

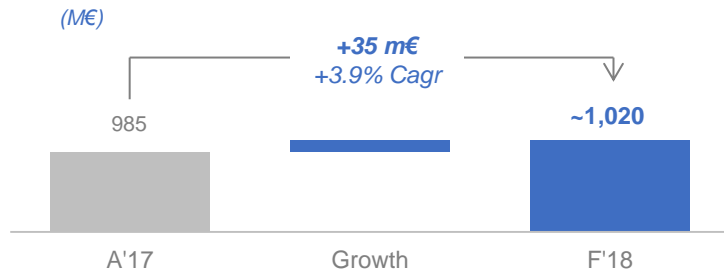
# BUSINESS PLAN TO 2022

“The strategic approach of the BP is consistent with the Group's mission and confirms the focus on innovation, agility, growth, efficiency and excellence, to create shared value for the benefit of all our stakeholders”

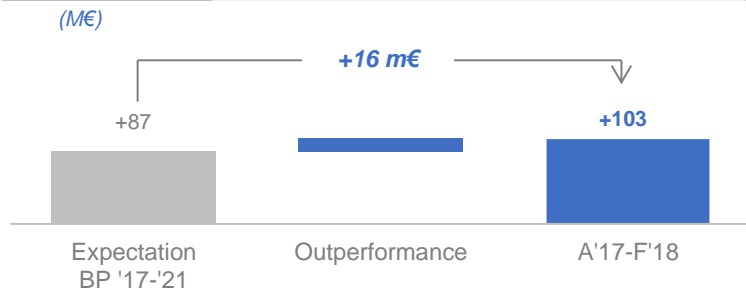


# Forecast 2018 Ebitda vs business plans target

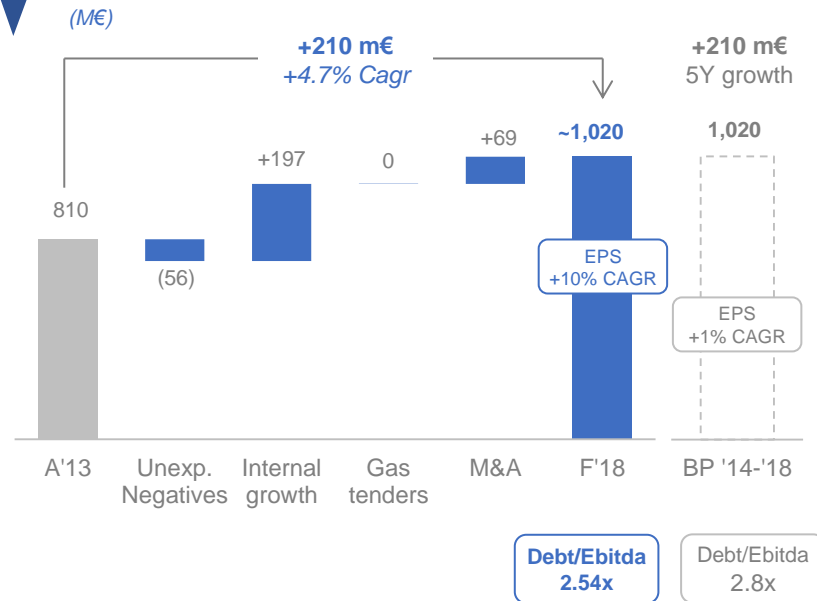
## Forecast 2018 Ebitda



## Outperform BP '17-'21 avg Ebitda growth target



## Ebitda '14-'18 in line with BP '14-'18 targets

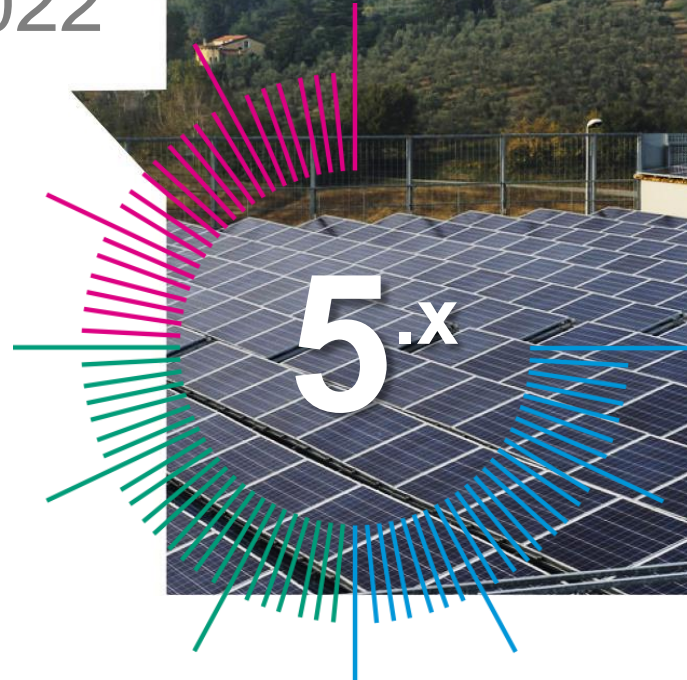


Well executed tackling discontinuities

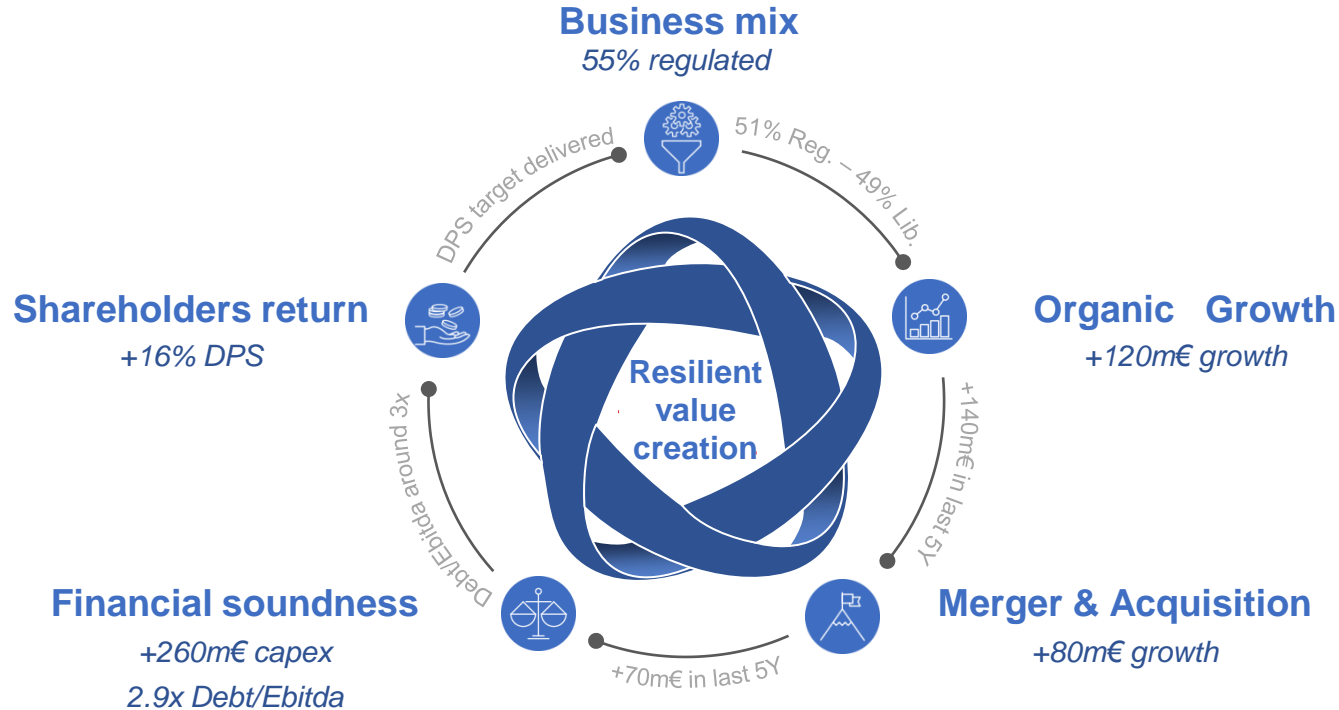
EBITDA GROWTH  
since Group's establishment

# Drivers & Targets to 2022

**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.



# At a glance Hera investment proposition and 2022 targets

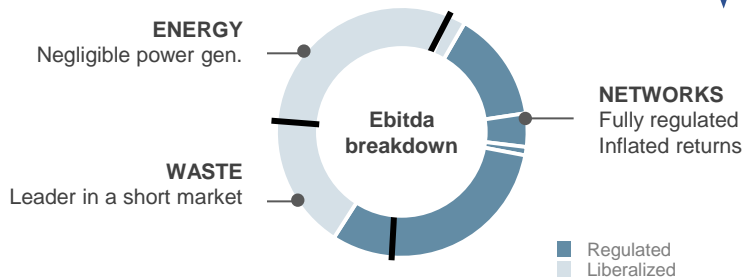


## Confirming our risk adverse and resilient equity story

# Business mix: proven resiliency

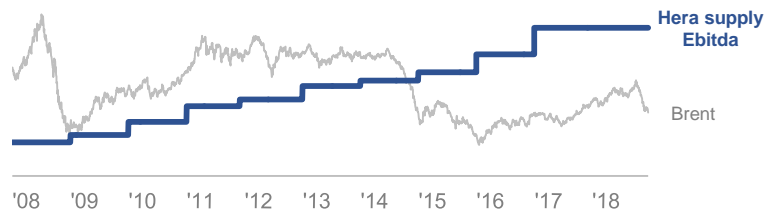


## The mix guarantees internal hedging



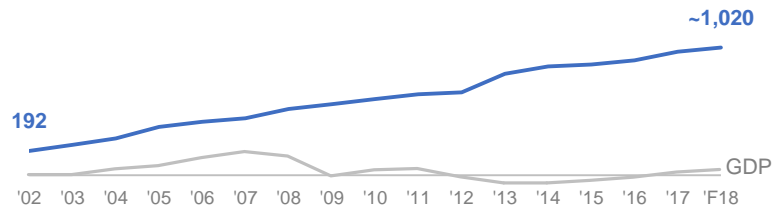
## Commodity price volatility: full hedged

(M€, \$/barrel)



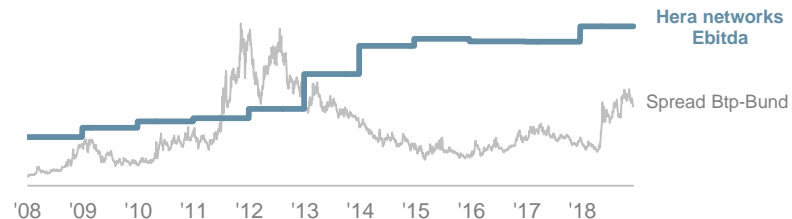
## GDP negligible impact

(Ebitda M€, % change)



## Spread: full protection of regulated activities

(M€, bps)

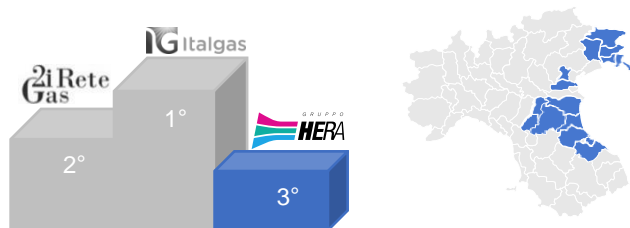


**Fully hedging for appropriate enterprise risk management**

# Upcoming discontinuities into the core businesses

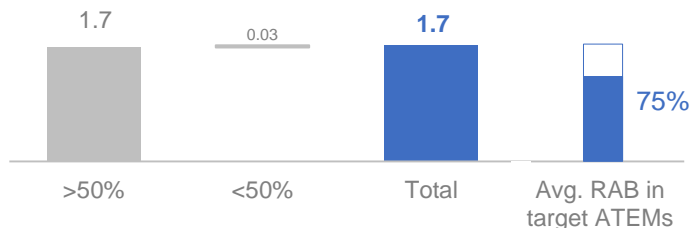


## Ranking of Italian gas distributors



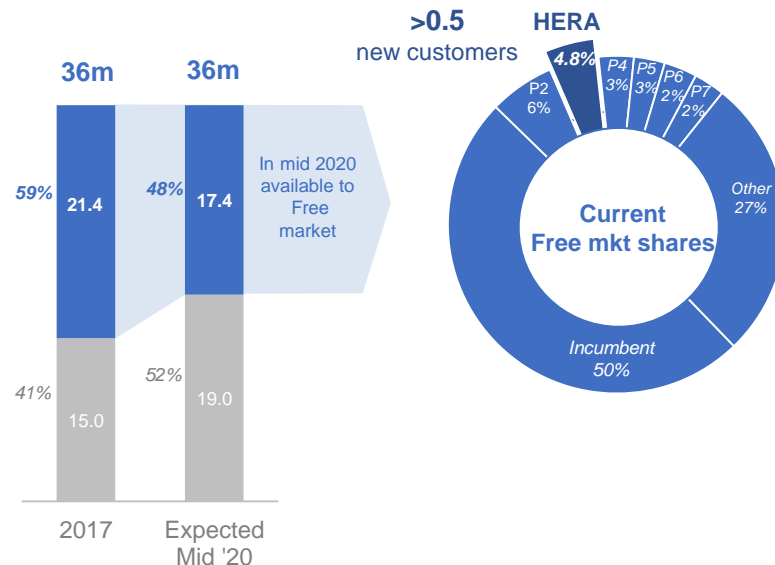
## Hera market share in reference territory

(Mln point of delivery, Hera market share)



## Maggior Tutela client liberalization

(Mln clients, % share)



## Growth opportunities in both Network and Energy business

# Organic Growth: main industry specific drivers

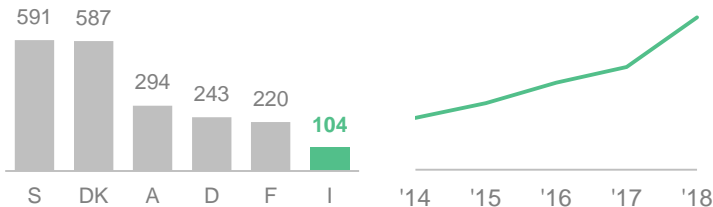


## Waste MKT drivers

(Kg, %)

Waste treatment capacity/inhabitant\*

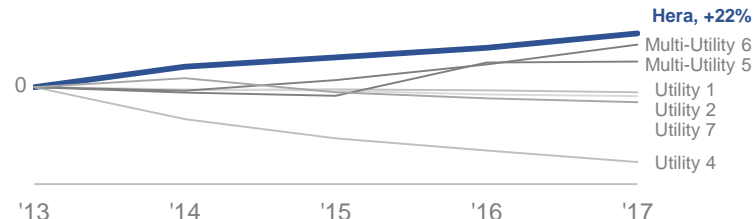
Treatment price increase



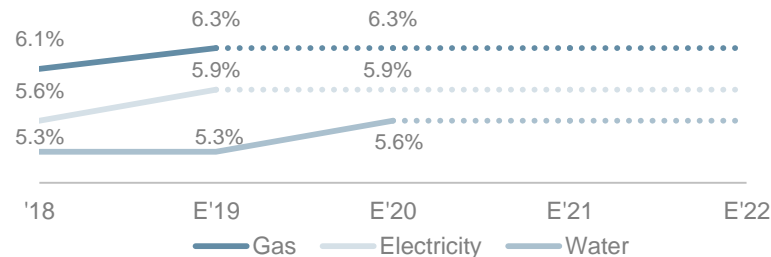
\* Source: Il Sole 24 Ore 17/11/2018

## Energy MKT : Client expansion

(% of customers increase in 5Y)

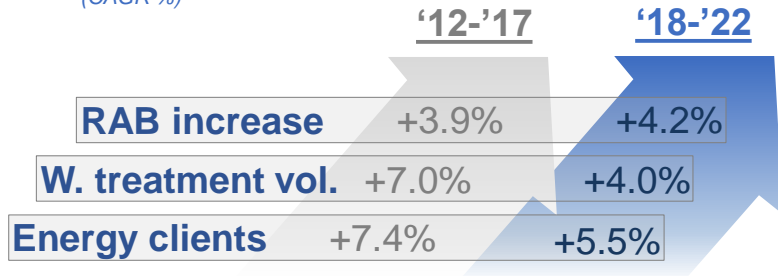


## Network driver: Wacc interim review



## Maintaining past growth drivers

(CAGR %)



**Favourable scenario to expand in all main sectors**

# M&A: market fragmentation

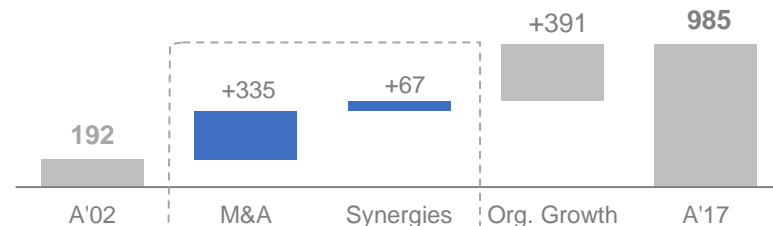


## Merger & Acquisitions

Multiutility	Municipalities shareholders	Share Cash payment	Hera multiples multiple	<b>14 companies</b> potentials
	Private shareholders	Cash payment	Market multiples multiple	<b>~1.5 clients</b> potentials
	Private shareholders	Cash payment	Market multiples multiple	<b>400 companies</b> potentials

## 38 deals underpinned ~50% of Hera's growth

(M€)



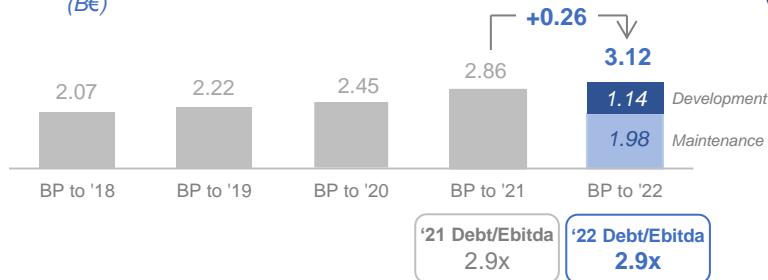
Leveraging upon strong platform

# Expanding regulated infrastructures



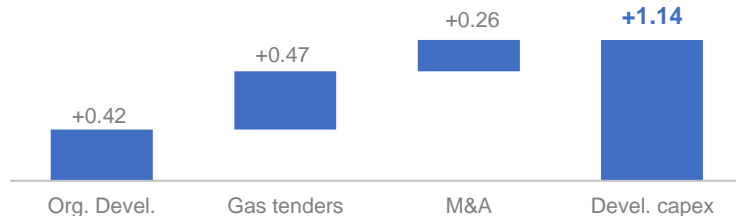
## Capex plan evolution

(B€)



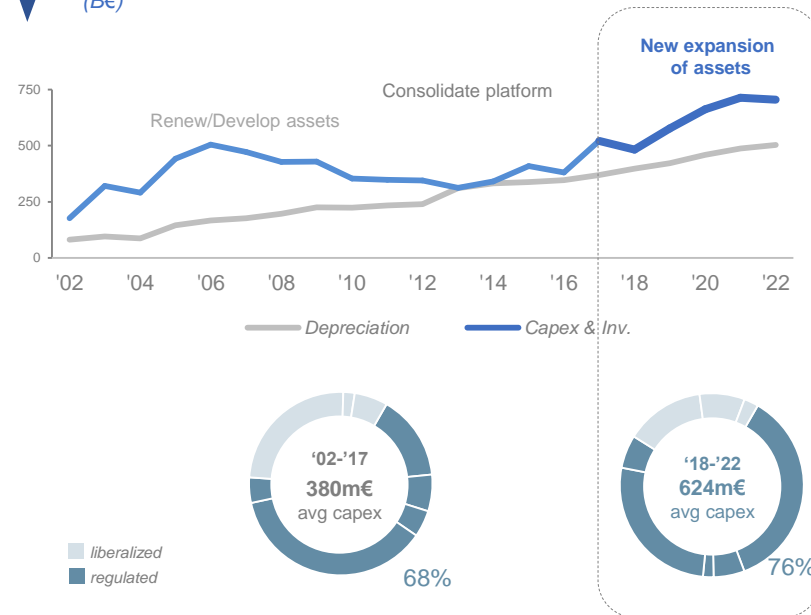
## Development projects

(B€)



## A new cycle of infrastructure developments

(B€)



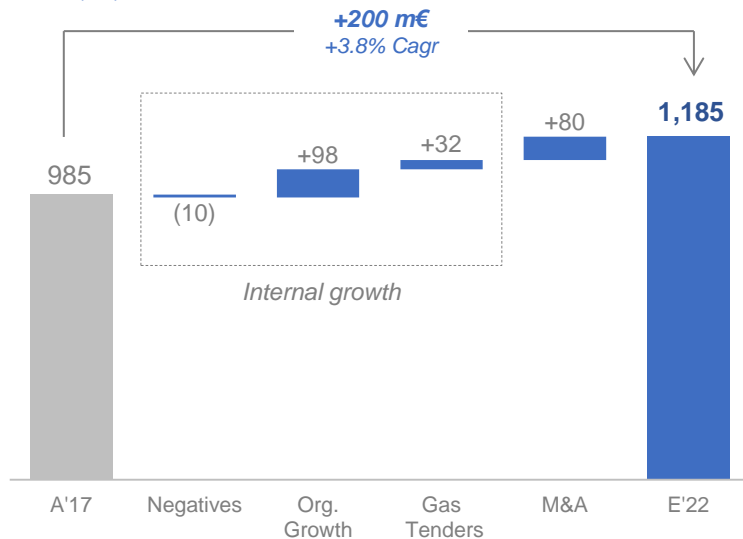
## Maintaining financial soundness

# Ebitda target to 2022



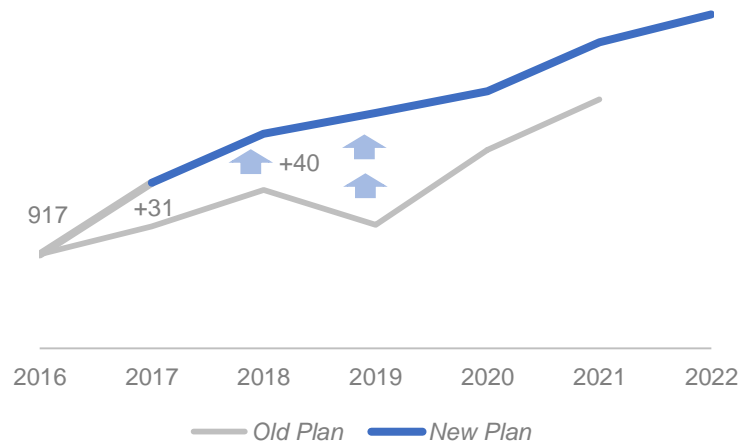
## Ebitda drivers

(M€)



## 'Stand alone' Ebitda targets

(M€, Ebitda targets excluding M&A)



**A credible step up vs. last business plan**

# Business targets to 2022

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

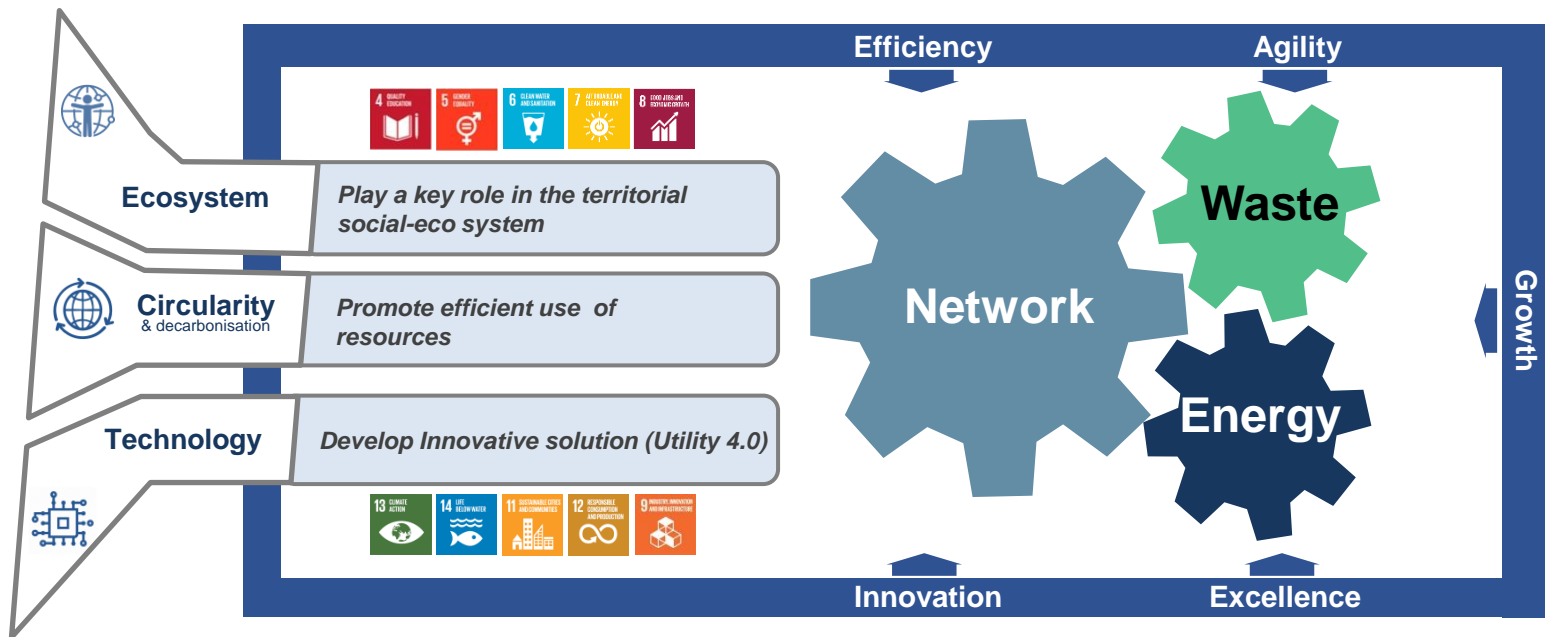
5Y infrastructure expansion

3.1b€



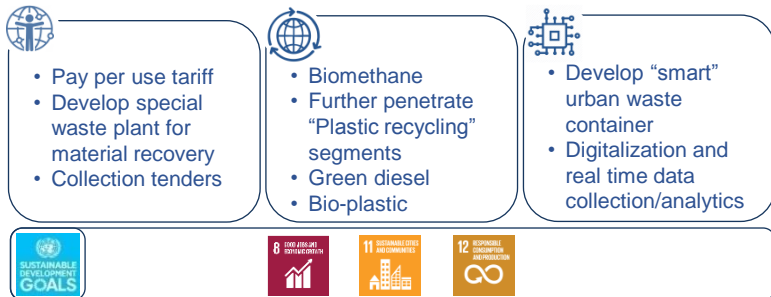
# Hera strategic development goals and key priorities

The “Why”: Strategic goals and key priorities inspired by SDGs



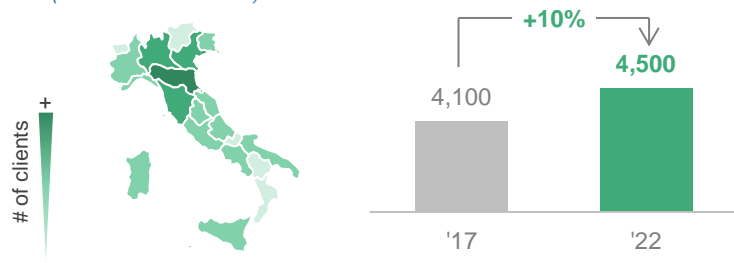
# Waste: development drivers

## Concrete actions consistent with trends



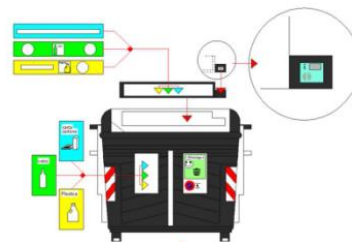
## Commercial expansion: Industrial clients

(# of industrial clients)

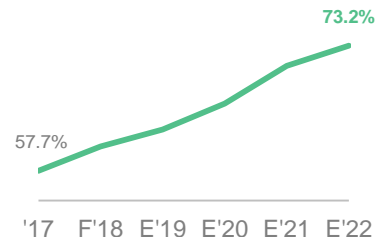


## Waste tenders

Intelligent w. container



Sorted waste collection



## Commercial offer: Aliplast wider proposal

Type of polymer

Actions

PET	LDPE	HDPE	PP
<p>Enlarge procurement</p> <p>Novara plant</p> <p>Focus on specialties</p>	<p>Enlarge extrusion cap. exploiting incoming vol.</p> <p>Develop foreign mkt for recycled mat.</p>	<p>Enter this polymer recycling</p>	<p>Ongoing evaluation to enter this segment</p>

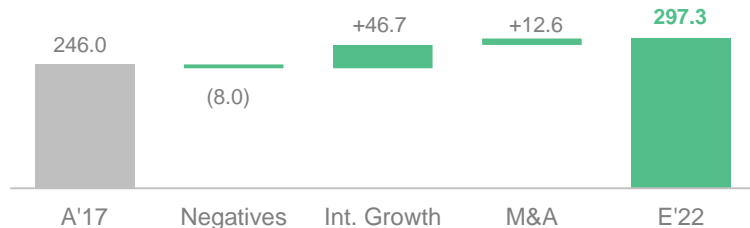
Enabling the adoption of “circularity” by client

# Waste: targets to 2022



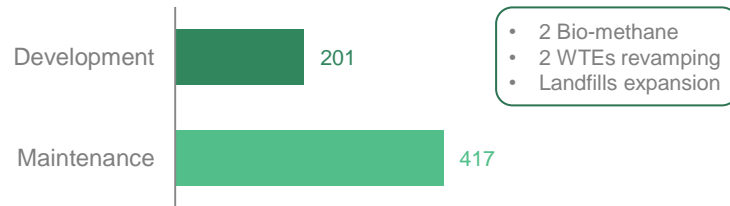
## Ebitda drivers

(M€)

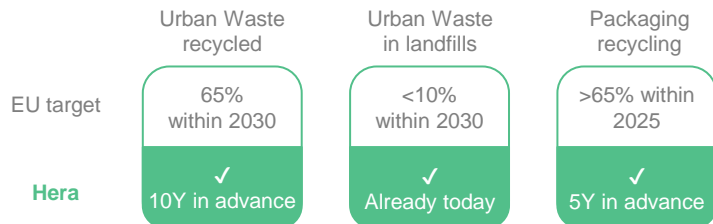


## Capex

(M€)

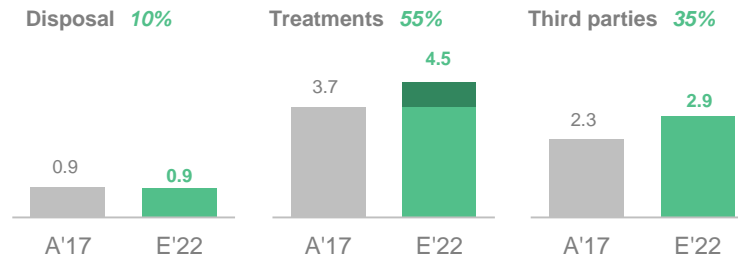


## Well ahead on EU schedules



## Volume mgmt to reach 8.3 Mtons

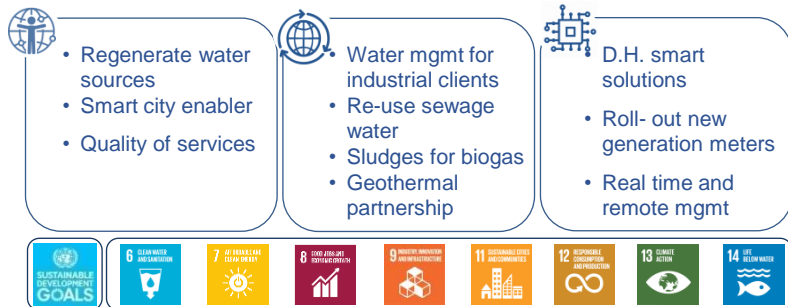
(Mtons/year, treatment mix %)



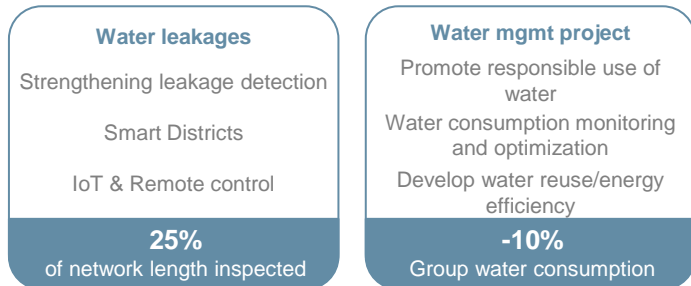
**Italian structural shortage of capacity will underpin prices**

# Networks: development drivers

## Concrete actions consistent with trends

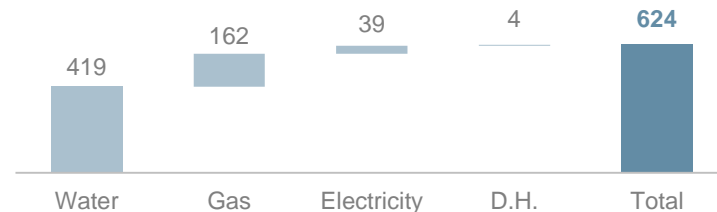


## Water management projects

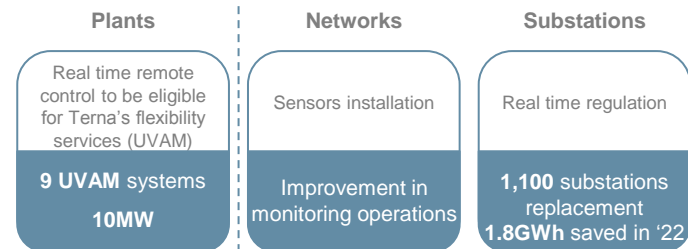


## Capex deployed to improve resiliency

(M€)



## Demand response & Smart District Heating



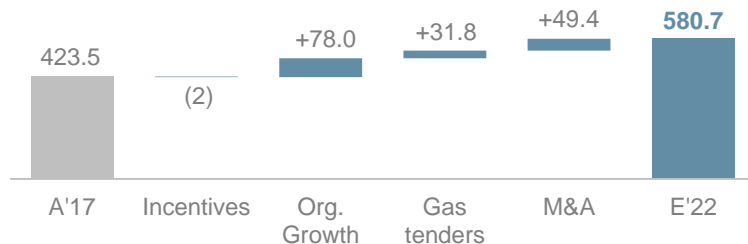
**Further value from innovation and resilience**

# Networks: targets to 2022



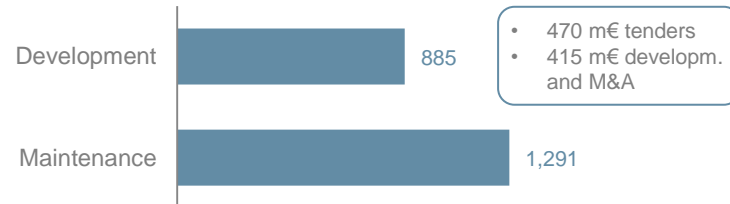
## Ebitda drivers

(M€)



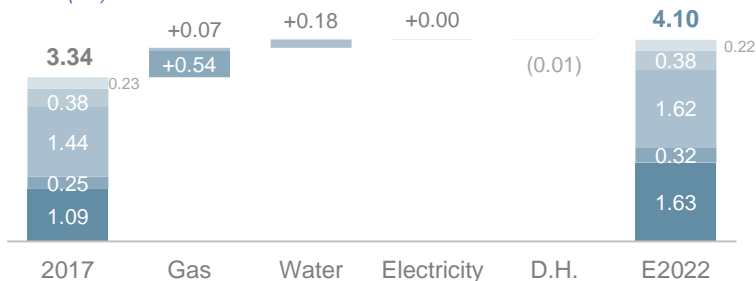
## Capex

(M€)



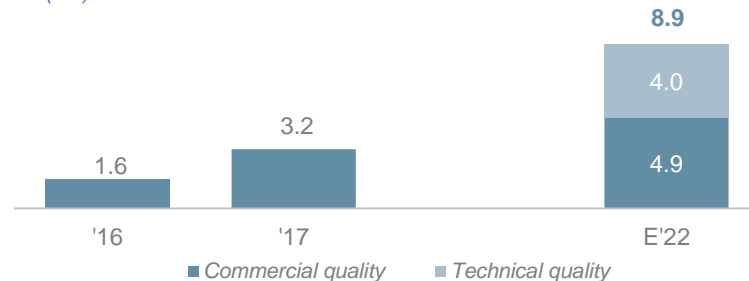
## RAB growth

(B€)



## Excellence and investment pay

(M€)



## Our safety platform

# Energy: development drivers

## Concrete actions on trends



- Enhance customer service
- VA services & green offering



- Energy efficiency solutions
- Nudge customer behaviour (energy & water)
- Electric mobility



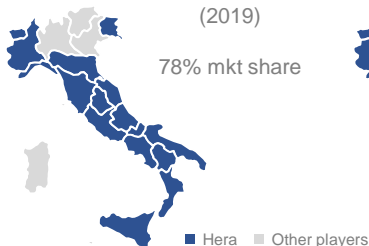
- Demand side platforms/devices
- AI on customer mgmt



## Last resort markets: last tenders result

Default Gas  
(2019)

78% mkt share



Salvaguardia Electricity  
(2019-2020)

70% mkt share



## Client's demand of Value Added Services

(% on total clients interviewed)

Client's perspectives

Retail customer  
interests

>25%

remote control and smart thermostat

>15%

Insurance services

28%

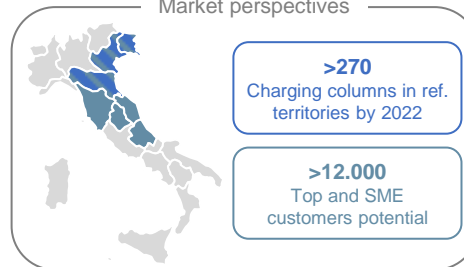
Consumption monitoring services

**Hera target: 65,000**  
VAS contracts to 2022

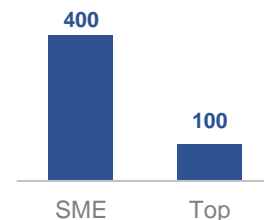
## Electric mobility

(n.)

Market perspectives



Customers target E'22



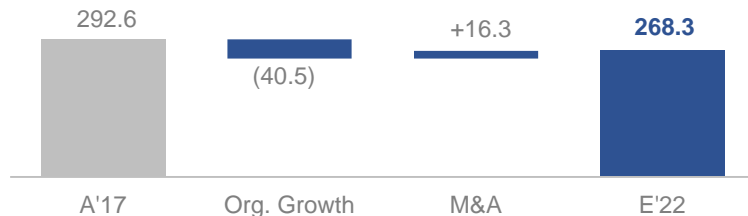
# Smart and sustainable services

# Energy: targets to 2022



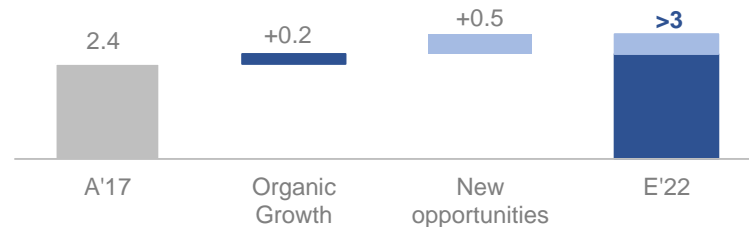
## Ebitda drivers

(M€)



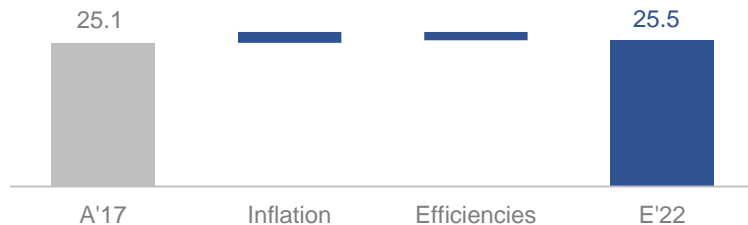
## Customer base

(Mln)



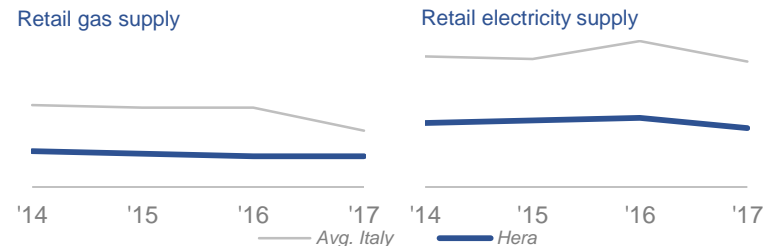
## Cost to serve: flat through the Plan

(€/Pod)



## Churn rate: -30% lower than avg market

(%)

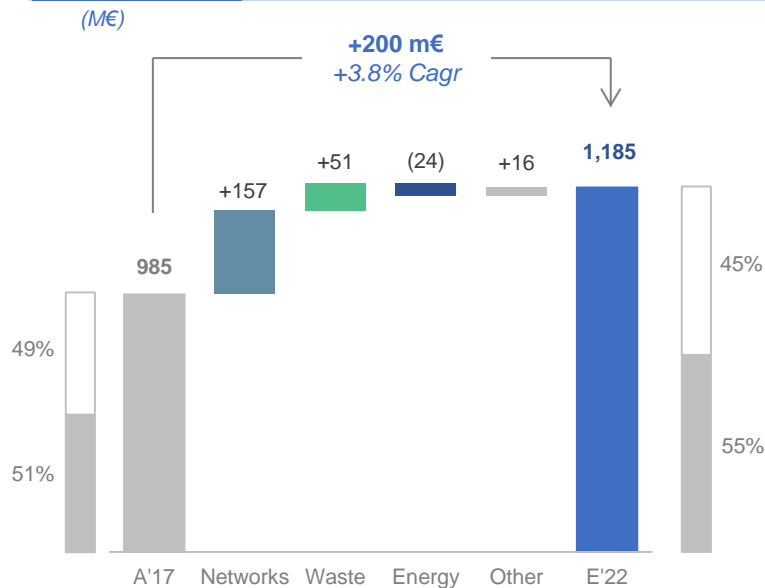


Remain solid nevertheless resizing of “Safeguarded”

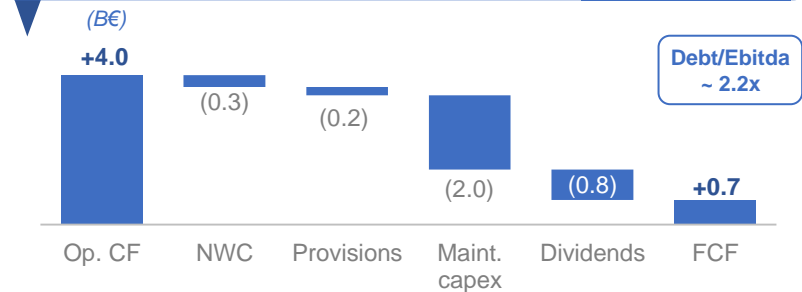
# Ebitda and more



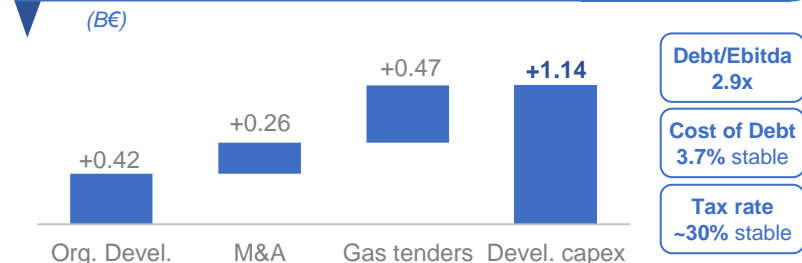
## Ebitda by activities



## Cum. cash flows '18-'22 before dev. capex



## Development capex & other financials



## Confirming financial soundness

# WHY

As there is no Plan(et) B, we have the responsibility for reconnect business with the environment and society to the benefit of **present** and **future generations**

# HOW

*Sustainability connects businesses to the community and the environment* **evolving toward a more resilient ecosystem**

# WHAT

We are planning to increase the **Shared Value** in the BP period



EBITDA from CSV activities  
as at 2022

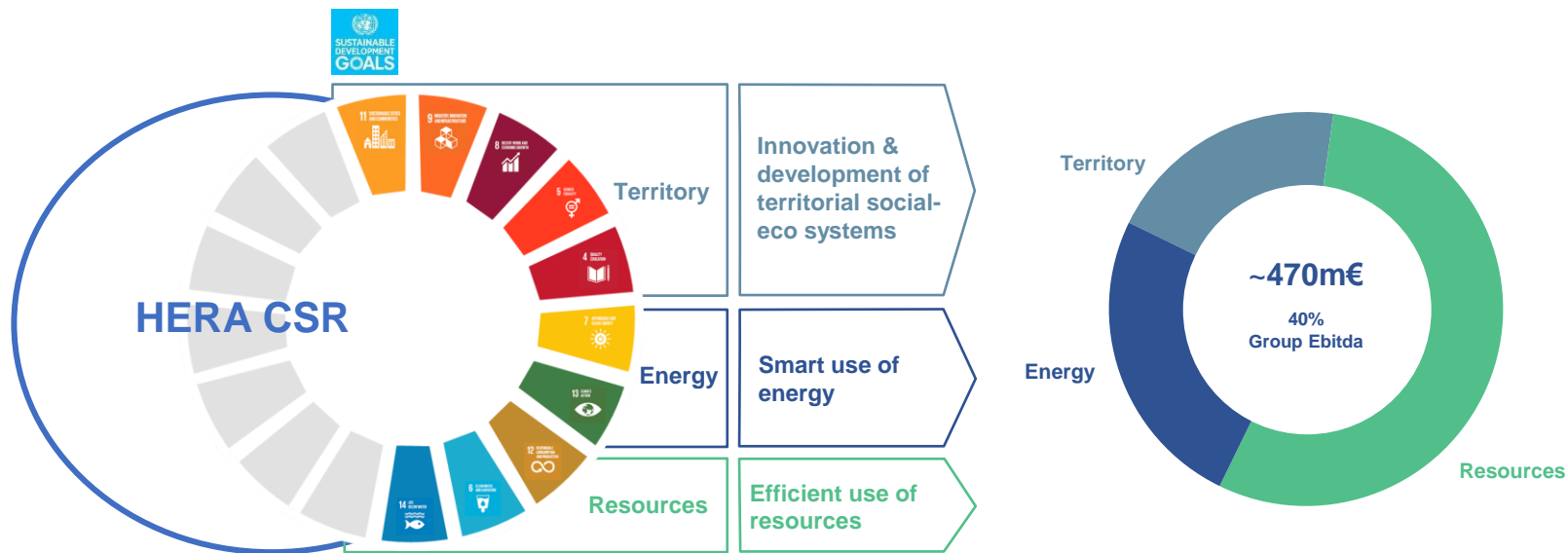
40%

# Concretely acting as a benefit corporation throughout the business

● UN global goal addressed

● Creating Shared Value in 2022

(Creation of Shared Value, M€)



**75% of Ebitda growth target enhance CSV**

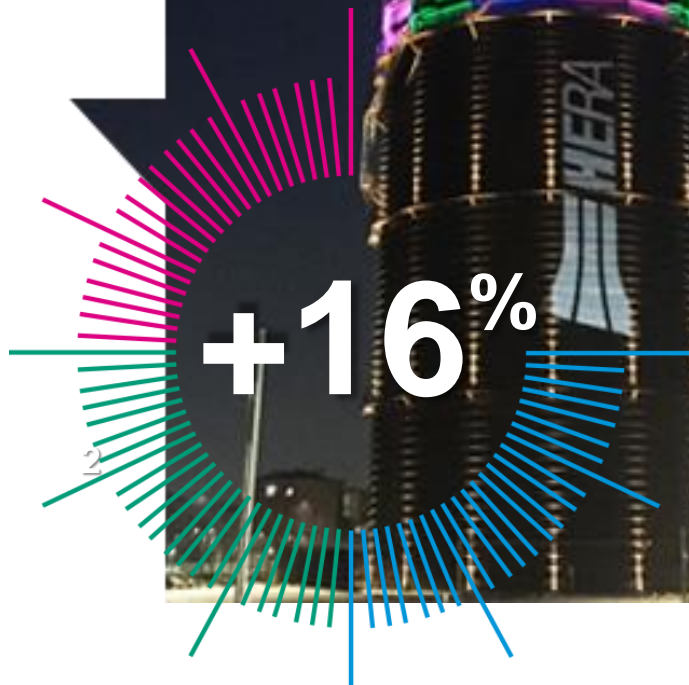
# Targets to 2022

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.

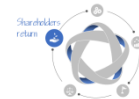


Dividend growth  
to 2022

+16%



# Closing remarks

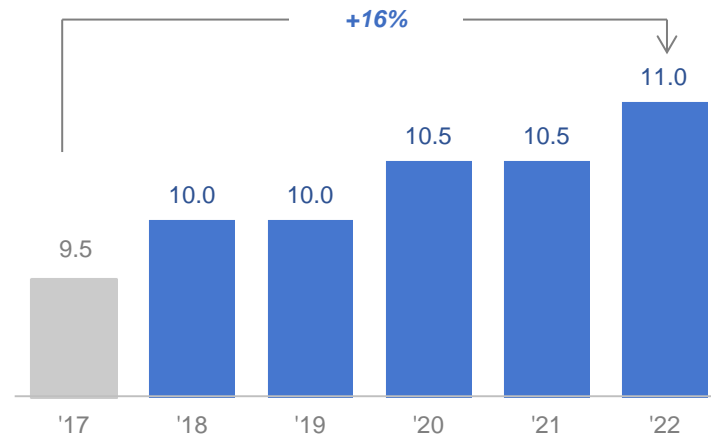


## Comment

- This business plan is reflecting our usual **risk management attitude**, aiming at setting reliable and visible targets in line with our track record.
- **Sizable capex**, underpin a solid growth and a lower risk profile, developing an asset base to sustain a smarter and technologically intensive Ecosystem.
- **Dividend** policy: DPS further growth up to 11 c€ (+16%) in 2022.

## Dividend per Share

(€ cent)



**Reliable, visible and sustainable growing perspectives**

# Annex

IR@gruppohera.it



# Business Plan main assumptions

## ● Main assumptions

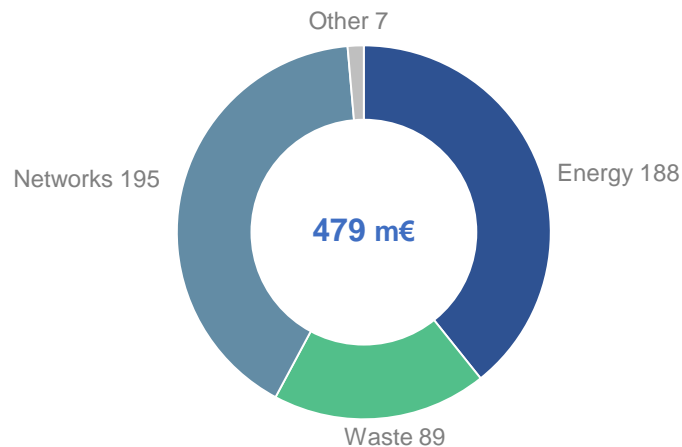
	A'16	A'17	E'22
<b>Brent</b> <i>(Dollar/Barrel)</i>	45.1	54.8	65.0
<b>Exchange rate</b> <i>€/\$</i>	1.11	1.13	1.20
<b>PUN</b> <i>(€/MWh)</i>	42.8	53.9	59.7
<b>Inflation</b> <i>(%)</i>	(0.1%)	1.2%	1.5%
<b>Green certificate – biomass plants</b> <i>(€/MWh)</i>	80.3	80.3	80.3
<b>Green certificate – other plants</b> <i>(€/MWh)</i>	100.1	107.3	93.3
<b>White certificates</b> <i>(€/TEP)</i>	178.8	311.5	264.0
<b>CO<sub>2</sub> certificates</b> <i>(€/ton)</i>	6.6	8.1	15.8
<b>Tax rate</b> <i>(%)</i>	35.1%	29.6%	30.0%
<b>Cost of Debt</b> <i>(%)</i>	3.7%	3.7%	3.7%

# Consolidated Group Ebit target

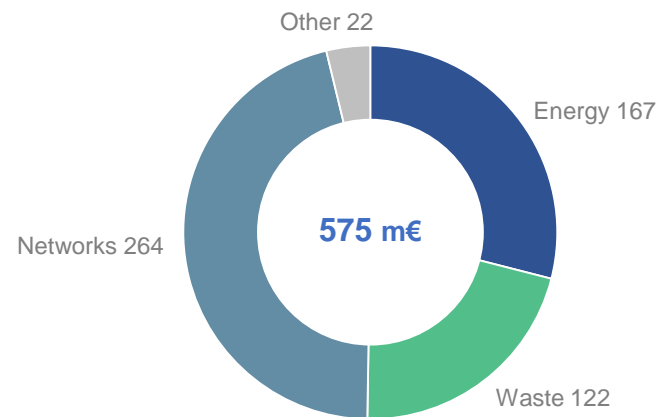
## ● Ebit by strategic area

(M€)

A'17



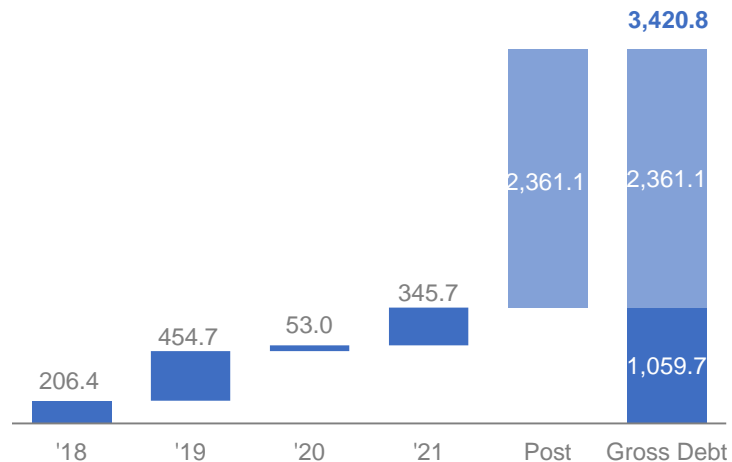
E'22



# Financial Debt

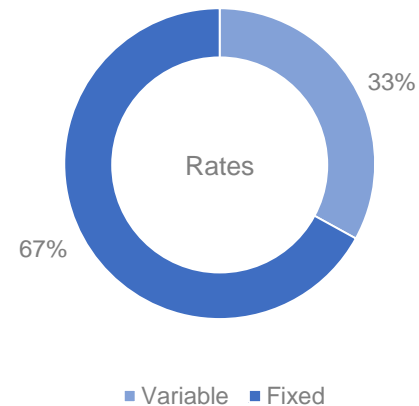
## Gross debt maturities as of 30/09/2018\*

(M€)



## Interest rate breakdown in 2022

(%)



\* Excluding short term credit facilities

# Waste business

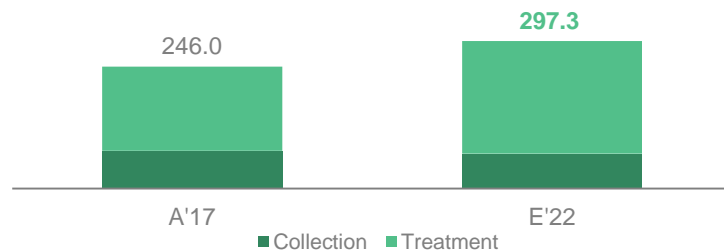
## Economics

(M€)

	A'17	E'22
<b>EBITDA</b>	246.0	297.3

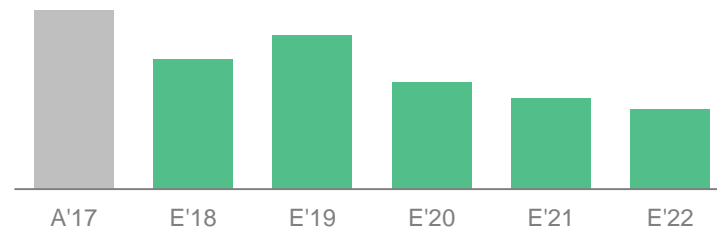
## Ebitda breakdown

(M€)



## Capex E'18-E'22: 618 m€

(M€)



## Highlights

	A'17	E'22*
<b>Waste treated</b>	<b>6,802</b>	<b>8,278</b>
<i>Urban</i>	<i>2,041</i>	<i>2,190</i>
<i>Special</i>	<i>2,526</i>	<i>3,203</i>
<i>by products</i>	<i>2,235</i>	<i>2,885</i>

\* Excluding volumes from M&A

# Water business

## Economics

(M€)

	A'17	E'22
<b>EBITDA</b>	229.9	286.9

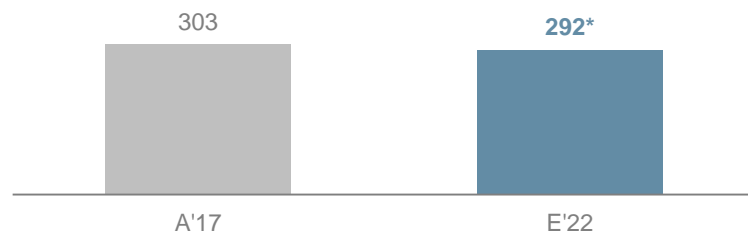
## Capex E'18-E'22: 828 m€

(M€)



## Volumes sold

(Mmc)



\*Numbers exclude M&A

## RAB

(B€)

	A'17	E'22*
<b>RAB*</b>	1,44	1,62

# Gas business

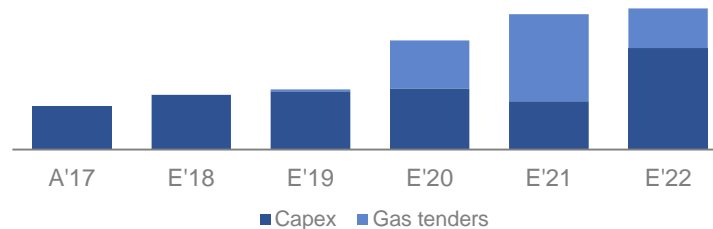
## Economics

(M€)

	A'17	E'22
EBITDA	301.7	386.1

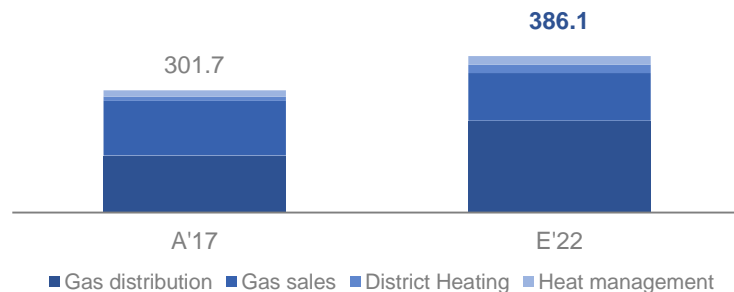
## Capex E'18-E'22: 1,339 m€

(M€)



## Ebitda breakdown

(M€)



## Highlights

	A'17	E'22*
Volume Sales & Trading (Mcm)	5,217	3,462
RAB (B€)	1,09	1,63

\*Numbers exclude M&A and third parties RAB

# Electricity business

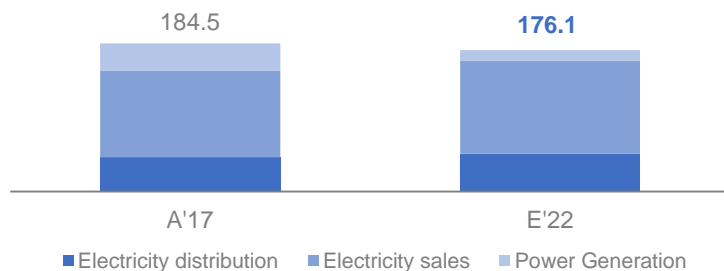
## Economics

(M€)

	A'17	E'22
<b>EBITDA</b>	184.5	176.1

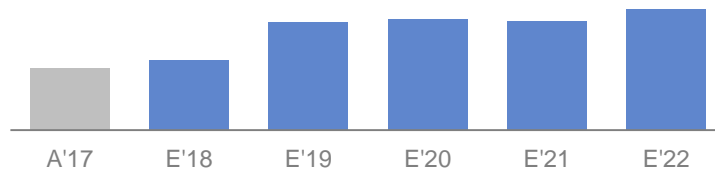
## Ebitda breakdown

(M€)



## Capex E'18-E'22: 259 m€

(M€)



## Highlights

	A'17	E'22*
<b>Volume Sold</b> (TWh)	10.5	10.6
<b>RAB</b> (B€)	0.38	0.38

\*Numbers exclude M&A

# 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.*

*The Hera Group shall not undertake to update forward-looking statements to reflect any changes in the Group's expectations or in the events, conditions or circumstances on which any such statements are based.*

*Nevertheless, the Hera Group has a “profit warning policy”, in accordance with Italian laws, that shall notify the market (under “price-sensitive” communication rules) regarding any “sensible change” that might occur in Group expectations on future results.*