

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

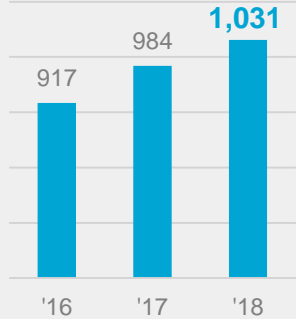
Q3-Q4 Strategic partnerships & Other important achievements

- 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

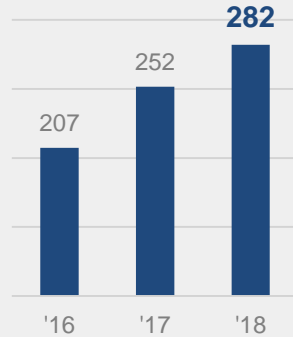
- Business Plan to 2022 presented
- Wide road show to keep an open dialogue with stakeholders
- FTSE Mib inclusion

2018 results in a snapshot



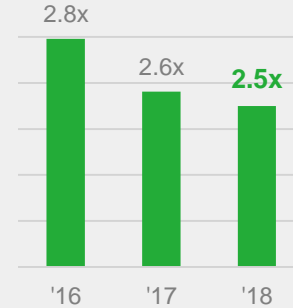
Ebitda (M€)

+4.7%
'18/'17



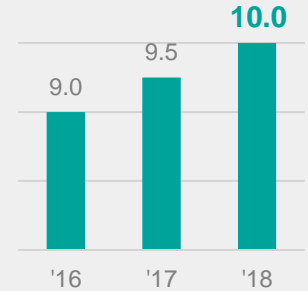
Net Profit (M€)

+12.1%
'18/'17



Net Debt/Ebitda (x)

(3.8%)
'18/'17

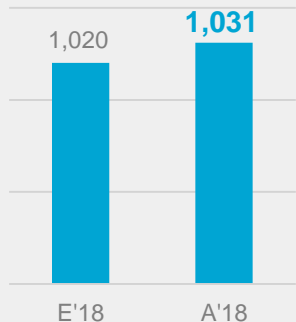


Dividend (c€)

+5.3%
'18/'17

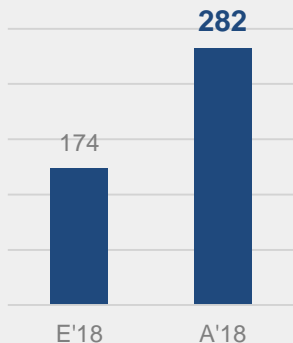
Keep on walking the solid growth path

Delivery of BP '14-'18



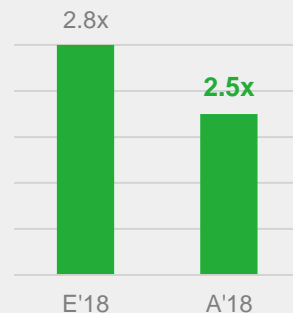
Ebitda (M€)

+1.1%



Net Profit (M€)

+62.0%



Net Debt/Ebitda (x)

(10.7%)



Dividend (c€)

+11.1%

Good execution

Ebitda growth in all core activities



Ebitda growth by business
(M€)

+46 M€ +4.7%

Regulated

- Mainly Efficiencies & Cost cutting
- Development capex

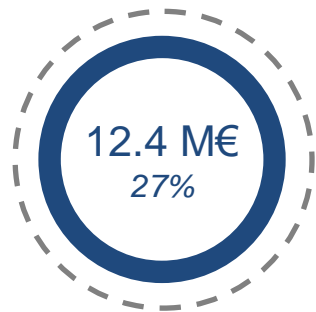
Liberalised

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

Organic growth drivers

Organic growth distribution

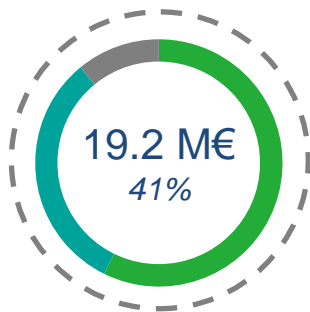
Development capex, tariffs and quality



Development deployed mainly to improve network resiliency

+

Market expansion & Top Line Growth



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

+

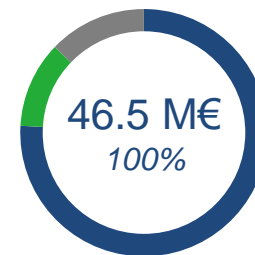
Efficiencies



Never ending optimization effort

=

Organic Growth



Organic growth in line with the track record

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



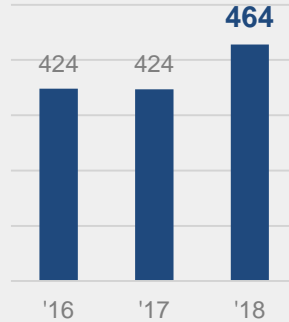
2018 results by business in a snapshot



■ Liberalized ■ Regulated

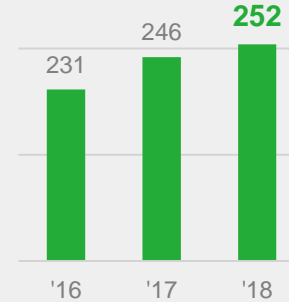
Business mix

52%
regulated



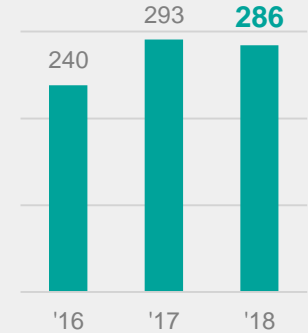
Networks (M€)

+9.6%
'18/'17



Waste (M€)

+2.4%
'18/'17

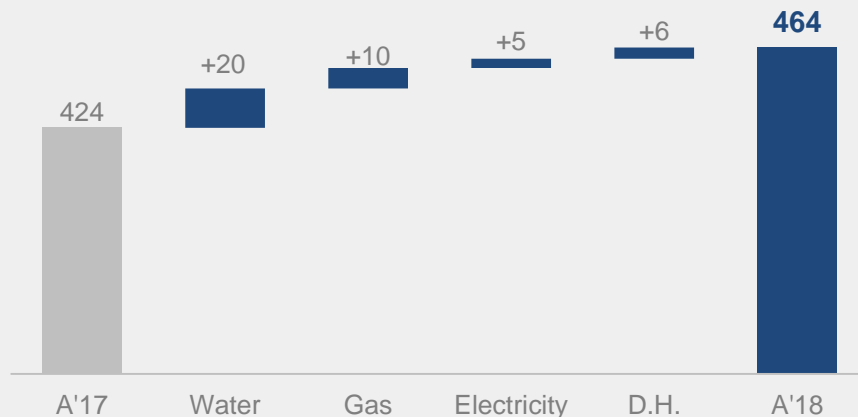


Energy (M€)

(2.3%)
'18/'17

Safe and balanced business mix continues to work just fine

Networks



Ebitda growth
(M€)

+40 M€ +9.5%

RAB

- Solid and diversified among three businesses

3.1bn

Gas tenders

- Tender in Udine Atem in progress

Started

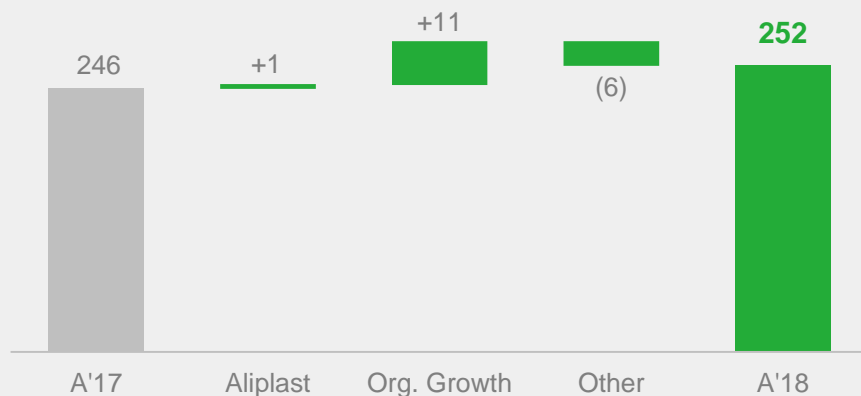
Extra returns

- Quality premiums in water
- Security premiums in gas
- Network resiliency premium in elect.

**Beaten
stds**

Efficient networks support good service

Waste



Ebitda growth
(M€)

+6 M€ +2.4%

Prices

- Slight increase in all businesses

+10%

Recycling

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

62.5%

+3%

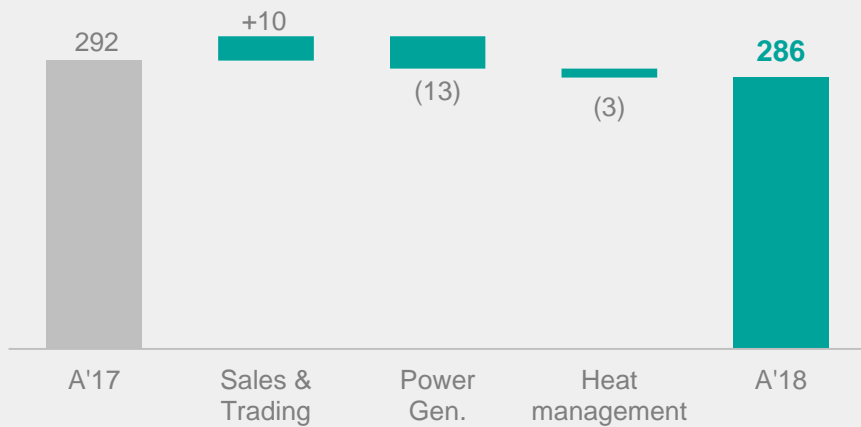
New plants

- Bio-methane plant will contribute to Ebitda in 2019

+7m€

Better results from our infrastructures

Energy



Ebitda growth
(M€)

(7 M€) (2.3%)

Customer base

- 2,524k clients (+146k '18/'17)

+6.2%

Retail unpaid ratio

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

<1%

Cost to serve

- A key competitive advantage is to keep low cost base: Hera's is among 1st quartile

**1st
Quartile**

Default & FUI

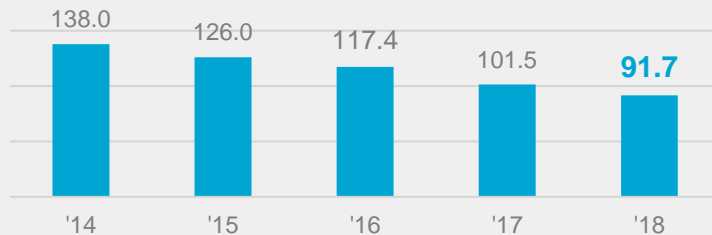
- Larger business scope from 1st October for next 12 months

**75k
clients**

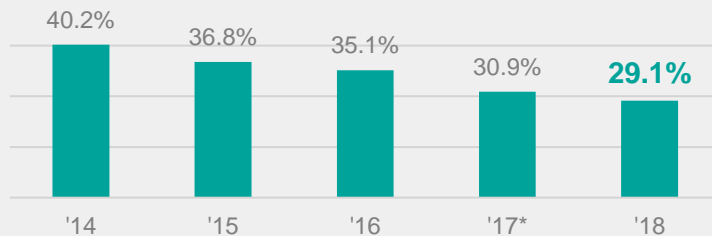
Expanding market share, defending margins

Below Ebitda

Fin. expenses (M€)

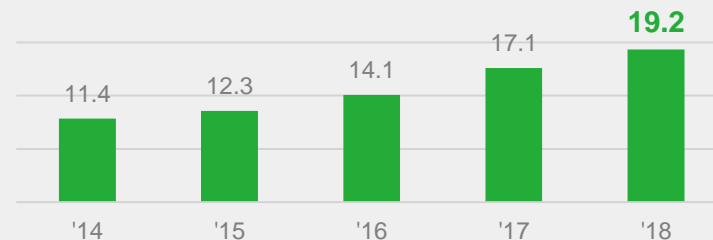


Tax rate (%)

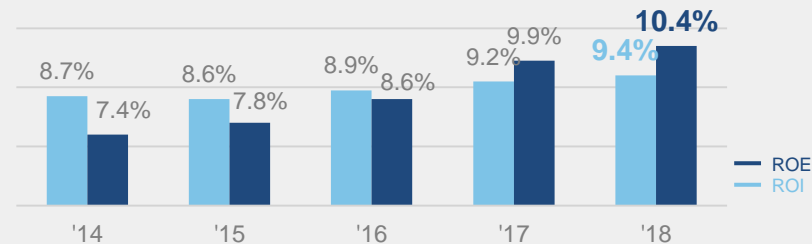


*Adjusted

EPS (c€)

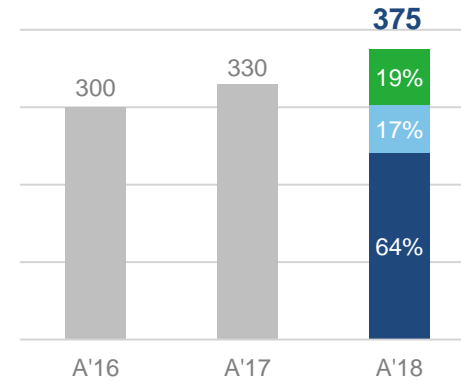
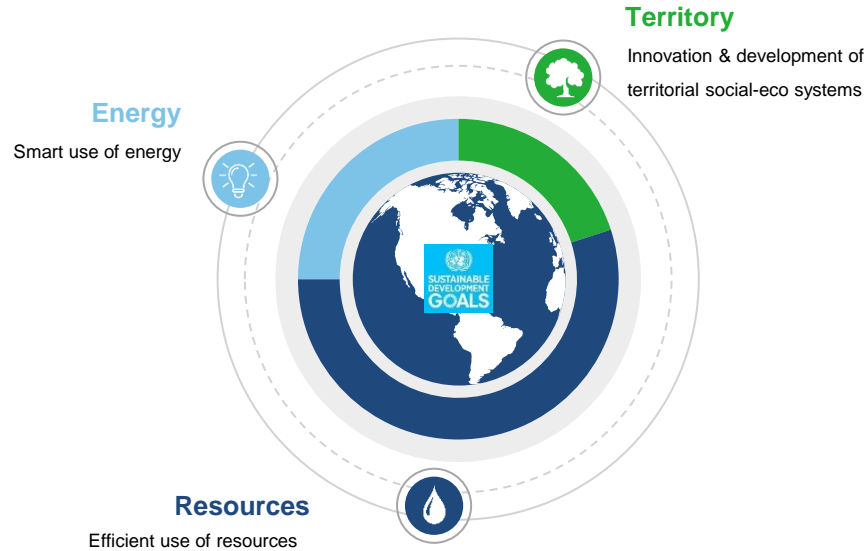


ROI & ROE (%)



Progressively enhanced profitability & returns

Creating Shared Value



CSV track record (M€)

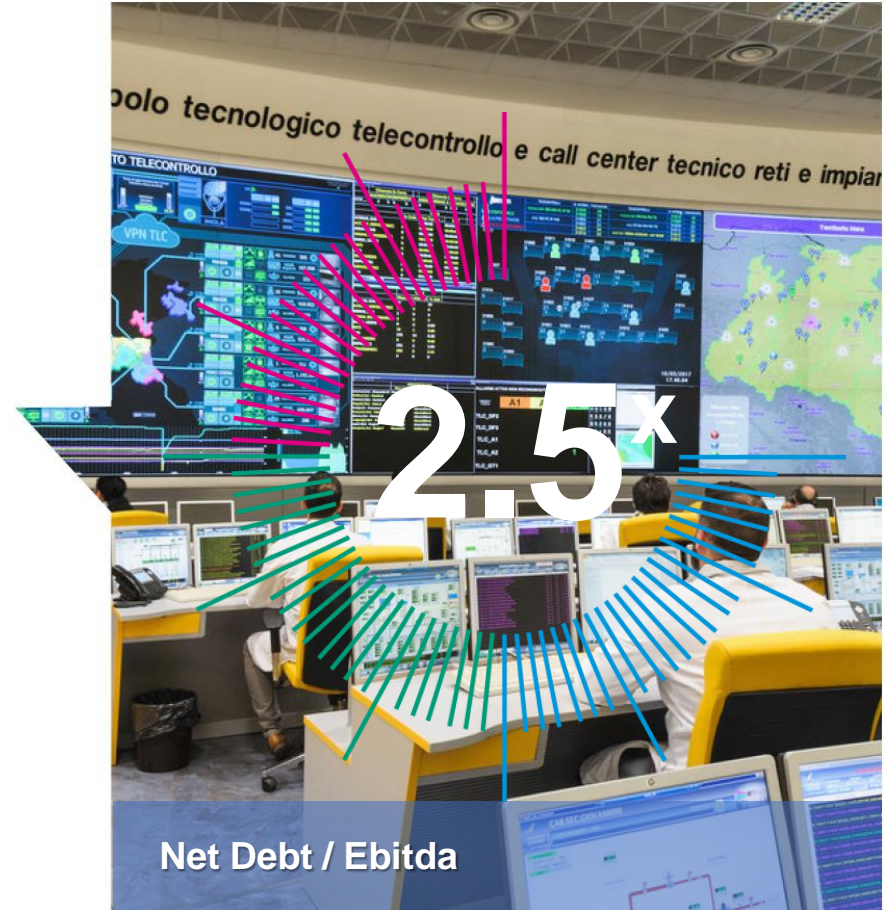
+14% '18/'17

36% of Ebitda

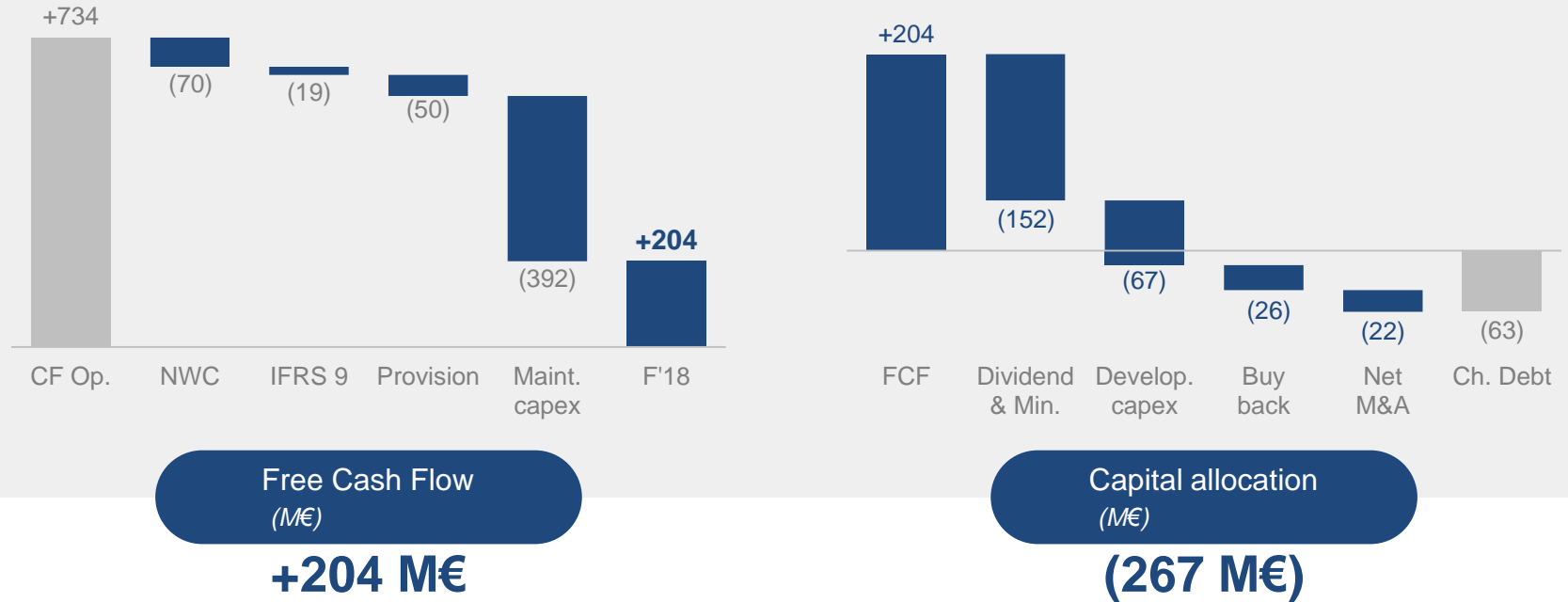
100% of 2018 Ebitda growth is “Shared Value”

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.

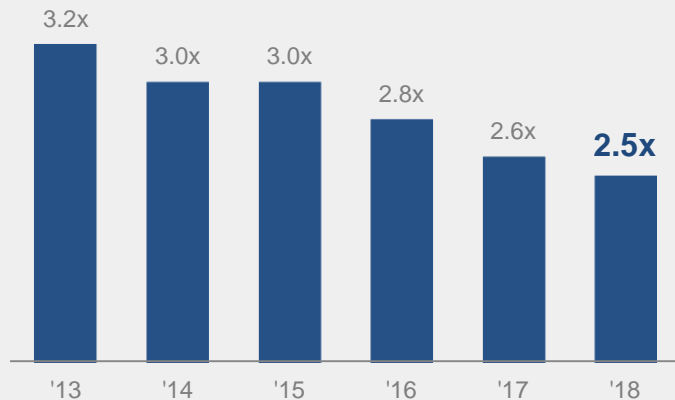


Cash flows



Balancing remuneration and development

Financial profile



Debt/Ebitda
(x)

Very safe

FFO/Net Debt

27%

Duration

~7Y

Fixed interest rates

Portion of debt at fixed rates

85%

Credit lines committed

300m€

Refinancing needs end '19

395 m€ of 10y bond is due in Dec. '19

350 m€ Bank loans signed at a rate:

<1%

Further fire power to sustain growth

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.



10c€

il Rifiutologo

HERA

Proposed dividend

Closing remarks



1

Economic performances and increase in return of invested capital

2

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

3

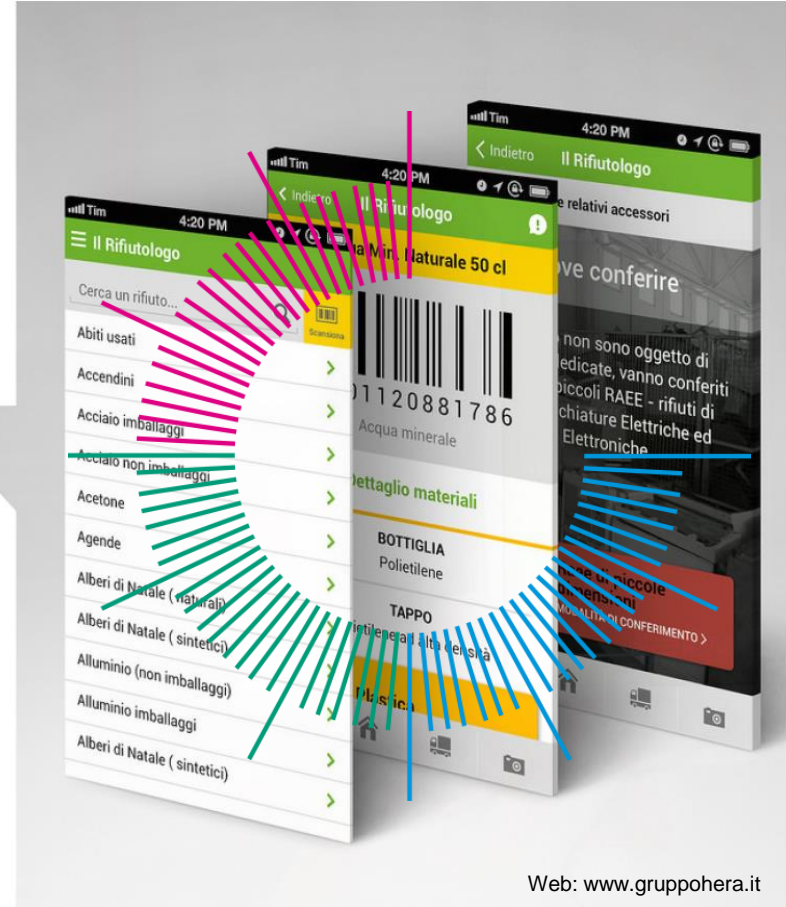
Low leverage to go for potential M&A

4

Positive 2019 expected

Q&A and Appendix

Further details on 2018 annual results are available in this section.



Annex: P&L

Profit & Loss

(M€)

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

* 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

(m€)	Y 2017	Y 2018	Ch.
Revenues	1,083.8	1,123.7	+39.8
Ebitda	246.0	252.0	+6.0

Waste: KPIs

Data	Y 2017	Y 2018	Ch.
Urban W. Volumes (Kton)	2,311	2,348.0	+37.5
Special W. Volumes (Kton)	2,257	2,142.8	(113.7)
Waste from third parties	4,567	4,490.8	(76.2)
Internal W. Volumes (Kton)	2,235	2,802.2	+567.6
Total Volumes Treated	6,802	7,293.0	+491.4

Water: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	859.9	878.6	+18.7
Ebitda	229.9	249.7	+19.8

Water: KPIs

Data	Y 2017	Y 2018	Ch.
Aqueduct (mm3)	302.8	291.1	(11.7)
Sewerage (mm3)	251.5	246.0	(5.5)
Purification (mm3)	249.5	244.0	(5.4)

Annex: Gas and Electricity

Gas: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	1,980.3	2,371.0	+390.8
Ebitda	301.7	316.5	+14.8

Gas: KPIs

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

Electricity: Profit & Loss

(m€)	Y 2017	Y 2018	Ch.
Revenues	2,380.2	2,462.1	+81.9
Ebitda	184.5	183.5	(0.9)

Electricity: KPIs

Data	Y 2017	Y 2018	Ch.
Volumes sold (GWh)	10,517.3	11,854.1	+1,336.8
<i>of which Salvaguardia (GWh)</i>	<i>2,415.3</i>	<i>2,398.3</i>	<i>(17.0)</i>
Volumes distrib. (GWh)	3,046.0	3,078.7	+32.8
Clients ('000 unit)	981.6	1,068.7	+87.1

For further info please get in touch with the IR team

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