Y 2018 FINANCIAL RESULTS

“Delivering a sustainable value”
2018 main highlights

Q1 Bolt-on acquisitions
- Blu Ranton acquisition
- Marche Multiservizi and Megas.net merger
- Sangroservizi acquisition

Q2 Creating Shared Value
- Part of the Leading Utilities of the World
- First sustainable revolving credit line introduced in Italy

Q3-Q4 Strategic partnerships & Other important achievements
- Partnership with Eni for used vegetable oil
- Partnership with Bio-On to produce bio-plastic
- Chioggia port tender
- CMV merger
- Safeguard & Default + public lighting tenders awarded
- Bio-methane plant

2019 New BP & FTSE Mib
- Business Plan to 2022 presented
- Wide road show to keep an open dialogue with stakeholders
- FTSE Mib inclusion
### 2018 results in a snapshot

<table>
<thead>
<tr>
<th>Year</th>
<th>Ebitda (M€)</th>
<th>Net Profit (M€)</th>
<th>Net Debt/Ebitda (x)</th>
<th>Dividend (c€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'16</td>
<td>917</td>
<td>207</td>
<td>2.8x</td>
<td>9.0</td>
</tr>
<tr>
<td>'17</td>
<td>984</td>
<td>252</td>
<td>2.6x</td>
<td>9.5</td>
</tr>
<tr>
<td>'18</td>
<td>1,031</td>
<td>282</td>
<td>2.5x</td>
<td>10.0</td>
</tr>
</tbody>
</table>

- **Ebitda (M€)**: +4.7% '18/'17
- **Net Profit (M€)**: +12.1% '18/'17
- **Net Debt/Ebitda (x)**: (3.8%) '18/'17
- **Dividend (c€)**: +5.3% '18/'17

Keep on walking the solid growth path
Delivery of BP ’14-’18

Good execution
Ebitda growth in all core activities

Regulated
- Mainly Efficiencies & Cost cutting
- Development capex

Liberalised
- Positive trend in waste prices
- Market expansion and confirmed margins in energy supply
- Partial recovery in power gen. in H2

Organic growth drivers

Ebitda growth by business (M€)

+46 M€ +4.7%
Organic growth distribution

Development capex, tariffs and quality

Development deployed mainly to improve network resiliency

12.4 M€  
27%

Market expansion & Top Line Growth

Cross selling and market expansion in energy, exploiting market trends in waste

19.2 M€  
41%

Efficiencies

Never ending optimization effort

14.9 M€  
32%

Organic Growth

Organic growth in line with the track record

46.5 M€  
100%

Constant and visible organic growth
A conservative mix

The Group portfolio shows a multi-business industrial approach, balanced between regulated and free-market activities, which offers visible competitive advantages and underpins the value creation achieved.
2018 results by business in a snapshot

Business mix

52%
regulated

Networks (M€)

+9.6%
‘18/’17

Waste (M€)

+2.4%
‘18/’17

Energy (M€)

(2.3%)
‘18/’17

Safe and balanced business mix continues to work just fine
Networks

Efficient networks support good service

Ebitda growth (M€)
+40 M€ +9.5%

RAB
• Solid and diversified among three businesses

Gas tenders
• Tender in Udine Atem in progress

Extra returns
• Quality premiums in water
• Security premiums in gas
• Network resiliency premium in elect.

3.1bn

Started

Beaten stds

A'17 Water Gas Electricity D.H. A'18

424 +20 +10 +5 +6 464

07 GRUPPO HERA
**Waste**

**Prices**
- Slight increase in all businesses

**Recycling**
- Sorted Urban waste collection up from 57.7% to:
- Enhanced recycling and re-use activities (WTE, selection and bio-digestion and compost):

**New plants**
- Bio-methane plant will contribute to Ebitda in 2019

**Better results from our infrastructures**

**Ebitda growth (M€)**
- **+6 M€ +2.4%**
Expanding market share, defending margins

**Customer base**
- 2,524k clients (+146k ’18/’17)

**Retail unpaid ratio**
- Less than 1% receivables remain unpaid by retail customers after 1 year

**Cost to serve**
- A key competitive advantage is to keep low cost base: Hera’s is among 1st quartile

**Default & FUI**
- Larger business scope from 1st October for next 12 months

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Ebitda growth (ME) 
(7 M€) (2.3%)

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A'17  
Sales & Trading: 292 
Differences: +10  
Power Gen.: -13  
Heat management: -3  
A'18: 286
Below Ebitda

Progressively enhanced profitability & returns

Fin. expenses (M€)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>138.0</td>
<td>126.0</td>
<td>117.4</td>
<td>101.5</td>
<td>91.7</td>
</tr>
</tbody>
</table>

Tax rate (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017*</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40.2%</td>
<td>36.8%</td>
<td>35.1%</td>
<td>30.9%</td>
<td>29.1%</td>
</tr>
</tbody>
</table>

EPS (€)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.4</td>
<td>12.3</td>
<td>14.1</td>
<td>17.1</td>
<td>19.2</td>
</tr>
</tbody>
</table>

ROI & ROE (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.7%</td>
<td>7.4%</td>
<td>8.6%</td>
<td>8.9%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.6%</td>
<td>8.6%</td>
<td>8.6%</td>
<td>9.2%</td>
<td>10.4%</td>
</tr>
</tbody>
</table>

*Adjusted
Creating Shared Value

100% of 2018 Ebitda growth is “Shared Value”
Sound financial profile

A positive free cash generation covering dividends and part of development capex and M&A, assured a further reduction of the financial leverage enhancing potential further expansion plans.
### Cash flows

#### Free Cash Flow (M€)

- **+734 M€**

  - CF Op.: +734 M€
  - NWC: -70 M€
  - IFRS 9: -19 M€
  - Provision: -50 M€
  - Maint. capex: +392 M€
  - F'18: +204 M€

#### Capital allocation (M€)

- **-267 M€**

  - FCF: +204 M€
  - Dividend & Min.: -152 M€
  - Develop. capex: -67 M€
  - Buy back: -26 M€
  - Net M&A: -22 M€
  - Ch. Debt: -63 M€

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**Balancing remuneration and development**
Financial profile

FFO/Net Debt
27%

Duration
~7 Y

Fixed interest rates
85%

Portion of debt at fixed rates

Credit lines committed
300 m€

Refinancing needs end ’19
<1%

350 m€ Bank loans signed at a rate:

Further fire power to sustain growth

Debt/Ebitda (x)
Very safe

3.2x 3.0x 3.0x 2.8x 2.6x 2.5x

'13 '14 '15 '16 '17 '18
Closing remarks

Positive growth underpinned by operating, financial and tax management combined with enhancement of returns on invested capital allow to pursue a sustainable capital allocation balanced between “development” and “remuneration” to shareholders.
Economic performances and increase in return of invested capital

Sound balance sheet and positive cash generation underpin dividends proposed at 10c€ per share (+5.3%)

Low leverage to go for potential M&A

Positive 2019 expected
Q&A and Appendix

Further details on 2018 annual results are available in this section.
### Annex: P&L

#### Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>Y '17</th>
<th>Y '18</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>6,136.8</td>
<td>6,626.4</td>
<td>+8.0%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>984.6</td>
<td>1,031.1</td>
<td>+4.7%</td>
</tr>
<tr>
<td><em>Ebitda margin</em></td>
<td>16.0%</td>
<td>15.6%</td>
<td></td>
</tr>
<tr>
<td>Depreciation and provisions</td>
<td>(505.3)</td>
<td>(521.0)</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>479.3</td>
<td>510.1</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Financial costs</td>
<td>(98.0)</td>
<td>(87.1)</td>
<td></td>
</tr>
<tr>
<td>Figurative interests (IAS)</td>
<td>(18.2)</td>
<td>(19.5)</td>
<td></td>
</tr>
<tr>
<td>Income from Associates &amp; J.V.</td>
<td>14.7</td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td><strong>PRETAX PROFIT</strong></td>
<td>377.8</td>
<td>418.4</td>
<td>+10.7%</td>
</tr>
<tr>
<td>Tax</td>
<td>(111.8)</td>
<td>(121.8)</td>
<td></td>
</tr>
<tr>
<td><em>Tax rate</em></td>
<td>29.6%</td>
<td>29.1%</td>
<td></td>
</tr>
<tr>
<td>Special items*</td>
<td>0.8</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Minorities</td>
<td>(15.3)</td>
<td>(14.7)</td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT POST MINORITIES</strong></td>
<td>251.5</td>
<td>281.9</td>
<td>+12.1%</td>
</tr>
</tbody>
</table>

* Special items are calculated as follows:
  - In 2017 they were the sum of positive effects generated by the release of goodwill through a substitute tax payment and negative effects related to goodwill write-offs
  - In 2018 they have been the sum of extraordinary capital gains and extraordinary capital losses
## Annex: Waste and Water

### Waste: Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,083.8</td>
<td>1,123.7</td>
<td>+39.8</td>
</tr>
<tr>
<td>Ebitda</td>
<td>246.0</td>
<td>252.0</td>
<td>+6.0</td>
</tr>
</tbody>
</table>

### Waste: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban W. Volumes (Kton)</td>
<td>2.311</td>
<td>2.348.0</td>
<td>+37.5</td>
</tr>
<tr>
<td>Special W. Volumes (Kton)</td>
<td>2.257</td>
<td>2.142.8</td>
<td>(113.7)</td>
</tr>
<tr>
<td>Waste from third parties</td>
<td>4,567</td>
<td>4,490.8</td>
<td>(76.2)</td>
</tr>
<tr>
<td>Internal W. Volumes (Kton)</td>
<td>2.235</td>
<td>2.802.2</td>
<td>+567.6</td>
</tr>
<tr>
<td>Total Volumes Treated</td>
<td>6,802</td>
<td>7,293.0</td>
<td>+491.4</td>
</tr>
</tbody>
</table>

### Water: Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>859.9</td>
<td>878.6</td>
<td>+18.7</td>
</tr>
<tr>
<td>Ebitda</td>
<td>229.9</td>
<td>249.7</td>
<td>+19.8</td>
</tr>
</tbody>
</table>

### Water: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aqueduct (mm3)</td>
<td>302.8</td>
<td>291.1</td>
<td>(11.7)</td>
</tr>
<tr>
<td>Sewerage (mm3)</td>
<td>251.5</td>
<td>246.0</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Purification (mm3)</td>
<td>249.5</td>
<td>244.0</td>
<td>(5.4)</td>
</tr>
</tbody>
</table>
# Annex: Gas and Electricity

## Gas: Profit & Loss

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,980.3</td>
<td>2,371.0</td>
<td>+390.8</td>
</tr>
<tr>
<td>Ebitda</td>
<td>301.7</td>
<td>316.5</td>
<td>+14.8</td>
</tr>
</tbody>
</table>

## Gas: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes distrib. (mm3)</td>
<td>3,017.7</td>
<td>3,066.8</td>
<td>+484.6</td>
</tr>
<tr>
<td>Volumes sold (mm3)</td>
<td>5,216.6</td>
<td>6,168.2</td>
<td>+951.5</td>
</tr>
<tr>
<td>of which trading (mm3)</td>
<td>2,965.7</td>
<td>3,822.7</td>
<td>+857.0</td>
</tr>
<tr>
<td>District Heating (GWht)</td>
<td>506.0</td>
<td>507.5</td>
<td>+1.4</td>
</tr>
<tr>
<td>Final retail volumes (mm3)</td>
<td>2,251.0</td>
<td>2,345.5</td>
<td>+94.5</td>
</tr>
<tr>
<td>Clients ('000 unit)</td>
<td>1,396.3</td>
<td>1,455.9</td>
<td>+59.6</td>
</tr>
</tbody>
</table>

## Electricity: Profit & Loss

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,380.2</td>
<td>2,462.1</td>
<td>+81.9</td>
</tr>
<tr>
<td>Ebitda</td>
<td>184.5</td>
<td>183.5</td>
<td>(0.9)</td>
</tr>
</tbody>
</table>

## Electricity: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2017</th>
<th>Y 2018</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes sold (GWh)</td>
<td>10,517.3</td>
<td>11,854.1</td>
<td>+1,336.8</td>
</tr>
<tr>
<td>of which Salvaguardia (GWh)</td>
<td>2,415.3</td>
<td>2,398.3</td>
<td>(17.0)</td>
</tr>
<tr>
<td>Volumes distrib. (GWh)</td>
<td>3,046.0</td>
<td>3,078.7</td>
<td>+32.8</td>
</tr>
<tr>
<td>Clients ('000 unit)</td>
<td>981.6</td>
<td>1,068.7</td>
<td>+87.1</td>
</tr>
</tbody>
</table>
For further info please get in touch with the IR team

IR@gruppohera.it