

BUSINESS PLAN TO 2023

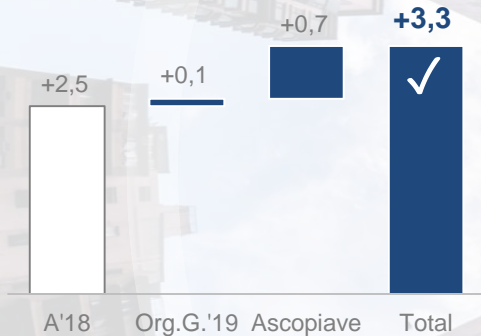
“ More growth at
lower risk. ”

SCART | Progetto
Artistico
Gruppo Hera
IL LATO BELLO E UTILE DEL RIFIUTO

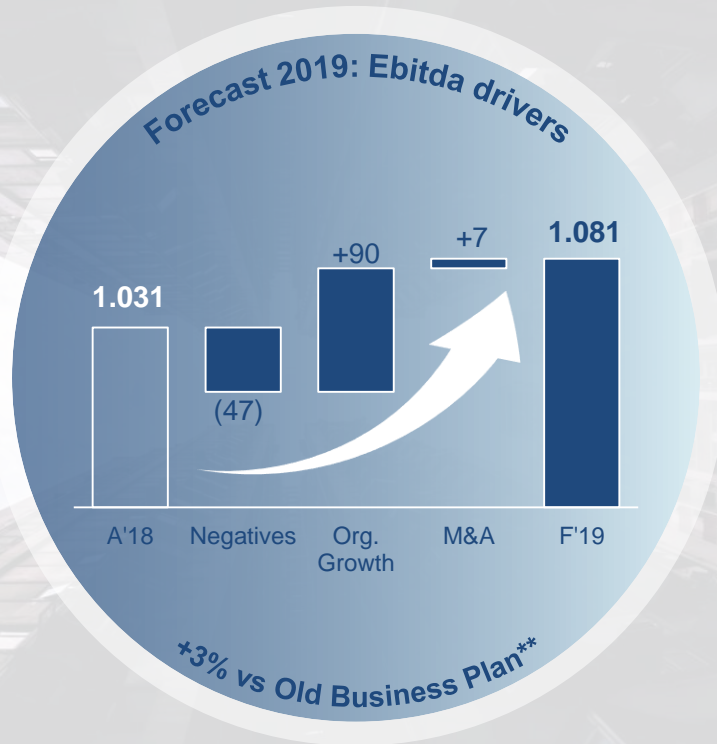
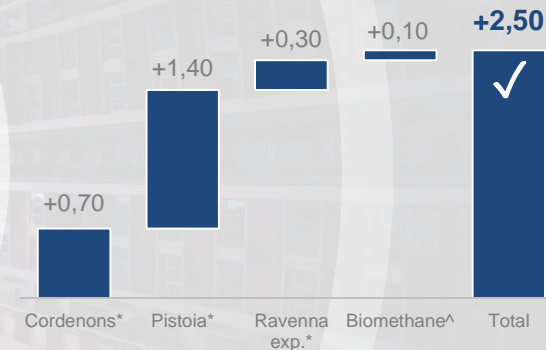


Constant outperformance vs BP to '22 expectations

Target: 3.3m energy clients within '22
(mclients)



Expand plant capacity within '22
(mtons)



Outperforming with all growth drivers

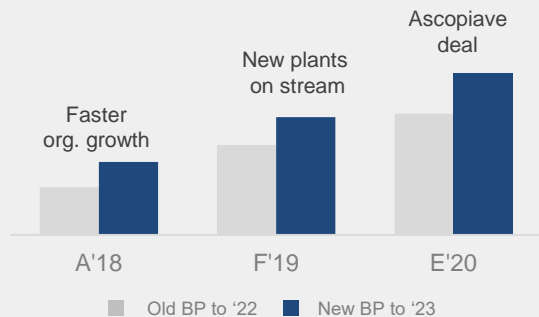
^ Annual capacity

* Total plant capacity

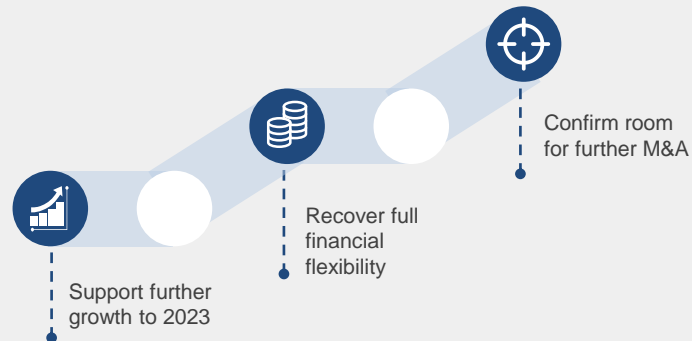
** BP to '22 target vs '19 forecast (not including Ascopiave deal)

New Business plan leverage upon achievements

Underpinning extra CF



Ebitda growth:
Old BP vs achievements



Achievements are a
strong platform

Boosting our expansion potentials

Business targets to 2023

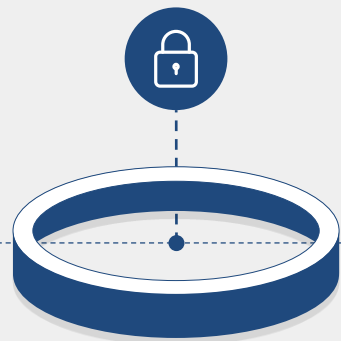
“ We addressed the evolution of our activities to enhance the quality and resilience of our services to customers. Targeting to execute infrastructural development and the evolution of services to further embrace the key goals for a new (sustainable) delivery model. ”



+219m€

Further increase of
Ebitda to 2023

New business plan scenario



Visible regulation

New regulation in **waste** and **updated** regulation in water and **energy** distribution



Fragmented competition

In all reference markets competition is still highly fragmented and **sector consolidation** trends are visible



Gas distribution discontinuity

Tenders in regulated activities offers consolidation opportunities



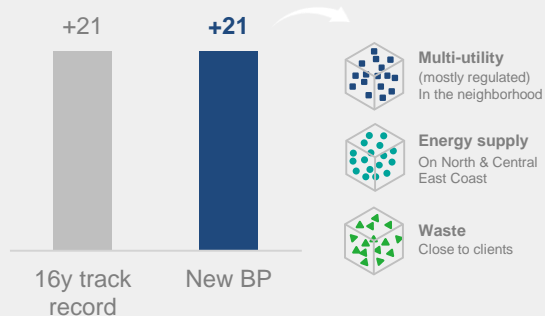
Energy market discontinuity

Maggior Tutela customer's, the main part of Electricity supply market, will go through a liberalization process

Improved visibility vs last BP

Scenario: discontinuities ahead

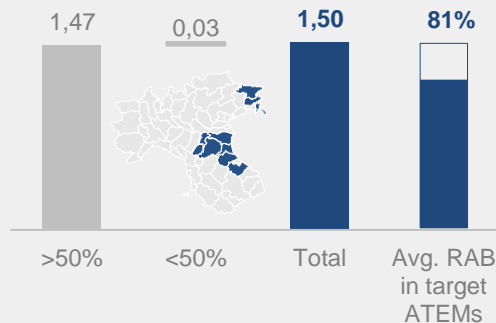
M&A contribution expected
(m€, average per year)



Fragmented markets

Continuing to act as
sector consolidator

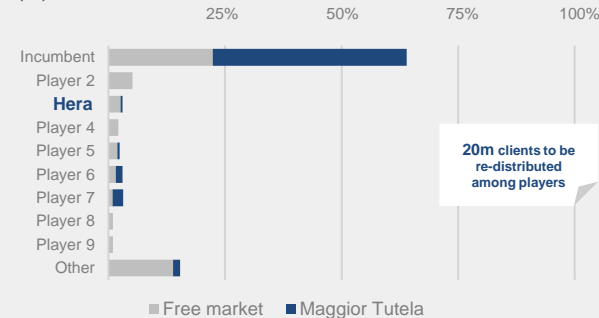
Tenders targeted to start within 2023



Gas distribution tenders

Hera aims at least to
confirm current ATEMs

Electricity supply Market share
(%)

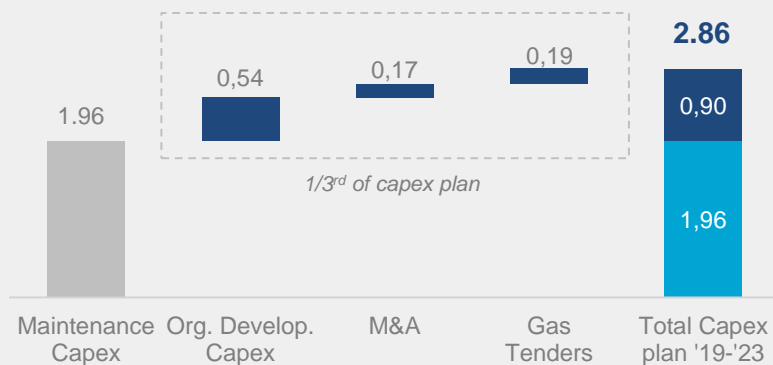


Electricity market liberalization

Facing liberalization from
a strong mkt position

Opportunities to leverage upon competitive advantages

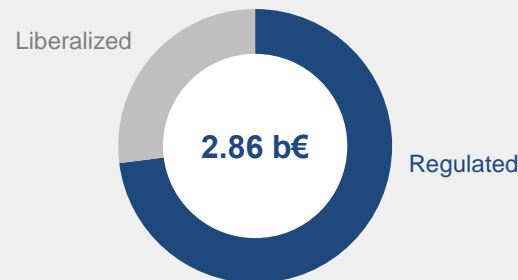
Capex Plan '19-'23



New capex plan (b€)

2.86 b€

In 2019-2023



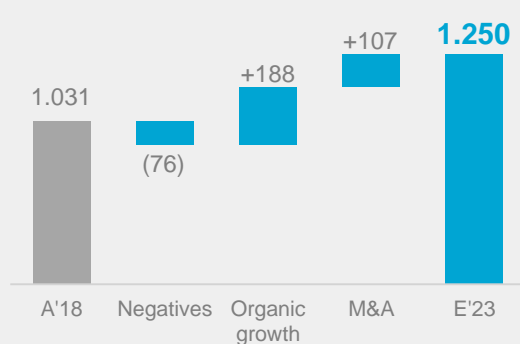
Capex plan (b€)

73%

In RAB

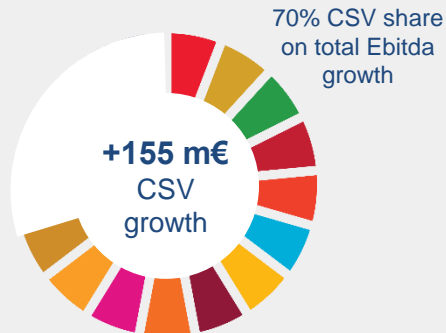
Organic development capex increased by about +30%

Ebitda target to 2023



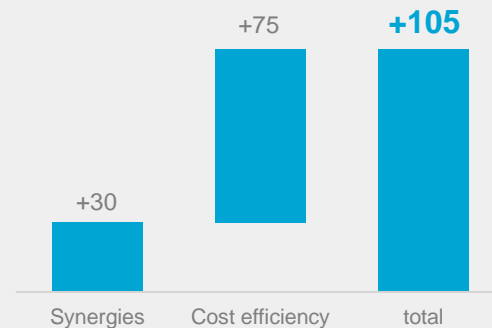
Ebitda growth drivers (m€)

+219 m€
+3.9% Cagr



Ebitda growth: CSV share (%)

+155 m€
CSV growth



Efficiencies & Synergy: +105m€

Solid & sustainable growth perspectives

Drivers & target to 2023

“ Well balanced business mix along with a coherent and risk adverse strategy, underpins a fast, uninterrupted and resilient growth. A solid base to create value for all our main stakeholders. ”



2.9b€

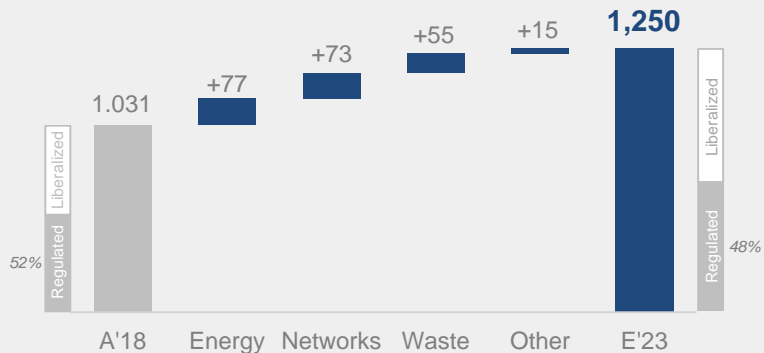
Capex 2019-2023

Macro-trends of strategic planning across businesses



Towards sustainable ambitious targets to 2030

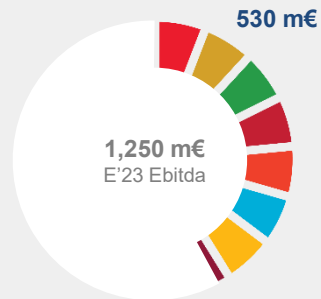
Ebitda by business



Ebitda growth (m€)

Mix fifty-fifty

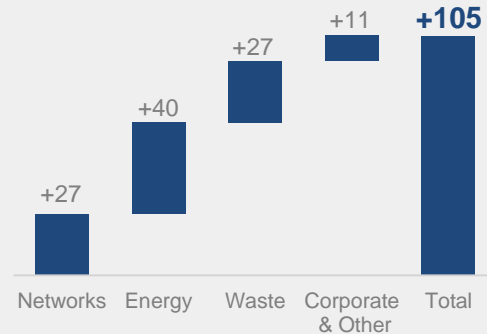
reg./lib. in 2023



Ebitda CSV (m€)

530 m€

in 2023



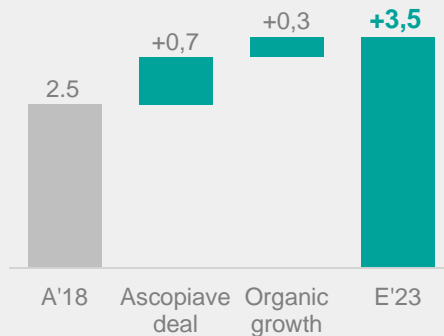
Efficiencies by
business (m€)

More, balanced and sustainable growth from all activities

Energy supply



Core priorities



Customer base (mln)

+1 mln

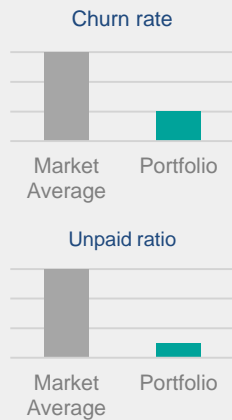
+40% vs 2018



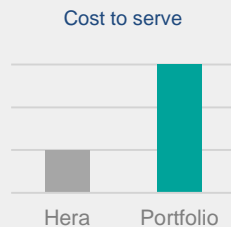
Marketing strategy

Offsetting negatives with a wide range of initiatives

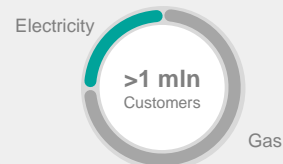
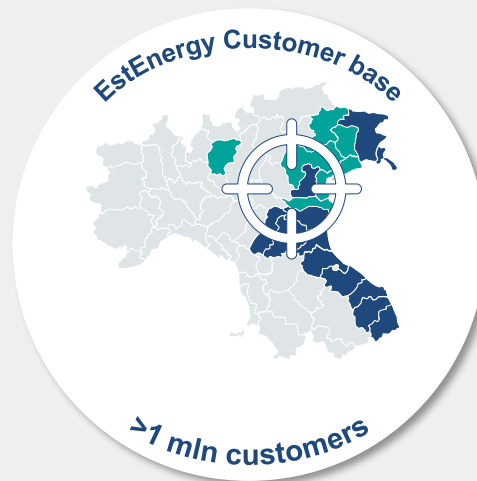
Ascopiave deal: Synergies potentials ahead



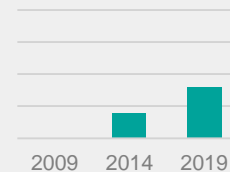
Above average
quality



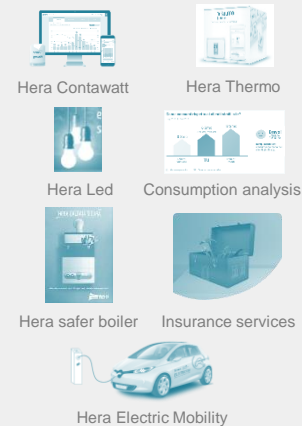
Efficiency potential



Hera cross selling track record



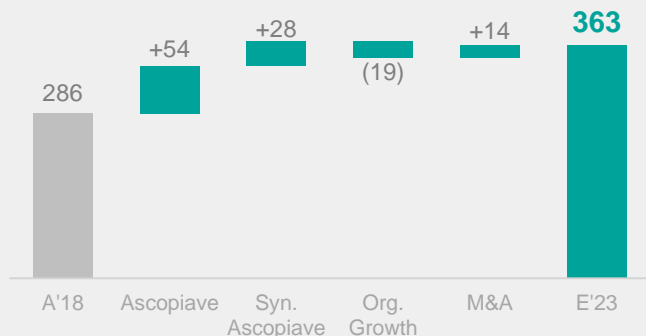
Cross selling
opportunities



Value Added
Services (VAS)

Squeezing value from our largest intangible asset

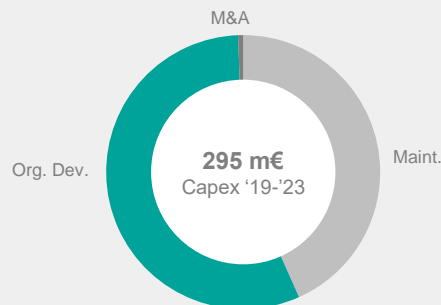
Energy supply



Ebitda drivers (m€)

+77 m€

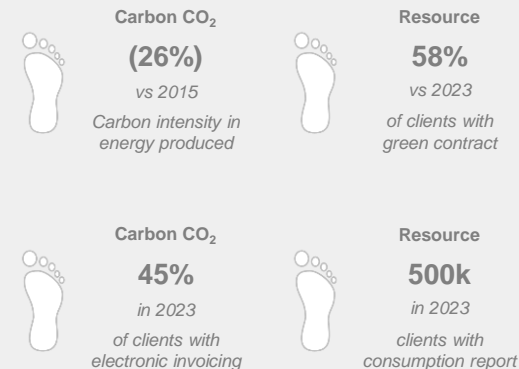
+4.9% cagr



Capex plan (m€)

295 m€

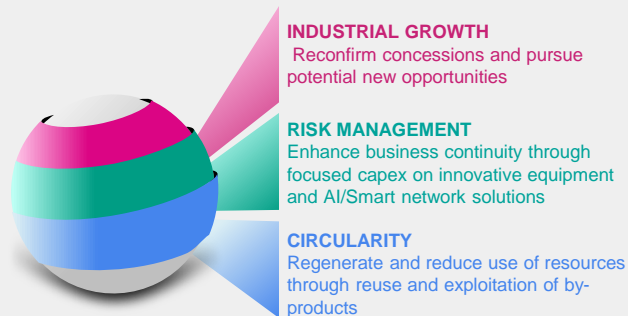
In '19-'23



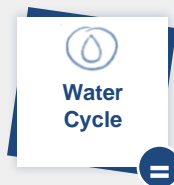
Footprints to '23 (%)

Visible growth on the back of Ascopiave deal

Networks



Core priorities



Sharing mechanism for efficiencies
Sharing mech. for sustainable players
Incentives to reduce water losses
New premium system on quality



Continuity in tariffs framework
“Nexmeter” rollout
Cost efficiency promotion
Consolidation incentives



Continuity in tariffs framework
2G smart metering rollout
Capex for resilience
Towards “totex” mechanism

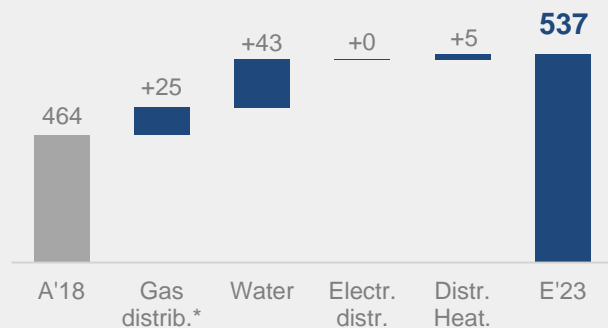
Tariff highlights

Stable Wacc

In all businesses

Visible returns enhancing our sustainable footprints

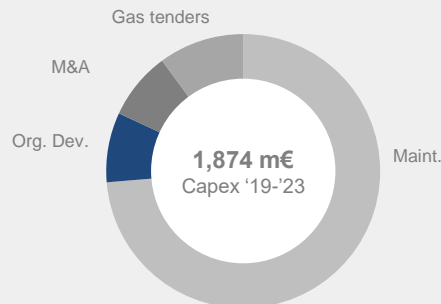
Networks



Ebitda drivers (m€)

+73 m€

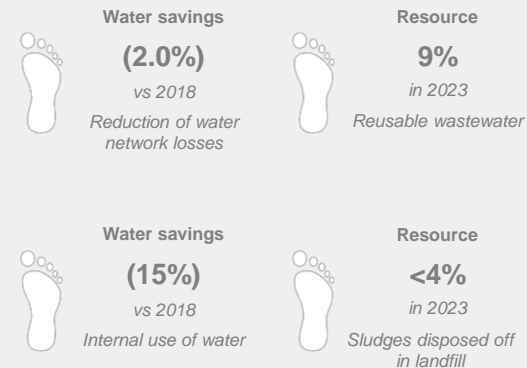
+3.0% cagr



Capex plan (m€)

1,874 m€

In '19-'23



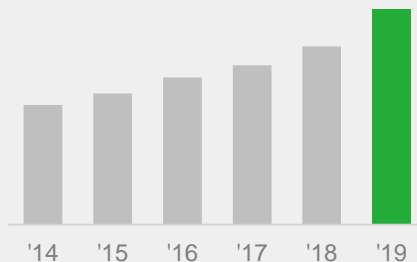
Footprints to '23 (%)

Investing in our safety box

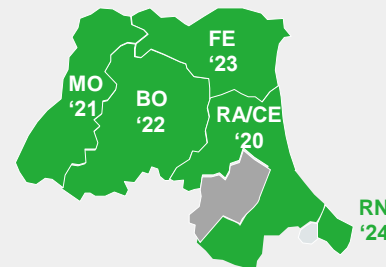
Waste



Core priorities



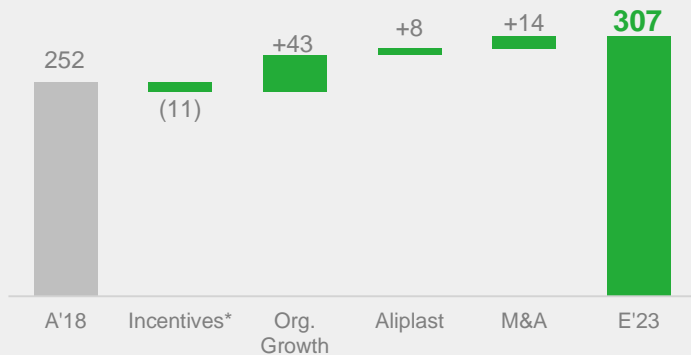
Treatment prices of waste treatment



Hera tenders of waste collection in E-R

Surfing market trends leveraging upon strong assets

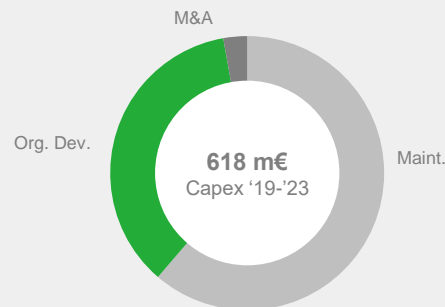
Waste



Ebitda drivers (m€)

+55 m€

+4.0% cagr



Capex plan (m€)

618 m€

In '19-'23

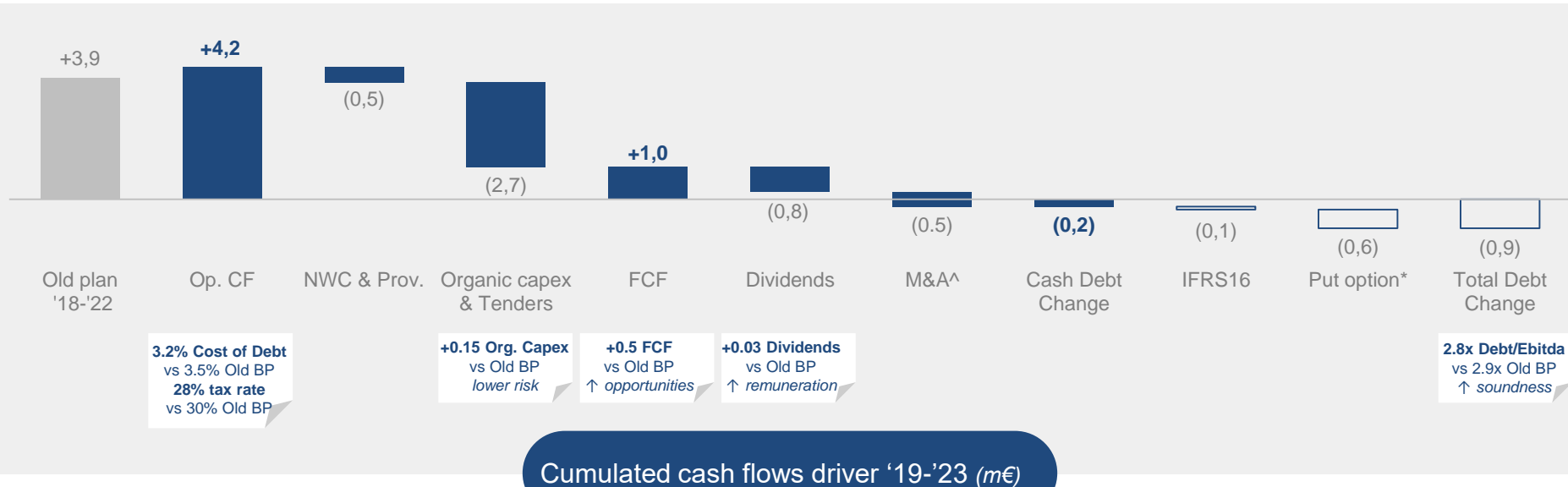


Footprints to '23 (%)

Promoting further growth

* Green Certificate expiry in Ferrara and Forlì WTEs, CEC incentive expiry in Bologna and Trieste WTEs

Beyond Ebitda: Increased operating cash flows



+0.5 b€ FCF
vs Old BP

Fully funding capex and dividends & confirming flexibility

^ Capex and Debt from expected M&A

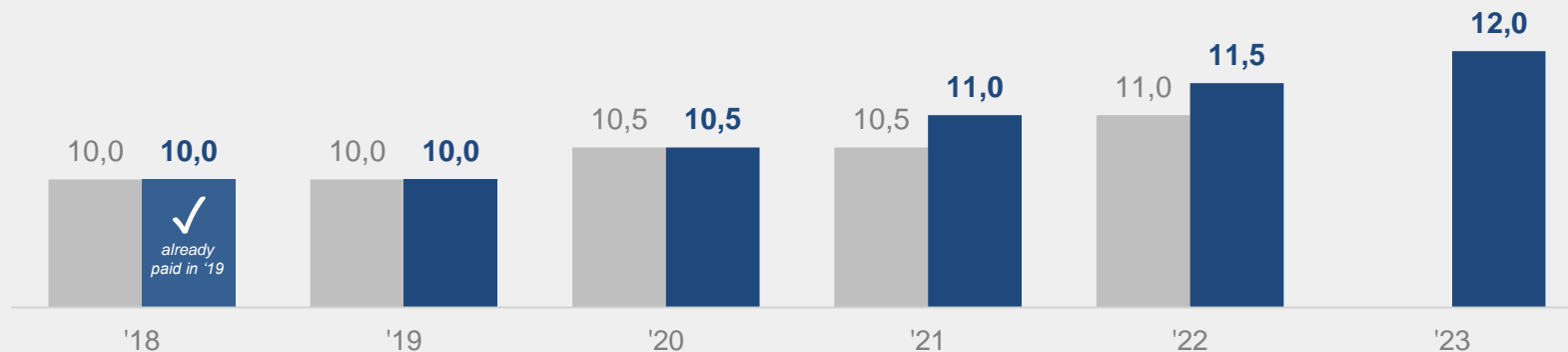
*Actual value of potential acquisition of minority stake (48% in '26) in EstEnergy from Ascopiave and cumulated dividends of Ascopiave related to EstEnergy (about 600m€)

Targets to 2023

“ We confirm our full transparency with the investors, adding visibility on capital allocation and dividend policies, for a complete view of our value creation plans.”



Closing remarks (1): Dividend policy



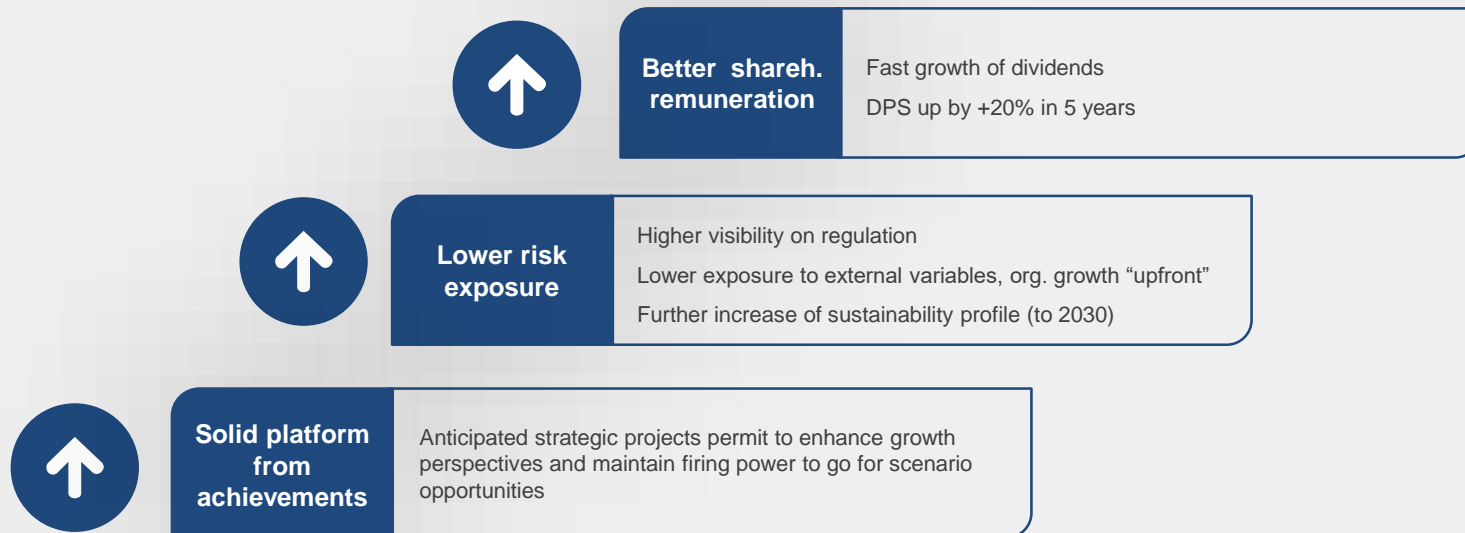
Dividend policy
(c€ per share)

+20%

vs 2018

Speeding up DPS growth

Closing remarks (2): key messages



Enhanced visibility & growth perspectives

Annex

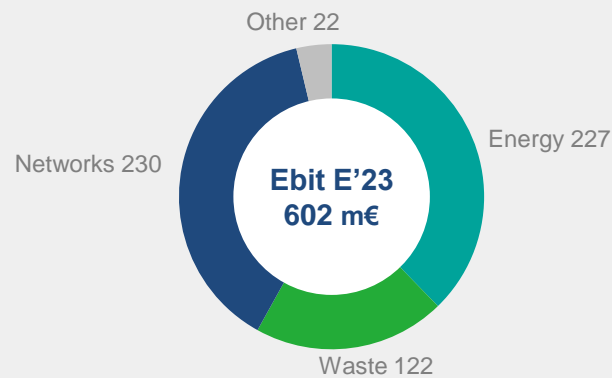
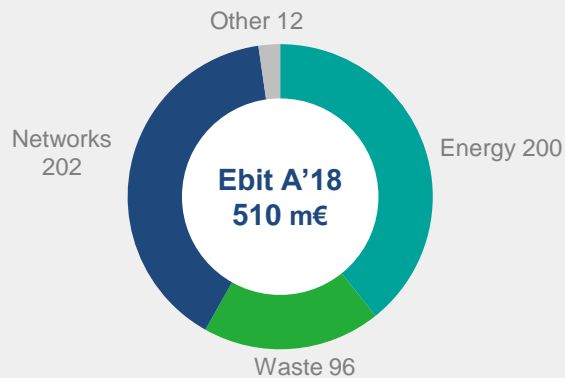


Business Plan main assumptions

Main assumptions

	A'17	A'18	E'23
Brent <i>(Dollar/Barrel)</i>	54.8	71.5	70.0
Exchange rate <i>€/\$</i>	1.13	1.18	1.21
PUN <i>(€/MWh)</i>	53.9	61.3	61.9
Inflation <i>(%)</i>	1.2%	1.1%	1.5%
GRIN certificate (former Green Certificate) <i>(€/MWh)</i>	107.3	99.0	90.3
White certificates <i>(€/TEP)</i>	311.5	248.9	265.0
CO₂ certificates <i>(€/ton)</i>	8.1	24.6	20.0
Tax rate <i>(%)</i>	29.6%	29.1%	28.0%
Cost of Debt <i>(%)</i>	3.7%	3.7%	3.2%

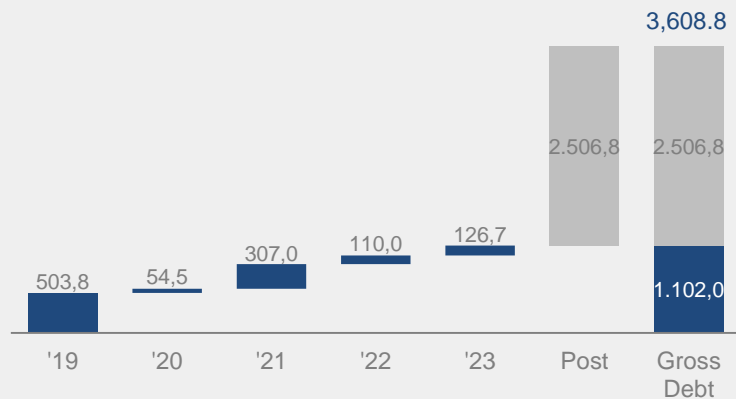
Consolidated Group Ebit target



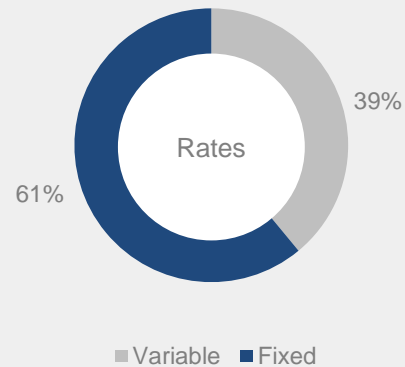
Ebit by strategic area (m€)

+18%
vs 2018

Financial Debt



Gross debt maturities as of
30/09/2019* (m€)



Interest rate breakdown
in 2023 (%)

* Excluding short term credit facilities

Waste business

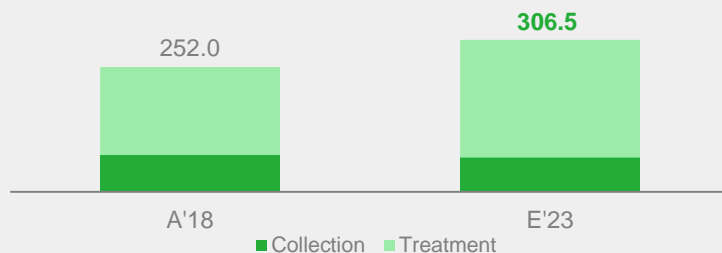
Economics

(M€)

	A'18	E'23
EBITDA	252.0	306.5

Ebitda breakdown

(M€)



Capex E'19-E'23: 618 m€

(M€)



Volumes treated

(Mtons)

	A'18	E'23*
Waste treated	7,293	8,561
<i>Urban</i>	2,348	2,260
<i>Special</i>	2,143	3,099
<i>by products</i>	2,802	3,201

* Excluding volumes from M&A

Water business

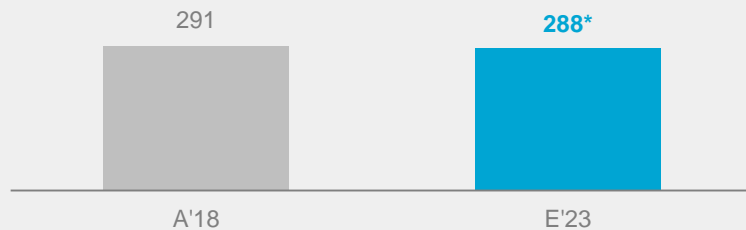
Economics

(M€)

	A'18	E'23
EBITDA	249.7	293.0

Volumes sold

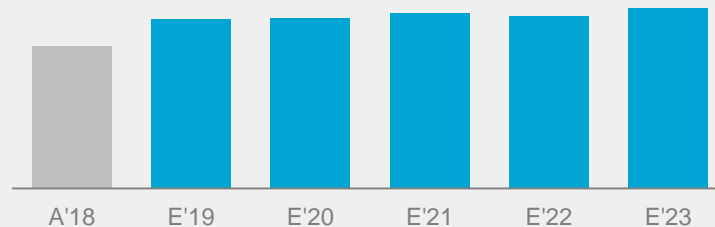
(Mmc)



*Numbers exclude M&A

Capex E'19-E'23: 867 m€

(M€)



RAB

(B€)

	A'18	E'23*
RAB*	1,49	1,69

Gas business

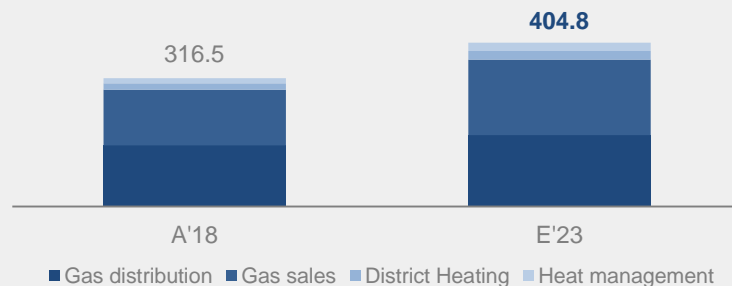
Economics

(M€)

	A'18	E'23
EBITDA	316.5	404.8

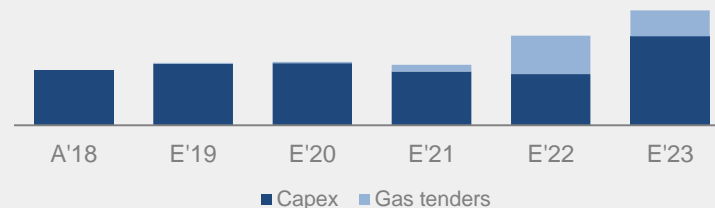
Ebitda breakdown

(M€)



Capex E'19-E'23: 1,005 m€

(M€)



Highlights

	A'18	E'23*
Volume Sales & Trading (Mcm)	6,168	5,873
RAB (B€)	1,07	1,25

*Numbers exclude M&A, Ascopiave deal (only in volumes sold) and third parties RAB

Electricity business

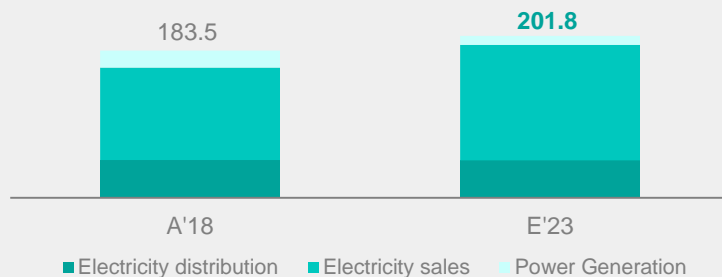
Economics

(M€)

	A'18	E'23
EBITDA	183.5	201.8

Ebitda breakdown

(M€)



Capex E'19-E'23: 297 m€

(M€)



Highlights

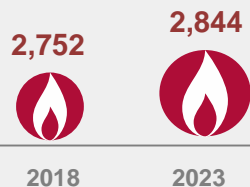
	A'18	E'23*
Volume Sold (TWh)	11.9	11.6
RAB (B€)	0.37	0.38

*Numbers exclude M&A and Ascopiave deal

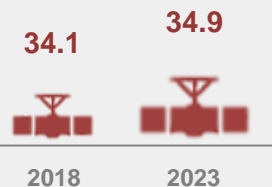
Operational efficiency

Gas

POD/employee* (n.)



Network length/employee* (km)



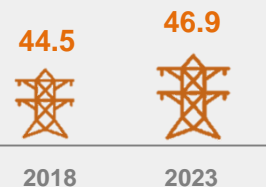
* Excluding Gas tenders

Electricity

POD/employee (n.)

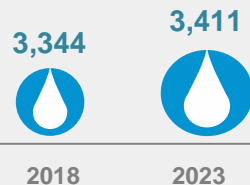


Network length/employee (km)

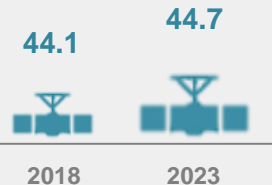


Water

POD/employee (n.)



Network length/employee (km)

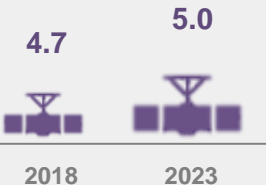


District Heating

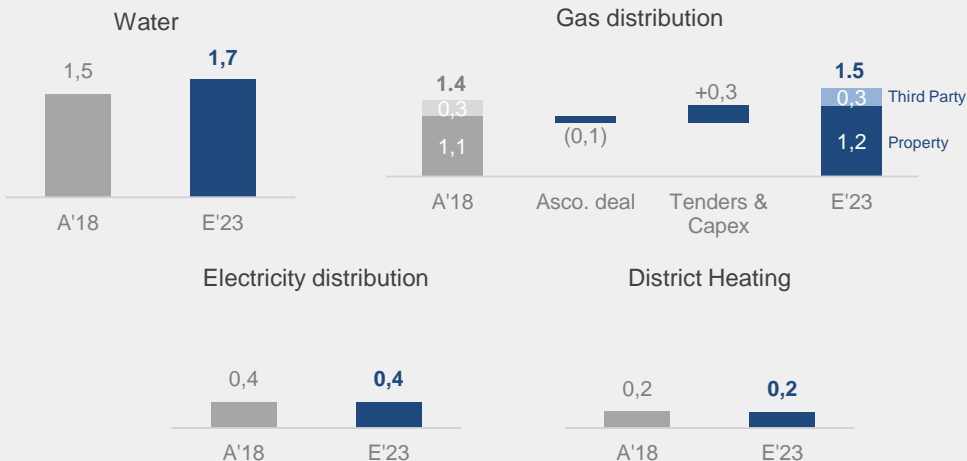
POD/employee (n.)



Network length/employee (km)



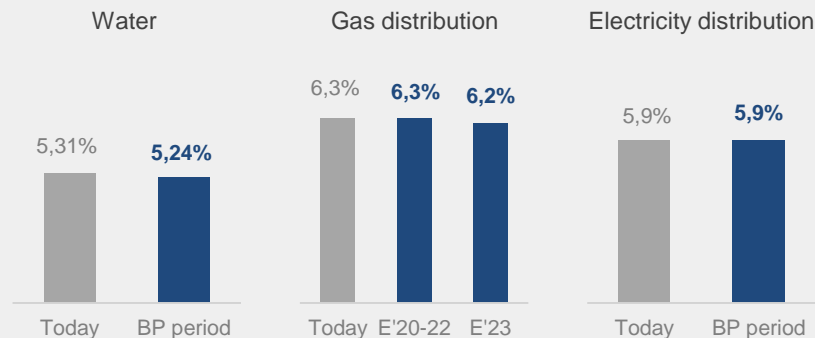
RAB and Wacc



Regulated Asset Base* (m€)

3.8 b€ in 2023

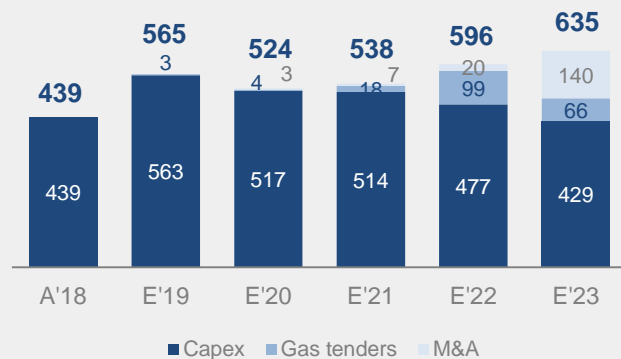
vs 3.4 in 2018



Regulated returns, Wacc (%)

* Excluding M&A

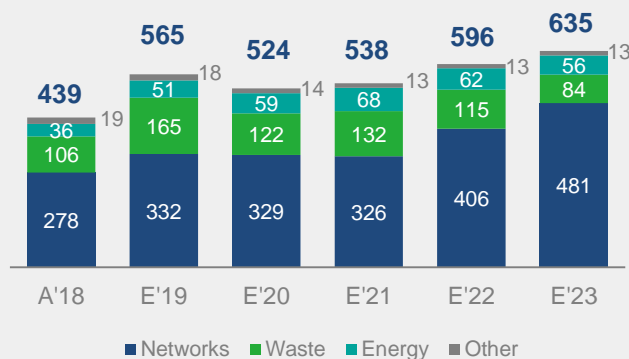
Capex plan



Capex plan by driver (m€)

2.9 b€

in 2019-2023



Capex plan by business (m€)

2.9 b€

in 2019-2023

Organic development capex:

Waste	222 m€
Networks	154 m€
Energy	166 m€
Total	542 m€

CSV capex plan



Energy 118 m€

Smart use of energy

Diffusion of renewable energy 26 m€

Promotion of energy efficiency 92 m€

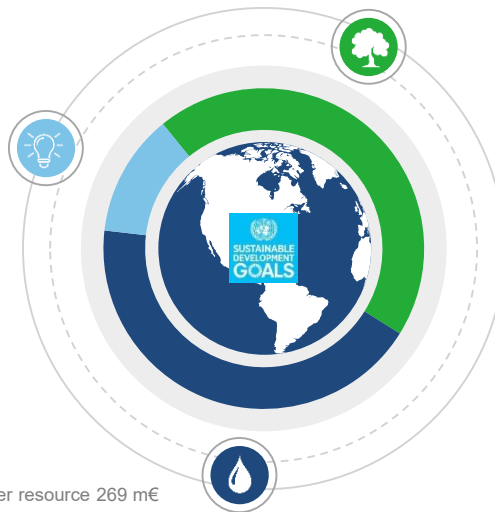


Resources 410 m€

Efficient use of resources

Sustainable management of water resource 269 m€

Transition to a circular economy 141 m€



Territory 427 m€

Innovation & development of territorial social-eco systems

Innovation and digitalization 368 m€

Air and land protection 59 m€



955 m€ of investments contribute to SDGs

Waste sustainable targets



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



Increase packaging recycling
(% of packaging recycled)



Increase WTE ashes recovery
(% of ashes recovered)



Increase material and energy recovery from waste treated in selection plant
(% of waste recovered)



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



Increase plastic recycled by Aliplast
(% of plastic recycled)



2018C

4.5%

72%

83%

77.2%

53%

+7%
vs 2017

2023

<5%

>70%

98%

81%

62%

+62%
vs 2017

2030

<5%

>75%

>98%

85%

67%

+150%
vs 2017

EU target
to 2035
65%

Energy sustainable targets



Reduce the Group's energy consumption
(% of energy savings from ISO 50001 interventions compared to 2013 consumption)



Reduce the carbon footprint in energy production (kgCO2/MWh)



Increase customers with electronic bills
(% of customers with electronic bills out of total customers)



Increase electricity contracts with energy efficiency services (% on total electricity contracts)



Increase gas contracts with energy efficiency services (% on total gas contracts)



Increase Green offers contracts
(% on total contracts)



2018C

(4.4%)
vs 2013

(17%)
vs 2013

23.7%

18.8%

11.7%

5%

2023

(6.5%)
vs 2013

(26%)
vs 2013

45%

21%

16%

58%

2030

(10%)
vs 2013

(35%)
vs 2013

60%

>25%

>20%

>60%

Networks sustainable targets



Reduce water network losses

(linear loss reduction rate compared to 2018)



Reduce internal water consumption

(water consumption reduction rate compared to 2018)



Reduce the domestic water demand

(average per capita consumption reduction rate compared to 2018)



Minimize the disposal of sewage sludge in landfills

(% of sewage sludge disposed of in landfills out of total sludge)



Increase the reuse of wastewater

(% reusable wastewater or total wastewater)



Increase the % of soil already used by our infrastructures in design

(both surface occupation and reuse of excavated materials)



Reduction of thermal energy produced from non-renewable sources

(%)



Carbon footprint



Water footprint



Resource footprint

2018C

Baseline year

Baseline year

Baseline year

7%

1%

68%

Baseline year



2023

(2%)
vs 2018

(15%)
vs 2018

(5%)
vs 2018

3.6%

9%

73%

(1%)
vs 2018



2030

(7%)
vs 2018

(25%)
vs 2018

(15%)
vs 2018

1.5%

15%

>80%

(15%)
vs 2018

Employees sustainable targets



% of employees involved in smart working out of total employees

2018C

8%



2023

50%



2030

75%



% of employees with digital readiness out of total employees

23%

50%

90%



Organizational agility: average number of employees by organizational structure

7

9

10



Continuous learning: % of employees who offer at least one training course per year out of total employees

n.a.

20%

50%



Internal mobility: % of employees who change roles or organizational structure in one year out of total employees

20%

30%

30%



Diversity & Inclusion: positioning in a significant global index of Diversity & Inclusion (today Refinitiv)

14°

TOP15

TOP10

Disclaimer

This presentation contains forward-looking statements regarding future events (which impact the Hera Group's future results) that are based on current expectations, estimates and opinions of management.

These forward-looking statements are subject to risks, uncertainties and events that are unpredictable and depend on circumstances that might change in future.

As a result, any expectation on Group results and estimates set out in this presentation may differ significantly depending on changes in the unpredictable circumstances on which they are based.

Therefore, any forward-looking statement made by or on behalf of the Hera Group refer on the date they are made.

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