

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Hera S.p.A.

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Madrid, April 02, 2019 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Hera S.p.A. and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Hera's Baa2 long term issuer and senior unsecured ratings reflect its baseline credit assessment (BCA) of baa2 and Moody's assumptions of low support and moderate dependence with its around 10% shareholder the City of Bologna. The BCA in turn reflects the diversification of the company's business mix; the sizeable portfolio of low-risk domestic regulated activities underpinned by a transparent and supportive regulatory framework; Hera's growth strategy based on small-scale M&A activity funded with equity; and a solid liquidity and financial profile. The BCA also considers the domestic nature of the company's earnings which leaves it exposed to macroeconomic, regulatory and political risks in Italy; the sensitivity of the company's unregulated activities (most notably energy supply and waste businesses) to the cyclical nature of the macroeconomic environment and to competition; as well as some exposure to volatile power prices in Italy affecting its power generation and waste segments.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodologies used for this review were Unregulated Utilities and Unregulated Power Companies published in May 2017 and Government-Related Issuers published in June 2018. Please see the Rating Methodologies page on www.moody's.com for a copy of these methodologies.

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