Y 2019 FINANCIAL RESULTS

“2019: a record year”
Coronavirus issue

Properly guaranteeing all stakeholders

Start 21st February

Virus-free zone in our territories

Crisis management

Up to date quite effective

«GO» emergency plan
timely
effective

100% active

Today business operations

Services are all guaranteed

GRUPPOHERA
2019 main highlights of the diversified set of growth levers at work

Outperforming execution grasping all growth opportunities

Q1 Bolt-on acquisitions
- CMV acquisition and ATR integration
- Minority buy-out (0.5%) of Marche Multiservizi
- Bio-Methane plant Start-up
- Business plan to 2022
- Road show
- FTSE Mib inclusion

Q2 Focus M&A and SRI
- M&A: Ascopiave deal (MoU)
- M&A: Cosea acquisition
- Acantho Minority buy-out (3.28%)
- Cordenons landfill start
- Dividend payment (0.10c€)
- Integrated Governance Index award

Q3 M&A and Organic Growth
- Waste Recycling integration in Hasi
- 2° Green Bond issued
- Pistoia Ambiente acquisition
- Worldwide multiutility leader in diversity and inclusion (TR)

Q4 Ascopiave deal
- Ascopiave deal guaranteed +700K energy clients and positive one off results in ‘19
2019 results in a snapshot

Ebitda (M€)

+5.2%
‘19/’18

Net Profit (M€)

+6.7%
‘19/’18

Net Debt/Ebitda (x)

(1.2%)
‘19/’18

Dividend (c€)

Confirmed plan expectations

Growth path exceeding expectations

*Not accounting for Ascopiave deal
2019 Ebitda growth in all core activities

Ebitda growth by drivers (M€)

Outperform

Increasing growth quarter by quarter

Well ahead of Business Plan

Growth by Quarters

+54 M€
Balance growth, same 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. ”

51% EBITDA From regulated activities
2019 results by business in a snapshot

Safe and balanced business-mix works just fine

Business mix

51%
regulated

Networks (M€)

+3.5%
‘19/’18

Waste (M€)

+4.8%
‘19/’18

Energy (M€)

+6.7%
‘19/’18

Other (M€)

+21.1%
‘19/’18
Networks

GRUPPO HERA

Ebitda growth (M€)

+16.3M€

+3.5%

Quality above Authorities standards

RAB
• Solid and diversified among three businesses: +2.9%

Premium
• Quality premium in Water business

3.2b€

+2m€
Waste

Surfing market shortage with enlarged capacity and circularity

Prices
- Increase in all type of special waste: above +15%

Recycling
- Sorted Urban waste collection up from 62.5% to: 64.6%
- Enhanced recycling and re-use activities (WTE, selection and bio-digestion and compost)

New Bio-methane plant & Pistoia
- Pistoia landfill acquired in July 2019 and Bio-methane plant started in March +10 m€

Ebitda growth
(M€)
+12.2 M€ +4.8%
Energy

Third player of Italian market with 3.3 million clients

Customer base
- Organic market expansion

Ascopiave deal
- Customer base added: above

Safeguarded clients
- Lower margins

Ebitda growth (M€)

+19.3m€
+6.7%

Ebitda growth (M€)
+64k
+700k

(65m€)

<table>
<thead>
<tr>
<th>A'18</th>
<th>Safeguarded clients</th>
<th>Sales &amp; Trading</th>
<th>Power Gen.</th>
<th>Heat management</th>
<th>A'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>286</td>
<td>(65)</td>
<td>+58</td>
<td>+23</td>
<td>+3</td>
<td>305</td>
</tr>
</tbody>
</table>

Customer base

Ascending deal

Safeguarded clients
Ascopiave deal impact on 2019 annual accounts

<table>
<thead>
<tr>
<th>Special Items</th>
<th>M€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap gain Gas Networks</td>
<td>+30.2</td>
</tr>
<tr>
<td>Revaluation EstEnergy stake</td>
<td>+81.4</td>
</tr>
<tr>
<td>Write off investments</td>
<td>(26.0)</td>
</tr>
<tr>
<td>Fiscal effects</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Total «one-off» effects</td>
<td>+84.9</td>
</tr>
</tbody>
</table>

Contributing to 2020 “growth” from 1st January
Below Ebitda

Fin. expenses (M€)

<table>
<thead>
<tr>
<th></th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>126.0</td>
<td>117.4</td>
<td>101.5</td>
<td>91.7</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Tax rate (%)

<table>
<thead>
<tr>
<th></th>
<th>'15</th>
<th>'16</th>
<th>'17*</th>
<th>'18</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.8%</td>
<td>35.1%</td>
<td>30.9%</td>
<td>29.1%</td>
<td>28.3%</td>
<td></td>
</tr>
</tbody>
</table>

EPS (c€)

<table>
<thead>
<tr>
<th></th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.3</td>
<td>14.1</td>
<td>17.1</td>
<td>19.2</td>
<td>20.4</td>
<td></td>
</tr>
</tbody>
</table>

ROI & ROE (%)

<table>
<thead>
<tr>
<th></th>
<th>'15</th>
<th>'16</th>
<th>'17</th>
<th>'18</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6%</td>
<td>7.8%</td>
<td>8.9%</td>
<td>8.6%</td>
<td>9.2%</td>
<td>9.9%</td>
</tr>
</tbody>
</table>

Progressively enhanced profitability & returns
Creating Shared Value

39% of 2019 Ebitda growth is “Shared Value”
Y 2019 FINANCIAL RESULTS

Better financial profile

“
A positive free cash generation covering dividends, capex and M&A, assured a further reduction of the financial leverage enhancing potential further expansion plans.
”

2.48x
NET DEBT / EBITDA
Cash flows

**Enhanced free cash generation funded further development**

**Free Cash Flow (M€)**

- +787
- (23)
- (44)
- (434)
- +287

**Cap. allocation & Ch. Debt (M€)**

- +287
- (98)
- (161)
- (51)

**Steady real debt**

- (583)
- (82)
- (689)

**FCF**

- 0

**FCF Op.**

- NWC
- Provision
- Maint. capex
- FCF '19

+40% ‘19/’18
Financial profile

Solid profile to face future challenge

- **FFO/Net Debt**: 29%
- **Duration**: ~6Y
- **Fixed interest rates**: 87%
- **Credit lines committed**: 600 m€
- **Refinancing needs end ’20**: 5%
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 highlighted growth once again
- Confirmed ROE and ROI close to 10%

Growing cash generation underpins deleverage
- DPS proposed at 10c€ as promised

Crisis management effective so far
- Low exposure to macros (GDP, Commodities)

2020 started benefitting from Ascopiave deal and results are in line with expectations
Further details on 2019 annual results are available in this section.
# Annex: P&L

## Profit & Loss (\(\text{M}\text{€}\))

<table>
<thead>
<tr>
<th></th>
<th>Y ’18</th>
<th>Y ’19</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td>6,626.4</td>
<td>7,443.6</td>
<td>+12.3%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>1,031.1</td>
<td>1,085.1</td>
<td>+5.2%</td>
</tr>
<tr>
<td>Ebitda margin</td>
<td>15.6%</td>
<td>14.6%</td>
<td></td>
</tr>
<tr>
<td>Depreciation and provisions</td>
<td>(521.0)</td>
<td>(542.6)</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>510.1</td>
<td>542.5</td>
<td>+6.4%</td>
</tr>
<tr>
<td>Financial costs</td>
<td>(87.1)</td>
<td>(91.6)</td>
<td></td>
</tr>
<tr>
<td>Figurative interests (IAS)</td>
<td>(19.5)</td>
<td>(21.8)</td>
<td></td>
</tr>
<tr>
<td>Income from Associates &amp; J.V.</td>
<td>14.9</td>
<td>13.4</td>
<td></td>
</tr>
<tr>
<td><strong>PRETAX PROFIT</strong></td>
<td>418.4</td>
<td>442.5</td>
<td>+5.7%</td>
</tr>
<tr>
<td>Tax</td>
<td>(121.8)</td>
<td>(125.4)</td>
<td></td>
</tr>
<tr>
<td>Tax rate</td>
<td>29.1%</td>
<td>28.3%</td>
<td></td>
</tr>
<tr>
<td>Special items*</td>
<td>0.0</td>
<td>84.9</td>
<td></td>
</tr>
<tr>
<td>Minorities</td>
<td>(14.7)</td>
<td>(16.3)</td>
<td></td>
</tr>
<tr>
<td><strong>NET PROFIT POST MINORITIES</strong></td>
<td>281.9</td>
<td>385.7</td>
<td>+36.8%</td>
</tr>
</tbody>
</table>

* See page 9 for Special items details
## Annex: Waste and Water

### Waste: Profit & Loss

<table>
<thead>
<tr>
<th>(m€)</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>1,123.7</td>
<td>1,190.5</td>
<td>+66.9</td>
</tr>
<tr>
<td>Ebitda</td>
<td>252.0</td>
<td>264.2</td>
<td>+12.2</td>
</tr>
</tbody>
</table>

### Waste: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban W. Volumes (Kton)</td>
<td>2,348</td>
<td>2,347.8</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Special W. Volumes (Kton)</td>
<td>2,143</td>
<td>2,211.1</td>
<td>+68.3</td>
</tr>
<tr>
<td><strong>Waste from third parties</strong></td>
<td><strong>4,491</strong></td>
<td><strong>4,558.9</strong></td>
<td><strong>+68.1</strong></td>
</tr>
<tr>
<td>Internal W. Volumes (Kton)</td>
<td>2,802</td>
<td>2,616.2</td>
<td>(186.0)</td>
</tr>
<tr>
<td><strong>Total Volumes Treated</strong></td>
<td><strong>7,293</strong></td>
<td><strong>7,175.1</strong></td>
<td><strong>(117.9)</strong></td>
</tr>
</tbody>
</table>

### Water: Profit & Loss

<table>
<thead>
<tr>
<th>(m€)</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>878.6</td>
<td>911.9</td>
<td>+33.3</td>
</tr>
<tr>
<td>Ebitda</td>
<td>249.7</td>
<td>265.3</td>
<td>+15.6</td>
</tr>
</tbody>
</table>

### Water: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aqueduct (mm3)</strong></td>
<td><strong>291.1</strong></td>
<td><strong>289.3</strong></td>
<td><strong>(1.8)</strong></td>
</tr>
<tr>
<td><strong>Sewerage (mm3)</strong></td>
<td>246.0</td>
<td>246.3</td>
<td>+0.4</td>
</tr>
<tr>
<td><strong>Purification (mm3)</strong></td>
<td>244.0</td>
<td>241.0</td>
<td>(3.0)</td>
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</tbody>
</table>
Annex: Gas and Electricity

### Gas: Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,371.0</td>
<td>2,971.9</td>
<td>+600.8</td>
</tr>
<tr>
<td>Ebitda</td>
<td>316.5</td>
<td>341.6</td>
<td>+25.1</td>
</tr>
</tbody>
</table>

### Gas: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes distrib. (mm3)</td>
<td>3,066.8</td>
<td>2,982.9</td>
<td>+400.8</td>
</tr>
<tr>
<td>Volumes sold (mm3)</td>
<td>6,168.2</td>
<td>9,850.7</td>
<td>+3,682.5</td>
</tr>
<tr>
<td>of which trading (mm3)</td>
<td>3,822.7</td>
<td>7,547.4</td>
<td>+3,724.8</td>
</tr>
<tr>
<td>District Heating (GWht)</td>
<td>507.5</td>
<td>487.8</td>
<td>(19.7)</td>
</tr>
<tr>
<td>Final retail volumes (mm3)</td>
<td>2,345.5</td>
<td>2,303.2</td>
<td>(42.3)</td>
</tr>
<tr>
<td>Clients ('000 unit)</td>
<td>1,455.9</td>
<td>2,049.5</td>
<td>+593.6</td>
</tr>
</tbody>
</table>

### Electricity: Profit & Loss

<table>
<thead>
<tr>
<th></th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>2,462.1</td>
<td>2,590.4</td>
<td>+128.3</td>
</tr>
<tr>
<td>Ebitda</td>
<td>183.5</td>
<td>178.5</td>
<td>(5.0)</td>
</tr>
</tbody>
</table>

### Electricity: KPIs

<table>
<thead>
<tr>
<th>Data</th>
<th>Y 2018</th>
<th>Y 2019</th>
<th>Ch.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes sold (GWh)</td>
<td>11,854.1</td>
<td>12,830.4</td>
<td>+976.2</td>
</tr>
<tr>
<td>of which Salvaguardia (GWh)</td>
<td>2,398.3</td>
<td>2,632.9</td>
<td>+234.6</td>
</tr>
<tr>
<td>Volumes distrib. (GWh)</td>
<td>3,078.7</td>
<td>3,051.7</td>
<td>(27.0)</td>
</tr>
<tr>
<td>Clients ('000 unit)</td>
<td>1,068.7</td>
<td>1,252.9</td>
<td>+184.2</td>
</tr>
</tbody>
</table>