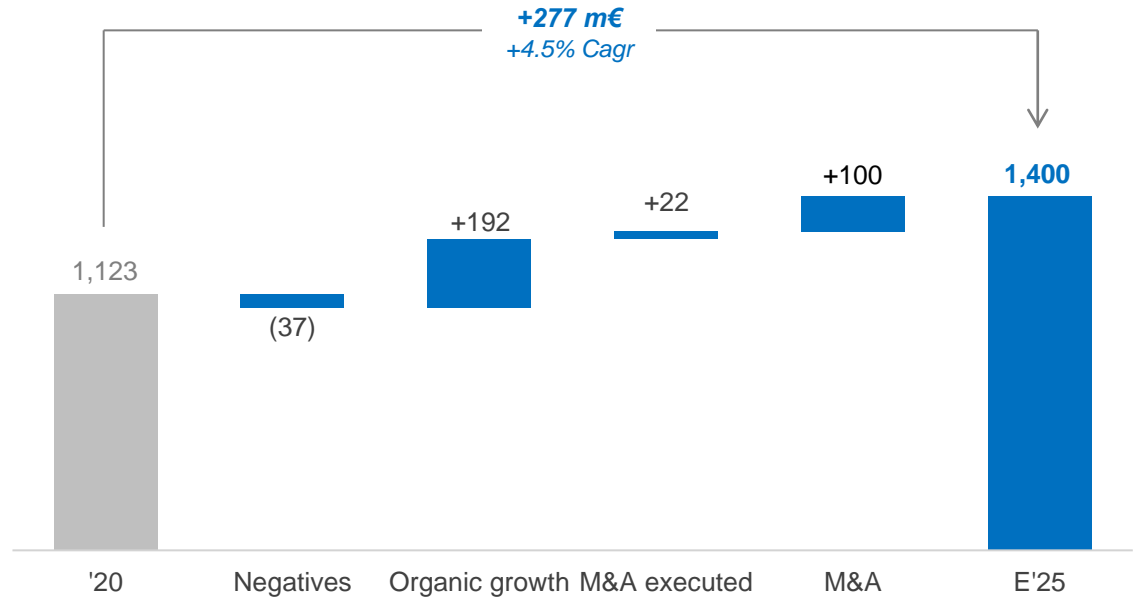
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

EBITDA TARGET

Ebitda drivers (M€)



Growth enhanced despite Wacc cut on regulated

INVESTMENT CASE

What is key ▼

History ▼

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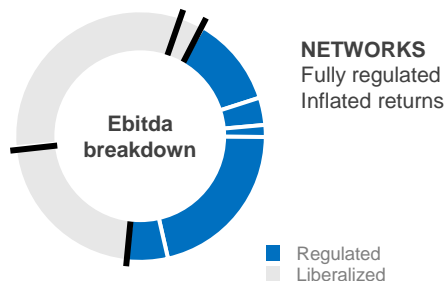
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

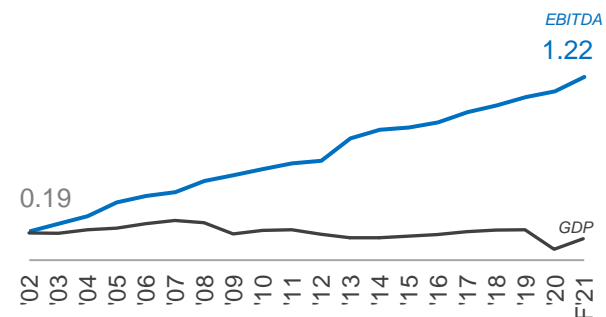
RISK EXPOSURE

The mix guarantees internal hedging



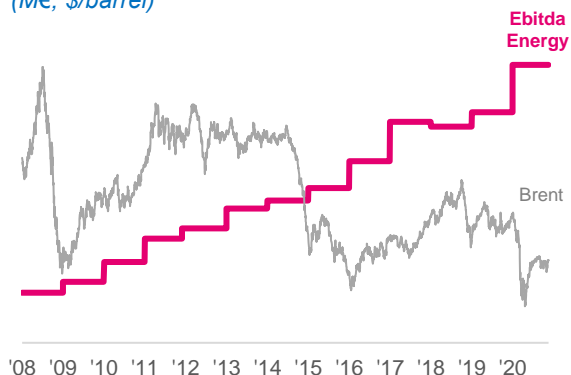
GDP negligible impact

(Ebitda BE€, % change)



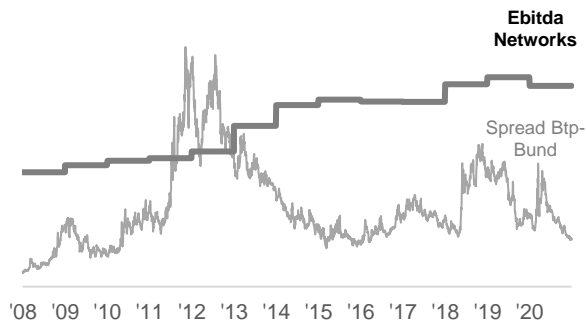
Commodity price volatility: fully hedged

(M€, \$/barrel)



Spread: full protection on regulated activities

(M€, bps)



Low exposure to inflation, commodities and interest rates

INVESTMENT CASE

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Governance ▼

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Valuation & “ESG” Ratings ▼

M&A POTENTIALS

Merger & Acquisition potentials

	Counterpart	Consideration	Multiples	Potentials targets
Multiutility	Municipalities	Shares/cash	Non dilutive	500 Multi-utility
Energy	Entrepreneur	Cash	Mkt multiples	>500 companies
Waste	Entrepreneur	Cash	Mkt multiples	400 companies

Focused on surrounding territories

Focused on Northern and Central Italy (Adriatic Coast)

Focused on Northern and Central Italy

Hera's main competitive advantages

- Fragmented competition in reference territories
- Financial soundness
- Proven capacity to extract synergies (the deals' value creations)
- Track record

Focusing on accretive deals in core businesses

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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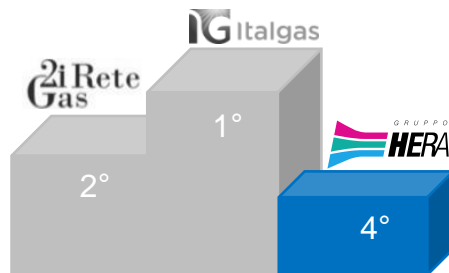
Governance ▼

Sustainability ▼

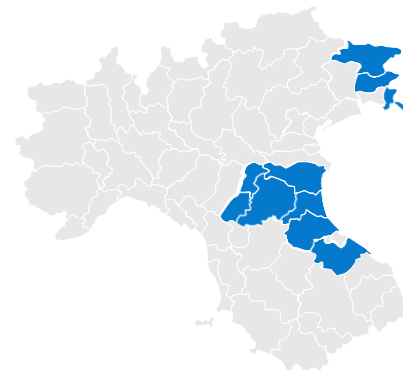
Valuation & "ESG" Ratings ▼

GAS TENDERS

Ranking of Italian gas distributors



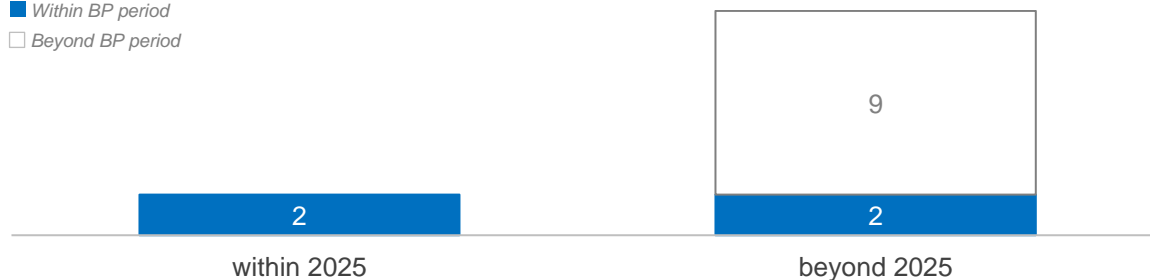
Geographic concentration



Gas tenders schedule

(n° of ATEM)

■ Within BP period
□ Beyond BP period



Won 100% of tenders incurred so far.

INVESTMENT CASE

What is key ▼

History ▼

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Business & Markets ▼

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Governance ▼

Sustainability ▼

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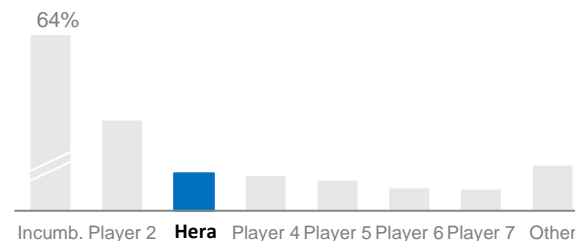
MAGGIOR TUTELA MARKET LIBERALIZATION

Electricity supply market



Competition

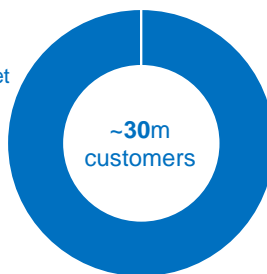
(% market shares)



In 2024 Full liberalization

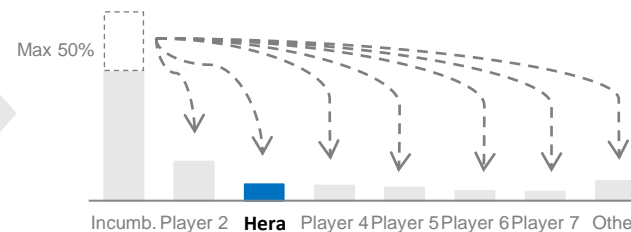
Potential market evolution

100% Free Market



Competition

(% market shares)



Won 3 out of 9 tenders in MT segment auctioned in 2021

INVESTMENT CASE

What is key ▼

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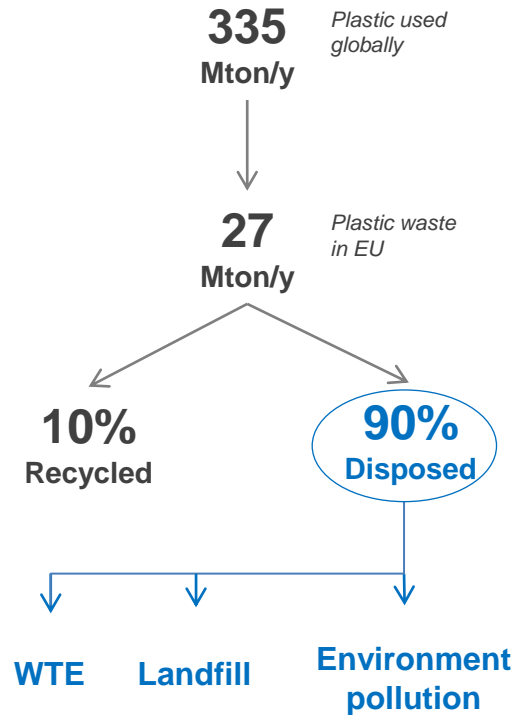
Governance ▼

Sustainability ▼

Valuation & "ESG" Ratings ▼

PLASTIC STRATEGY

Today market



- Today **rules are evolving** to force more sustainable use of plastic
- **Customer sensitiveness increasing** on environmental issues
- **Corporates** are moving ahead stating their **aim to increase recycled plastic**
- Corporates will need to:
 - **change engineering of production process/products**
- AND/OR
- **use more intensively Hera (Aliplast) available expertise**
- **Aliplast** serve several global corporations in Italy satisfying a demand that they **might significantly increase** on the back of above mentioned trends.
- Aliplast, **among largest EU player** in the industry (semi-finished products from recycled PE and PET), highlights an activity of only 0.1 m ton per year.

Aliplast almost doubled Ebitda in F2021

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

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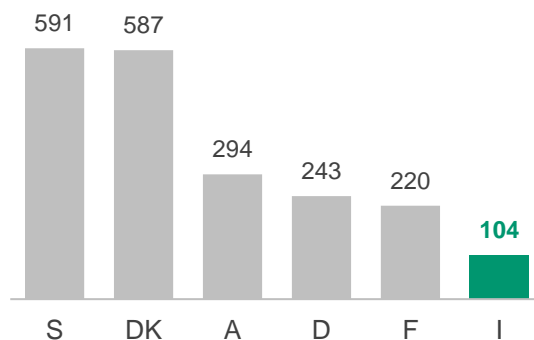
Valuation & “ESG” Ratings ▼

TRENDS IN TREATMENT PRICES

Waste market drivers

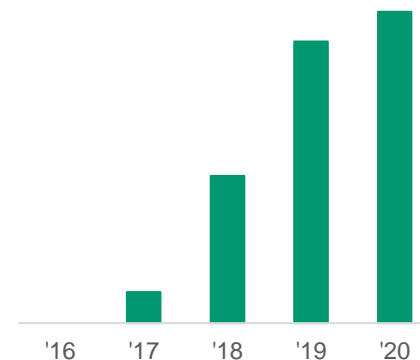
(kg, %)

Waste treatment capacity/inhabitant*



* Source: Il Sole 24 Ore 17/11/2018

Treatment price increase



Plant shortage “pushes” treatment prices up

Demand for sustainable waste services is enhancing

INVESTMENT CASE

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Governance ▼

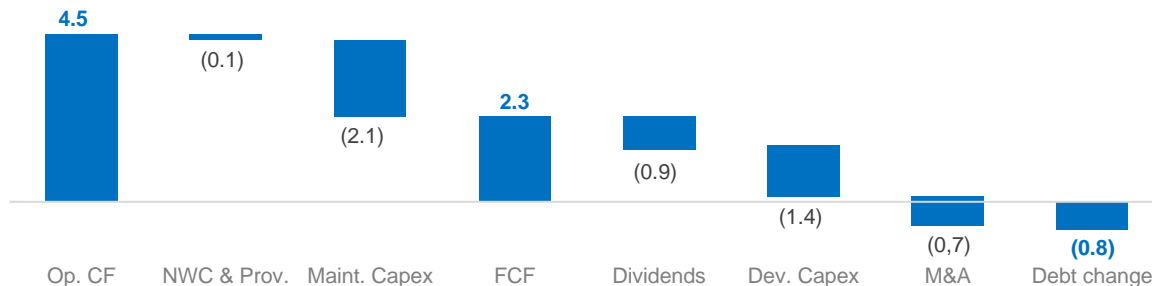
Sustainability ▼

Valuation & "ESG" Ratings ▼

CASH FLOWS

Expected cum. cash flows '21-'25

(B€)



Financial targets to 2025

Cost of Debt

2.3% stable

(vs 2.6% of old plan)

Debt/Ebitda

2.8x

(vs 2.8x of old plan)

Tax rate

27% stable

(vs 27% of old plan)

Room to fund "on top" growth options

INVESTMENT CASE

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Energy Ebitda growth

Governance ▼

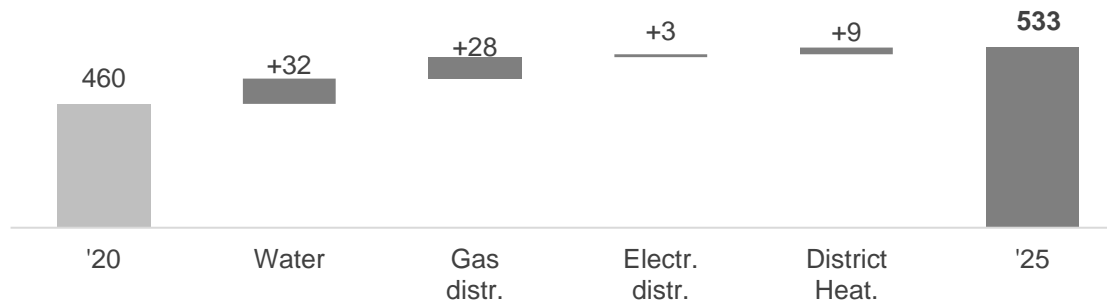
Sustainability ▼

Valuation & “ESG” Ratings ▼

NETWORKS EBITDA GROWTH

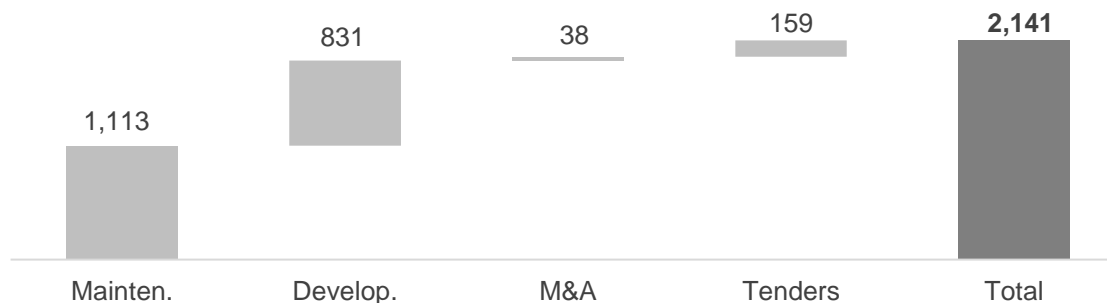
Ebitda drivers to 2025

(M€)



Capex 2021-2025

(M€)



Growth underpinned by significant development capex

INVESTMENT CASE

What is key ▼

History ▼

Track record & Risk exposure ▼

Business & Markets ▼

Business Plan to '25 x

Main targets

Dividend policy

Capex plan

Ebitda target

Risk exposure

M&A potentials

Gas tenders

Maggior tutela

Plastic strategy

Trends in treatment prices

Cash flows and other fin. targets

Networks Ebitda growth

Waste Ebitda growth

Energy Ebitda growth

Governance ▼

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WASTE EBITDA GROWTH

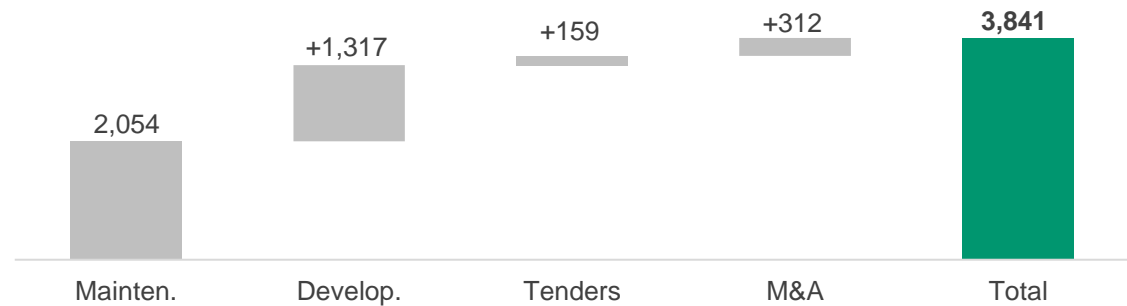
Ebitda drivers to 2025

(M€)



Capex 2021-2025

(M€)



Strong efforts to tackle with increasing demand

INVESTMENT CASE

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Main targets

Dividend policy

Capex plan

Ebitda target

Risk exposure

M&A potentials

Gas tenders

Maggior tutela

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Cash flows and other fin. targets

Networks Ebitda growth

Waste Ebitda growth

Energy Ebitda growth

Governance ▼

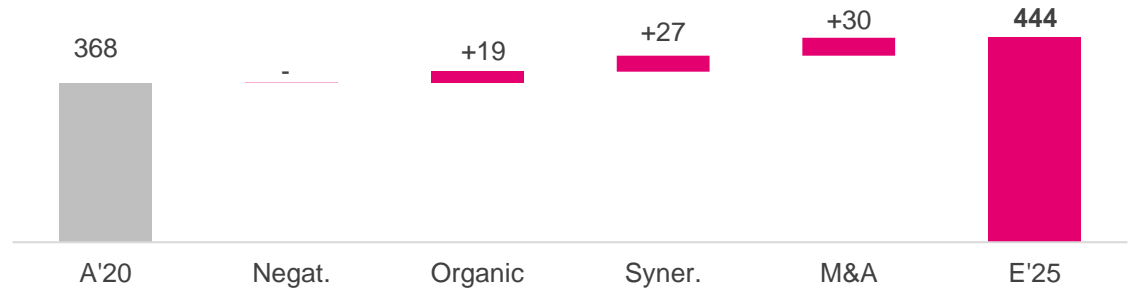
Sustainability ▼

Valuation & "ESG" Ratings ▼

ENERGY EBITDA GROWTH

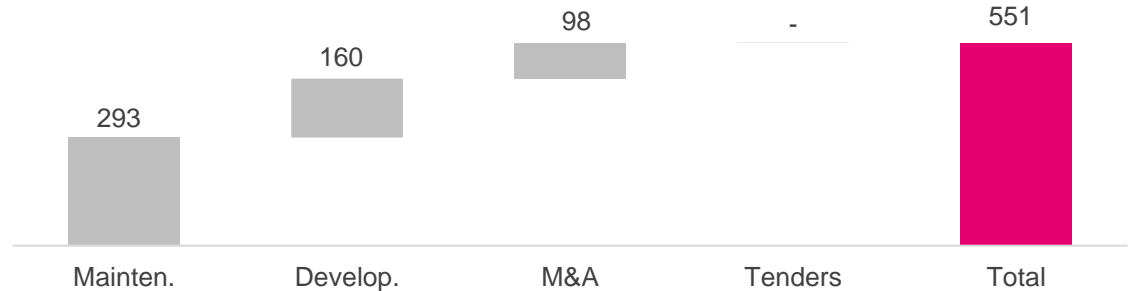
Ebitda drivers to 2025

(M€)



Capex 2021-2025

(M€)



Targeting to reach more than 4.5 million customers

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Top management remuneration

s/t variable remuneration

l/t variable remuneration

Benchmark remuneration

Self-regulatory Code

Shareholdings

Treasury shares

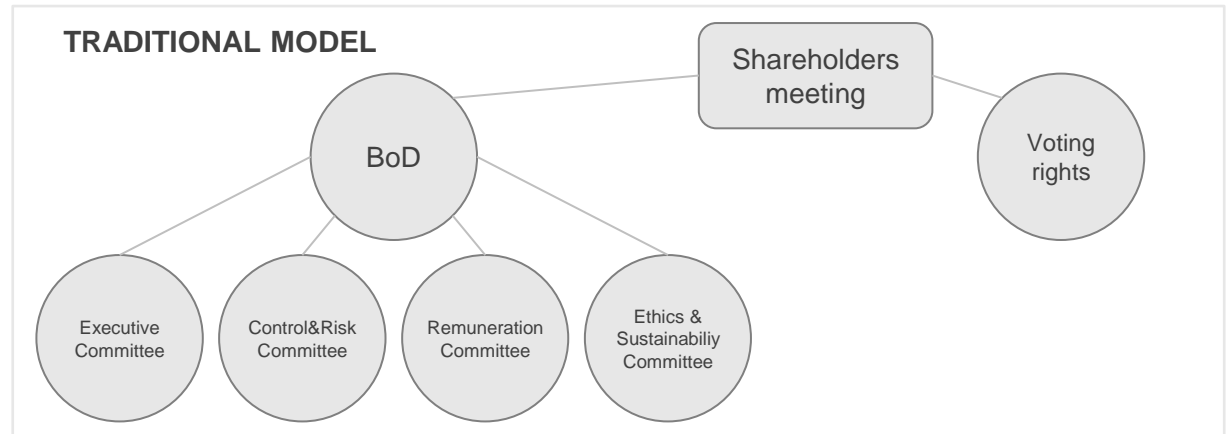
Total Shareholders' Return

Sustainability ▼

Valuation & "ESG" Ratings ▼

GOVERNANCE AT A GLANCE

- Traditional governance based on Board of Directors



- Top executives remuneration

BEST PRACTICE

- Shareholdings

PUBLIC COMPANY

- Returns

TSR (from IPO): +317%

“HERA is the only local utility that has never experienced governance problems”*

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BOARD OF DIRECTORS EVOLUTION

Board of Directors

(n° of BdD members)

 Elected by Public shareholders
 Elected by Minority shareholders



2002
Hera's establishment

2003
Hera's listing

2004-2005
Agea-Meta mergers

2013
Acegas Aps merger

2014
Amga Udine merger

Today

Executive Chairman



Tommasi di Vignano

C.E.O.



Venier

Managing Director

CEO

Stability of Top executives for 19 years

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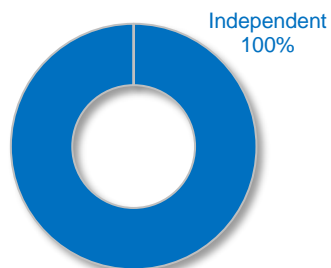
Total Shareholders' Return

Sustainability ▼

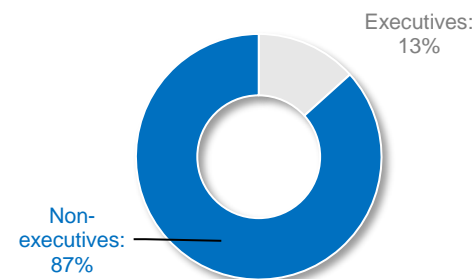
Valuation & "ESG" Ratings ▼

BOARD OF DIRECTORS KPIs

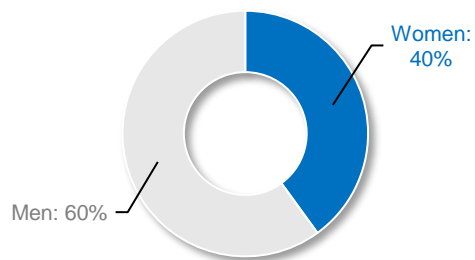
Percentage of independents



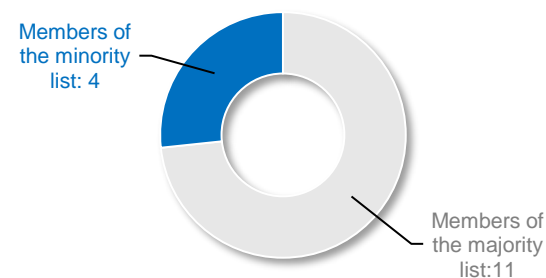
Percentage of executives



Gender balance



Majority/minority members



Aligned to best practice

INVESTMENT CASE

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BOARD COMMITTEES

Executive Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Tomaso Tommasi di Vignano	Chairman	I	73	18	Executive	Independent
Gabriele Giacobazzi	Vice Chairman	S	71	1	Non-executive	Independent
Stefano Venier	Member	I R	57	7	Executive	Independent
Alessandro Melcarne	Member	R	36	4	Non-executive	Independent

Control and Risk Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Gabriele Giacobazzi	Chairman	R	71	1	Non-executive	Independent
Erwin P.W. Rauhe	Member		65	4	Non-executive	Independent
Lorenzo Minganti	Member	I	47	1	Non-executive	Independent
Paola Gina Schwizer	Member	S	55	1	Non-executive	Independent

A **Risks committee** is furthermore present, which is the main body for orienting, monitoring and providing information as to risk management strategies. It is made up of: the Executive Chairman, the Vice Chairman, the CEO, the Group Director of Administration, Finance and Control, the Group Director for Markets and the Enterprise Risk Manager. Furthermore, as regards specific issues pertaining to them, the following are called to participate: Group Legal and Corporate Director, Group Director for Corporate Services, Group Director for Innovation, General Director of Hera Trading.

Remuneration Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Gabriele Giacobazzi	Chairman	R	71	1	Non-executive	Independent
Monica Mondardini	Member	R S	60	1	Non-executive	Independent
Fabio Bacchilega	Member	I	57	1	Non-executive	Independent
Alice Vatta	Member	S	45	1	Non-executive	Independent

Ethic and Sustainability Committee

Name	Role in the committee	Expertise*	Age	Years in the Hera BoD	Independence from management	Independent interests
Federica Seganti	Chairman	R ESG	54	4	Non-executive	Independent
Cristiana Rogate*	Member	ESG	49	n.d.	n.a.	n.a.
Filippo Maria Bocchi**	Member	ESG	51	n.d.	n.a.	n.a.
Alice Vatta	Member	S	45	1	Non-executive	Independent

Sustainability has become a focus of a BoD committee

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VOTING RIGHTS

Increased voting rights

Main features of increased voting rights



the shares must be included in a **list**



and must remain part of this list for **2 years**



to obtain **double voting rights**

Go to the section on increased voting rights on the website

Resolutions where double vote applies

Shareholders meeting votes to which increased voting rights are applied

BoD election	Board of Auditors election	Amendments to the Articles of Association	Approval of the yearly financial statements
Culpability actions against directors and auditors	Approval of share certificates	Approval of shareholders meeting regulations	Updating the articles of association to current laws
Distributing shares to employees	Transferring the central offices	Issuing convertible bonds	Appointing an auditing firm
Appointing the legal representative	Creating and discharging business branches	Mergers, demergers and transformations	Remuneration policies
Appointing, substituting and repealing liquidators, defining their powers	Approving capital increases	Mergers with owned companies	Other points established by the law

■ Votes to which increased voting rights are applied

■ Votes to which increased voting rights are not applied

All shareholders may apply

INVESTMENT CASE

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TOP MANAGEMENT REMUNERATION

Remuneration and incentive schemes

Component	Executive Chairman	CEO	Non-executive directors
Fixed remuneration	✓	✓	✓
Short-term variable remuneration	✓	✓	
Long-term variable remuneration (retention)	✓	✓	
Non-monetary benefits	✓	✓	✓
Company welfare	✓	✓	

Total Shareholder's Return since IPO

+317%

Effective rem. schemes even without stock options plans

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SHORT TERM VARIABLE REMUNERATION

- 19% (senior management), 25% (Directors), 50% (Top executives and General Manager) of fixed remuneration can be paid as yearly bonus reaching yearly targets

Short term bonus system

Indicator	Weight	Targets passed	Targets reached	Minimum deviation	Medium deviation	High deviation
Ebitda	30%					
Net profits	30%					
CSV Ebitda	20%					
Residential ICS	20%					
Bonus paid		115%*	100%*	80%*	60%*	40%*

* Each indicator is to be evaluated separately. The weighting percentage is to be defined by calculating the weighted average of the percentages deriving from the results of each single indicator.

100% of white collars involved in s/t bonus scheme

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LONG TERM VARIABLE REMUNERATION

The Board of Directors, during the meeting held on 22 March 2016, approved the application of a retention plan for a low number of managers, taking into account the weight of their organisational position, an evaluation of the performances obtained during the development process and their age.

The Board of Directors also felt it appropriate to introduce an annually updated evaluation mechanism for gaining access to and renewing/not renewing the monetary plan. In this way, it becomes more of a challenge to obtain 100% of the bonus, in that it is obtained only if the targets are reached during each of the three years in question.

The incentive recognised in 2019 comes to maturity in 2019 – 2020 – 2021 and will be paid in 2022. The amount of the incentive comes to 50% or 100% of Gai in the three-year period, i.e. 17% or 33% of yearly Gai.

See the Report on remuneration for further details.

2019	2020	2021	2022
Vesting period: 2019-2021 			Bonus paid

Breakdown of remuneration

2019	2020	2021	2022
<p>2019 Component Product of GAI_{2019}, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process</p>	<p>2019 Component</p>	<p>2019 Component</p>	Bonus value
	<p>2020 Component Product of GAI_{2020}, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process.</p>	<p>2020 Component</p>	
		<p>2021 Component Product of GAI_{2021}, multiplied by the incentive factor (50% or 100% divided by 3), according to the level to which Group results are reached and the evaluation parameters of the development process.</p>	

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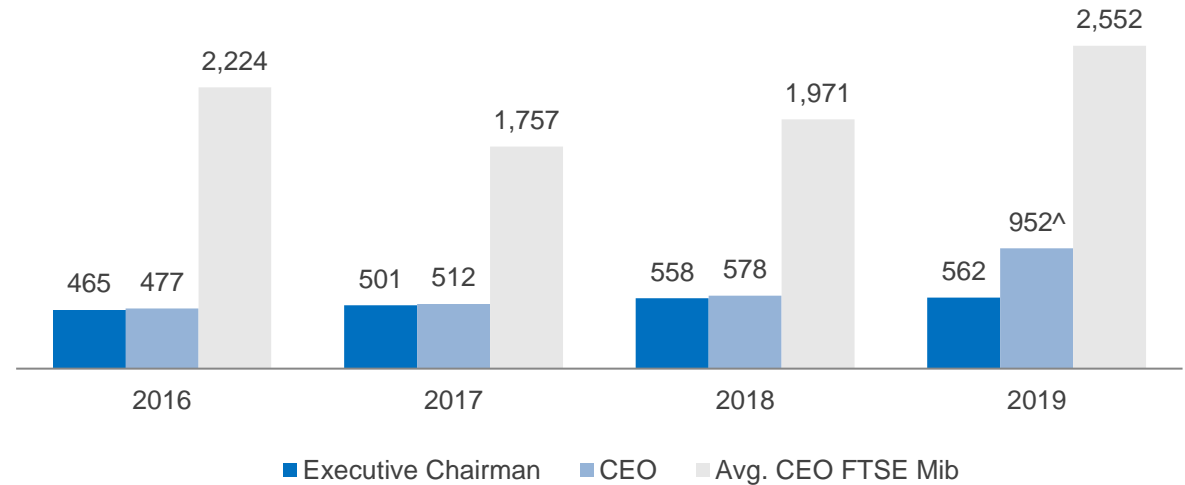
Total Shareholders' Return

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BENCHMARK REMUNERATION

Hera Executives total remuneration vs average FTSE Mib*
(^{'000} €)



* Excluding stock options which is not in place in Hera Group

[^] Includes 371 k€ of long term incentive (retention plan)

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SELF-REGULATORY CODE

Art. 1 Role of the Board of Directors

Strategic role of the Board of Directors	✓	The BoD is given a mandate for the widest powers in ordinary and extraordinary management of the Company.
Report to the Board	✓	The delegated bodies report to the BoD and the Board of Auditors at least every three months on the activity carried out.
Orientation of the Board towards accumulated offices	✓	Limit of 1 office in listed companies for executive administrators. Limit of 2 offices in listed companies for non-executive administrators.
Self-evaluation of the Board	✓	Yearly evaluation with the support of an external and independent consulting firm.

Art. 2 Breakdown of the Board of Directors

Role of the Chairman		The Board of Directors has conferred management mandates to the Chairman, owing to the organisational complexity of the Hera Group.
Formation of the Board (induction)	✓	Detailed reports on issues involving business, investments, organisation, market scenario, regulatory evolution.
Lead Independent Director	✓	At a meeting held 16 December 2020, the Board of Directors appointed as lead independent director of the Company the independent director Erwin Paul Walter Rauhe.

Art. 3 Independent Directors

Number of independent members	✓	Hera's Board of Administration is made up of 13 (out of 15) non-executive independent directors.
Periodic verification of independence	✓	The Board of Directors evaluates the independence of its directors and the Board of Auditors verifies the correct application of the criteria, in compliance with the Self-Regulatory Code.

Art. 4 Creation and functioning of the Internal Committees

Remuneration Committee	✓	Made up of 4 non-executive independent members, 3 of which having experience in accounting and financial matters. Link
Control and Risk Committee	✓	Made up of 4 non-executive independent members. Directors with experience in accounting, financial and risk issues are included. Link
Ethics Committee	✓	Made up of 3 members, one of which is a non-executive independent director acting as Chairman and two experts in the subject. Link

Art. 5 Appointment of the directors

Appointment Committee		The functions of the Appointment Committee are reserved for the Board of Directors.
Succession plan		The BoD, considering that the executive directors reflect the main shareholders, has decided that it is not necessary to elaborate a succession plan.

Art. 6 Remuneration of the directors

Limits to short-term variable remuneration	✓	Variable remuneration foreseen only for executive directors, with a limit of 40% upon reaching 100% of the objectives and up to a maximum of 46% in case of outperformance.
Deferred payment of long-term variable remuneration	✓	Deferred variable retribution related to reaching the Group's operating and financial objectives for 2016-17-18 introduced for the CEO. Payment foreseen for when the 2018 accounts are closed. The maximum long-term remuneration comes to 100% of GAI.

Resignations, layoffs or termination of employment	✓	A clause has been introduced for executive directors, establishing 18 months of indemnity.
--	---	--

Clawback clause	✓	Ex-post correction mechanisms foreseen of the remuneration system for executive directors.
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Remuneration plan and stock options		A remuneration plan based on assigning financial instruments is not foreseen.
-------------------------------------	--	---

Art. 7 System of internal control and risk management

Strategic role of the internal control and risk management system	✓	Integrated system in the most general levels of organisation and supervised by the Executive Chairman and the CEO.
Internal Audit	✓	The person responsible for this function reports to the Vice Chairman and provides information as to his work every three months to the Executive Chairman, the CEO, the Control and risk committee and the Board of Auditors.

Whistleblowing	✓	The Ethics committee provides a direct and reserved channel for all stakeholders interested in drawing attention to possible behaviour that contravenes the ethics code and the values promoted by the Group.
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Art. 8 Board of auditors

Breakdown and functioning of the Board of auditors	✓	Made up of three standing members and two alternate members. The members possess the requisites of eligibility, independence, honour and professionalism established by regulations.
--	---	--

Art. 9 Investor relations

Person responsible charged with managing relations with shareholders	✓	The Company has provided itself with a section of management dedicated to investor relations, responsibility for which has been entrusted to Jens Klint Hansen (email: jens.hansen@gruppohera.it)
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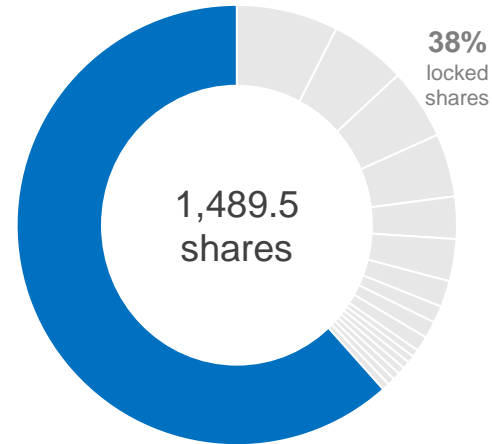
Treasury shares

Total Shareholders' Return

Sustainability ▼

Valuation & "ESG" Ratings ▼

SHAREHOLDINGS



- **Largest shareholder** holds **less than 10%** stake
- **High diversification among public entities** (111 Municipalities have locked in a pact 38% of share capital)
- **Large presence of institutional shareholders** from EU, US, UK and Australia

A public company shareholding

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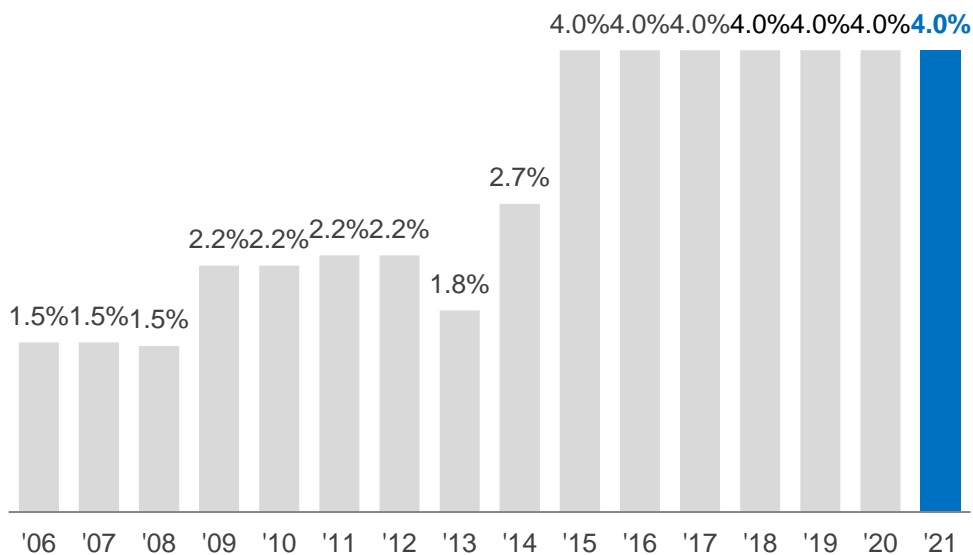
Total Shareholders' Return

Sustainability ▼

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TREASURY SHARES

Permitted percentage of the share capital repurchased through buyback (%)



Shares might be used to fund M&A deals

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TOTAL SHAREHOLDERS' RETURN

Total shareholders' return since IPO

(€)

Year	Capital Gain (€)	Dividend (€)	Total return (€)	Return in % (vs IPO price)	Cumulated TSR since IPO
2003	(0.01)	+0.000	(0.01)	(0.7%)	(0.7%)
2004	+0.88	+0.053	+0.93	+74.6%	+73.9%
2005	+0.14	+0.057	+0.20	+15.8%	+89.7%
2006	+1.04	+0.070	+1.11	+88.6%	+178.3%
2007	(0.24)	+0.080	(0.16)	(12.8%)	+165.5%
2008	(1.57)	+0.080	(1.49)	(118.8%)	+46.7%
2009	+0.13	+0.080	+0.21	+17.0%	+63.7%
2010	(0.06)	+0.080	+0.02	+1.3%	+65.0%
2011	(0.46)	+0.090	(0.37)	(29.8%)	+35.2%
2012	+0.13	+0.090	+0.22	+17.4%	+52.6%
2013	+0.42	+0.090	+0.51	+41.1%	+93.7%
2014	+0.31	+0.090	+0.40	+31.6%	+125.3%
2015	+0.49	+0.090	+0.58	+46.5%	+171.8%
2016	(0.26)	+0.090	(0.17)	(13.3)	+158.5%
2017	+0.74	+0.090	+0.83	+66.5%	+225.0%
2018	(0.26)	+0.095	(0.16)	(12.9%)	+212.1%
2019	+1.23	+0.100	+1.33	106.8%	+319.0%
2020	(0.92)	+0.100	(0.82)	(65.6%)	+253.4%
2021	+0.68	+0.110	+0.79	63.2%	+316.7%
19 years	+2.42	+1.54	+3.96	+316.7%	

Total Shareholders' Return always positive since IPO

INVESTMENT CASE

What is key ▼

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Sustainability x

Approach to business evolution

Creating Shared Value

How we measure CSV

Our achievements

Hera & circularity

Waste circularity

Water circularity

Ongoing projects in water

Waste targets

Energy targets

Network targets

Employee targets

Valuation & "ESG" Ratings ▼

APPROACH TO BUSINESS EVOLUTION

- Since its establishment, Hera has constantly chased the engagement of the corporate stakeholders, in a relentless attempt to combine economic and social developments. The company is built to last, to help improve society and the environment for future generations, according to the following strategic priorities:



- Hera adheres to prominent programs adopted at global level



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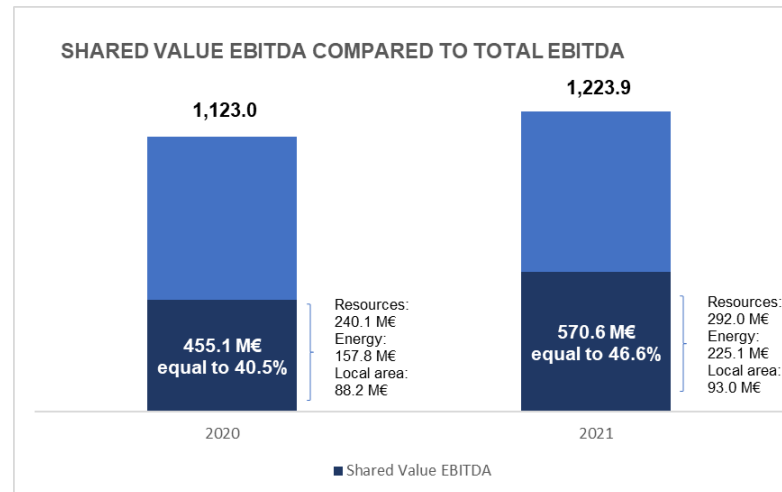
Valuation & "ESG" Ratings ▼

CREATING SHARED VALUE

- Measurement goes beyond accountability, as it should determine with objective certainty not only what projects are worth carrying out according to the economic as well as social returns, but rather the impact made by the whole of the company in relation to the EBITDA generated. In the Sustainability Report 2021, Hera has made for the second time the exercise of evaluating the Shared Value generated by the company through a reclassification of EBITDA, according to the 3 Drivers and 9 Impact Areas identified: **47% of Hera's EBITDA has been generated through Shared Value activities and projects.**

Ebitda CSV: 570.6 million Euro
(46.6% of Group 2021 Ebitda)

Capex CSV: 452.7 million Euro
(about 68% of Group Capex)



Aiming at increasing Ebitda CSV from 47% to 70% in '30

INVESTMENT CASE

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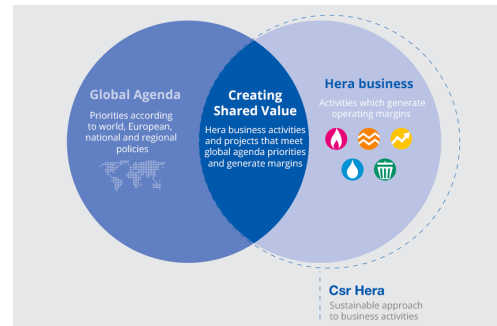
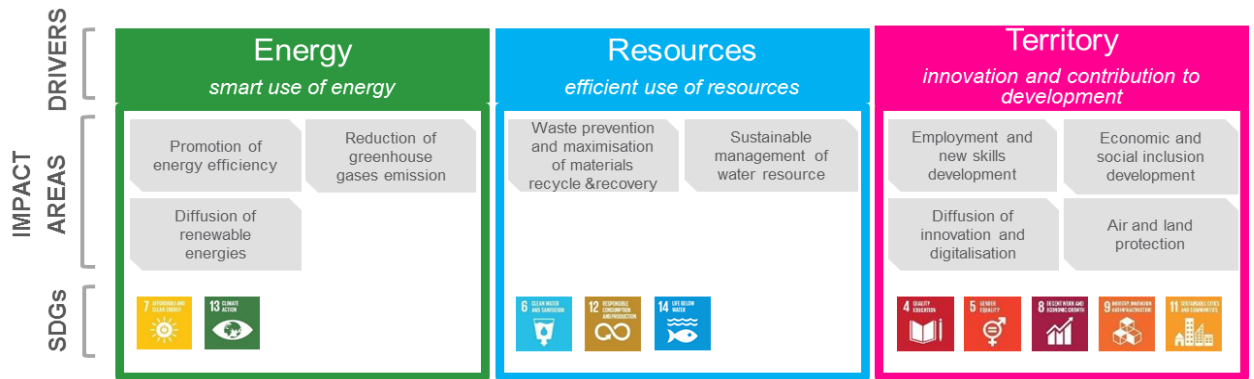
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HOW WE MEASURE CSV

- In the last few years, the role of economic actors within the society has progressively changed from organizations pursuing mere economic returns and exclusively focused on customers to enterprises embedded in a social context through stakeholders relationships. Emergent social needs are acknowledged as a leverage to promote innovation and competitiveness. Meeting such needs is beneficial; it's no longer about mitigating the possible negative impacts with Corporate Social Responsibility activities, but rather to innovate business models, processes, products, and services while pursuing positive and measurable business results. **This approach represents the new frontier in Hera corporate commitment.** Hera is progressively adopting a business model according to the social needs detected by the policies issued at local, regional, national and global level by Institutions (e.g. Un and European Commission or Italian Government). The reason behind this choice depends on the power held by such policies to motivate all actors in taking a clear action and to influence the change.
- Hera has analysed 45 policies at global, national and regional level, more than 400 commitments deriving from the intervention areas identified by such policies, and more than 150 quantitative targets related to its business activities. **From this analysis, Hera has defined 9 impact areas (cross-policy pools that gather several commitments and targets) and it regrouped them into 3 Drivers or lines of strategic development, representing a "Call to Action".**



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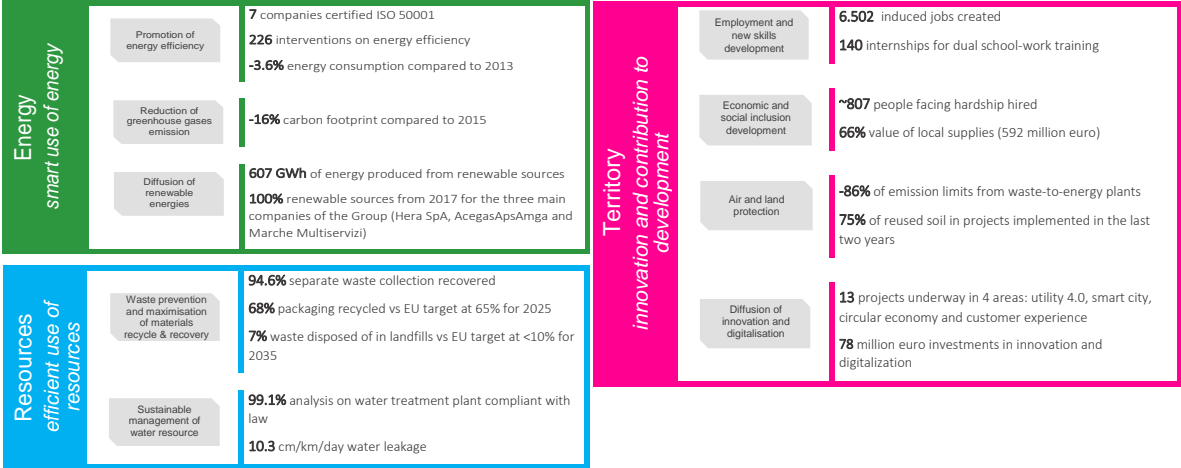
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OUR ACHIEVEMENTS & PLANS

Achievements



Plan to 2025 (and beyond to 2030)

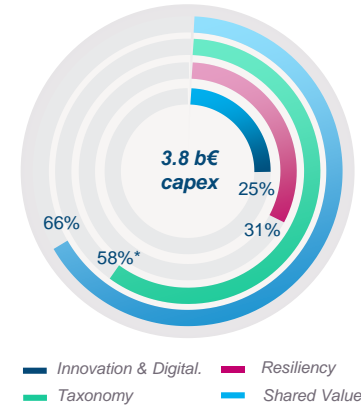
Carbon Neutrality

	2025	2030
SBTi emissions (Scope 1+2+3)	-26%	-37%
Renewable electricity sold	41%	>50%
Group energy consumptions vs 2013	-8%	-10% vs 2013
Biomethane produced mln m3	17	30

Circular Economy

	2025	2030
Plastic recycled	+125%	+150%
Packaging recycled	76%	>80%
Non-invoiced water mc/km/day	10	9.4
Water reuse	8.5%	15%
Internal water consumption vs 2017	-20%	-25% vs 2017

Capex '21-'25 sustainable nature (m€)



* Calculated on 3.0 b€ of capex, excluding indirect capex and financial investments

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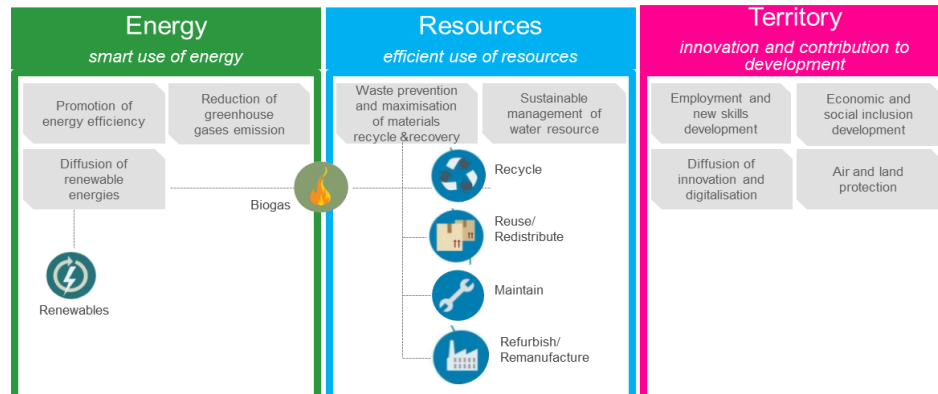
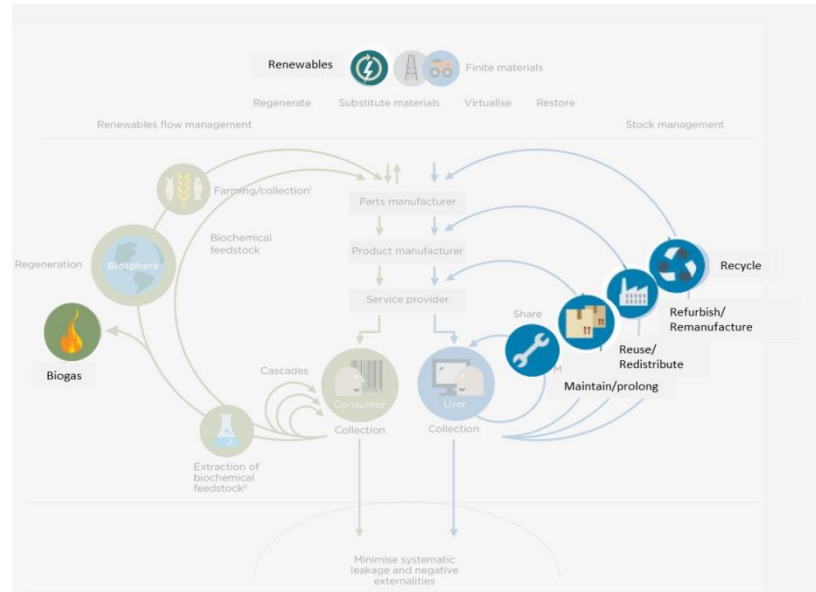
Energy targets

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HERA & CIRCULARITY



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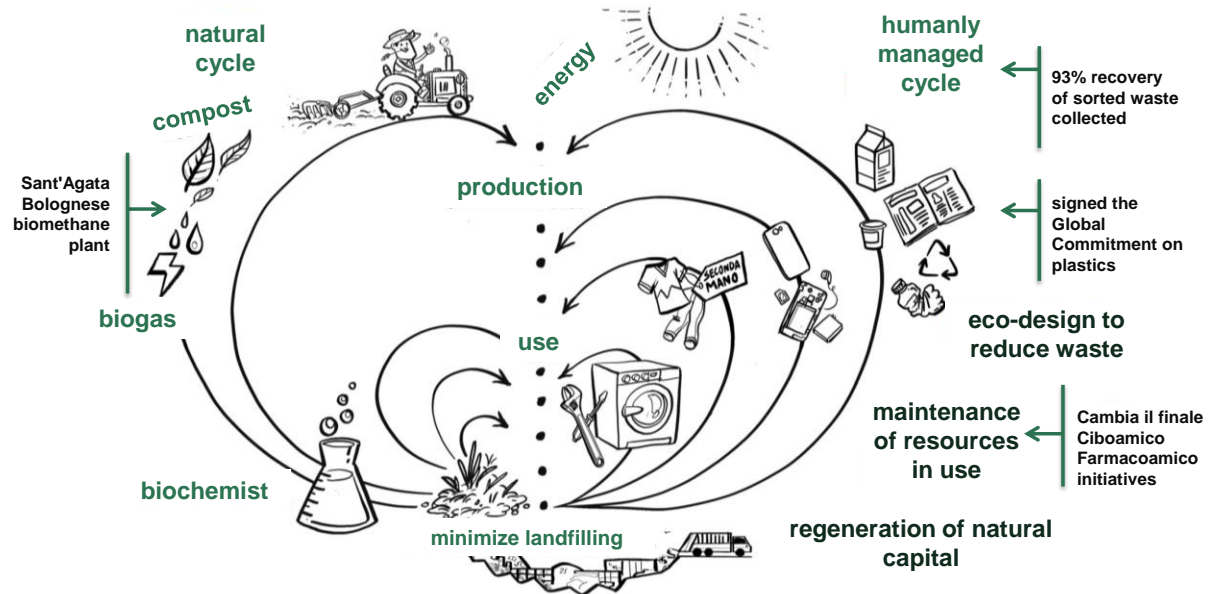
Energy targets

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WASTE CIRCULARITY



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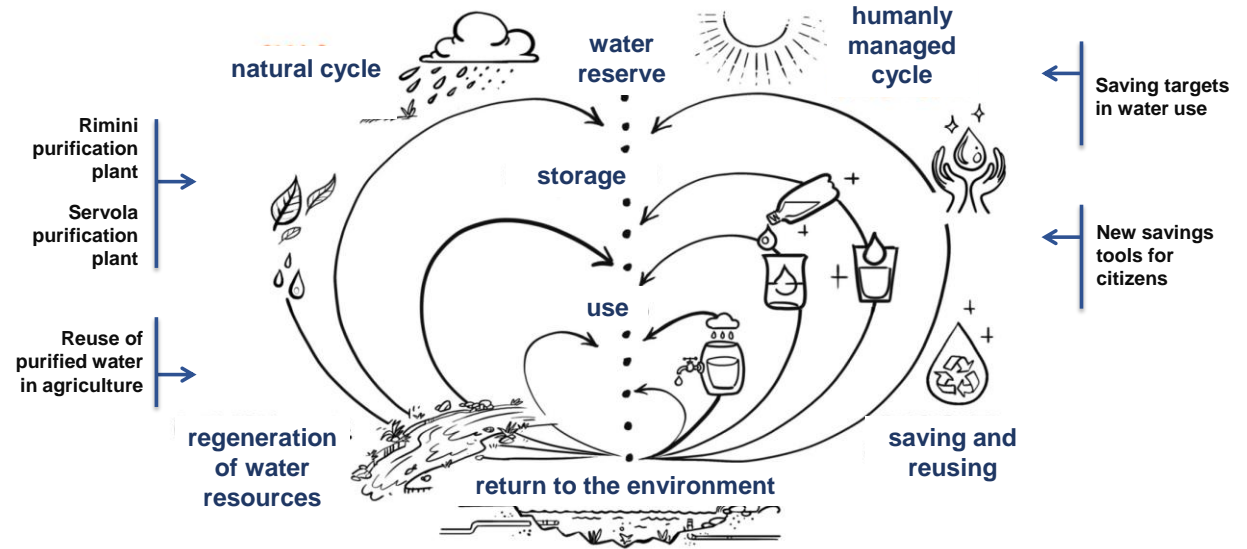
Energy targets

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WATER CIRCULARITY



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ONGOING PROJECTS IN WATER


Water sources optimization

- Ongoing project aiming to increase Hera water system **resilience to climate change** 95% distributed volumes to be remote controlled by 2021
- Right matching between **technology** (i.e. Desalination, Water conservation) and **territory** Desalination testing in Romagna coast

Leakages reduction

- **Satellite technology** used for leakage detection with successful results 82% discovered leakages in Ferrara
- Aim to apply technology with reference to a **3,000 km portion grid each year** (2017-2019) Target 40% satellite scanned grid

Water re-utilization

- Project targeting a **circular approach** in water business management
 - **Water** to be perceived and managed as a **durable good** (vs current consumable approach)
- 

The CEO Water Mandate

Water manager introduction in Hera

Energy saving projects

- Electricity consumption based on **real needs** of WWTP oxidation section -5% energy consumption by 2020 (vs 2013)
- Controller installation in **34 plants by 2021** -50% energy consumption in oxidation section

Manpower optimization

- **Smart Water Grid** to control network and to manage remotely (operation center) ~400 remote controlled mapped districts by WinCC OA (PVSS)*
- **100% automated plants** (no manpower need)

Value extraction from sewage

- Best available technologies in **sewage sludge treatment** tested in 3 WWTP
 - Extension of best solutions to **all WWTP of the Group**
- WWTP tested:
- Modena
 - IDAR (Bologna)
 - S.Giustina (Rimini)

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WASTE TARGETS

Waste sustainable targets to 2025 and beyond (to 2030)

Targets

Reduce use of landfills for urban waste
(% of urban waste disposed of in landfill)

2020C

2025

2030

3.4%

<3%

<2%

Increase packaging recycling
(% of packaging recycled)

73%

76%

>80%

Increase WTE ashes recovery
(% of ashes recovered)

95%

98%

>98%

Increase biomethane production
(mcm/year)

8

17

30

Increase recycling rate in urban waste
(% of recycled urban waste)

55%

63%

67%

Increase plastic recycled by Aliplast
(% of plastic recycled)

+15%
vs 2017

+125%
vs 2017

+150%
vs 2017

EU target
to 2035
65%

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ENERGY TARGETS

Energy sustainable targets to 2025 and beyond (to 2030)

Targets

	2020C	🎯 2025	🎯 2030
Reduce the Group's energy consumption (% of energy savings from ISO 50001 interventions compared to 2013 consumption)	(5.7%) vs 2013	(8%) vs 2013	(10%) vs 2013
Increase emission compensation for gas sold (% on total gas sold)	4%	21%	27%
Increase customers with electronic bills (% of customers with electronic bills out of total customers)	34%	41%	66%
Increase contracts with energy efficiency services (% on total contracts)	19%	25%	>45%
Increase renewable electricity sold (% on total electricity sold)	34%	41%	>50%

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NETWORK TARGETS

Network sustainable targets to 2025 and beyond (to 2030)

Targets	2020C	2025	2030
Reduce water network losses (linear loss reduction rate compared to 2018)	(3%)* vs 2018	(5%) vs 2018	(10%) vs 2018
Reduce internal water consumption (water consumption reduction rate compared to 2017)	(12%) vs 2017	(20%) vs 2017	(25%) vs 2017
Minimize the disposal of sewage sludge in landfills (% of sewage sludge disposed of in landfills out of total sludge)	12%**	3%**	1.5%
Increase the reuse of wastewater (% reusable wastewater or total wastewater)	5%	9%	15%
Reduction of thermal energy produced from non-renewable sources (%)	(2%) vs 2018	(20%) vs 2018	(29%) vs 2018

* Last update 2019

** Hera Spa

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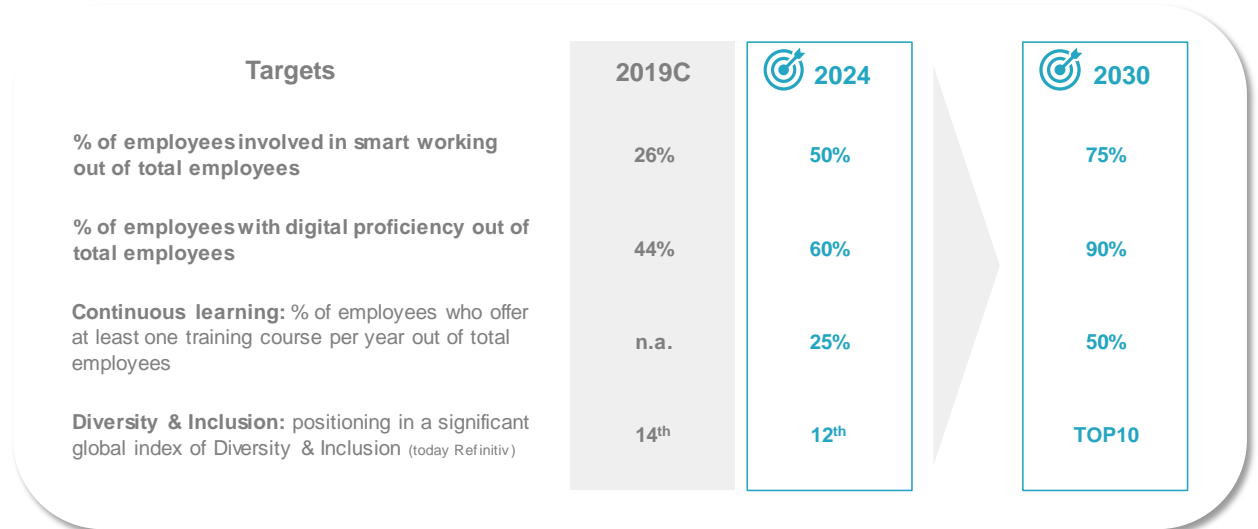
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EMPLOYEE TARGETS

Employee sustainable targets to 2024 and beyond (to 2030)



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Valuation & "ESG" ratings x

Consensus Target Price

Multiples

Stock data

ESG analyst ratings

CONSENSUS TARGET PRICE

Consensus Target price*

Analyst	Rating	Target price
 EXANE BNP PARIBAS	Buy	4.85
 BANCA IMI	Buy	4.80
 MEDIOBANCA <i>Banca di Credito e Cassa di Risparmio di Padova e Rovigo</i>	Outperform	4.40
 Intermonte	Outperform	4.30
 STIFEL	Buy	4.20
 Kepler Cheuvreux	Buy	4.10
 EQUITA	Hold	3.90
TP Medio		4.25

*Consensus as at 16/03/2022

Analyst consensus

M€	'20	E'21	E'22	E'23
Ebitda	1,123	1,219	1,252	1,294
Ebit	551	630	639	657
Net Profit	303	342	353	366
Debt/Ebitda	2.9x	2.8x	2.7x	2.7x
DPS (c€)	11.0	12.0	12.5	13.0

*Consensus as at 16/03/2022

Growth expectations

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Consensus Target Price

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MULTIPLES

Market P/E multiples*

(x)



Market EV/Ebitda multiples*

(x)



Premium vs peers for 9 years in a row

*Based on the price recorded 26/01/2022

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Valuation & “ESG” ratings x

Consensus Target Price

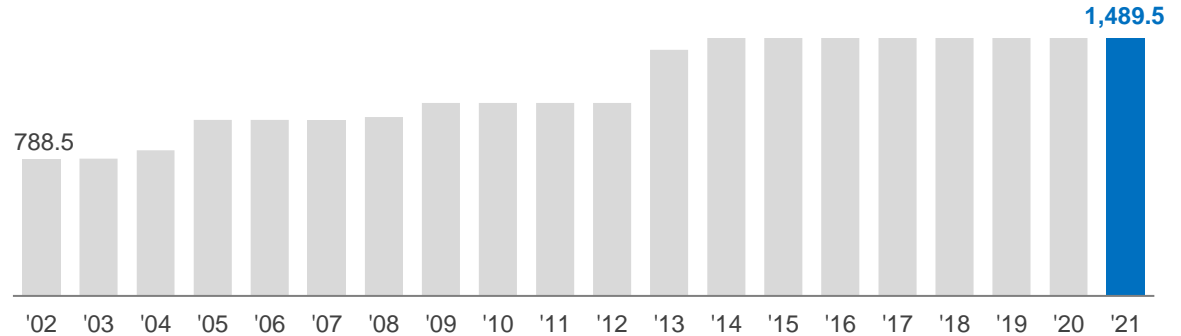
Multiples

Stock data

ESG analyst ratings

STOCK DATA

Share capital increase due to mergers executed (million of shares)



ISIN	IT0001250932
Bloomberg	HER IM
Reuters	HRA.MI
Beta	0.69
Yield Y'21*	3.3%
P/E E'21**	16.1x

*Based on the price recorded 31/12/2021

**Based on the price recorded 31/12/2021

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Consensus Target Price

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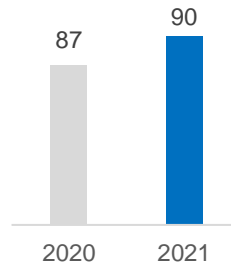
Hera **policy** on "ESG analyst and Proxy advisors" has **selected** few Analysts to which we provide **assistance** and contributions to their analysis by reviewing drafts, responding to questionnaires and discussing ESG matters **to improve the quality of researches and data.**

Ratings and score of selected ESG analysts

S&P Dow Jones Indices

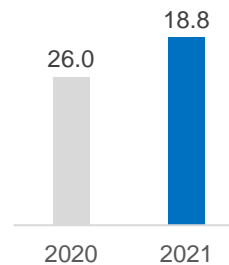
A Division of S&P Global

WORLD LEADER



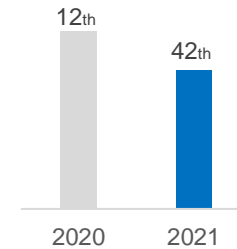
SUSTAINALYTICS

"Low risk"

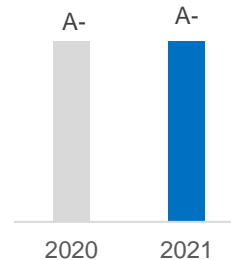


REFINITIV

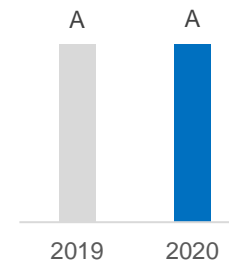
1st Multi-utility in the world



CDP



MSCI



INTEGRATED GOVERNANCE INDEX

1st for green financing

