



SPAFID CONNECT

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Oggetto : The Hera Group and Ascopiave: a large energy partnership in North-East Italy

Testo del comunicato

Vedi allegato.



PRESS RELEASE

Pieve di Soligo - Bologna, 17 June 2019

THE HERA GROUP AND ASCOPIAVE: A LARGE ENERGY PARTNERSHIP IN NORTH-EAST ITALY

The business partnership, through the joint venture EstEnergy, involves over 1 million customers, with the new entity's overall value coming to 864.5 million euro and its Ebitda amounting to 69 million euro. With this transaction, the Hera Group reaches over 3 million energy customers. Ascopiave grows in gas distribution by 188,000 delivery points, becoming North-East Italy's leading operator with 775,000 delivery points managed and an added Ebitda amounting to 15.9 million euro.

Today, the Boards of Directors of Hera S.p.a. and Ascopiave S.p.a. approved the signing of a binding Term Sheet intended to develop a major entity in areas of North-East Italy, which will be able to rely on over one million energy customers, while at the same time redefining their respective activities in gas distribution. The Term Sheet, which will be finalised by a framework agreement within 31 July 2019, defines the geographical areas involved, the economic terms of the agreement and related elements of governance. The agreement reached represents an important strategic transition in the evolution of the two Groups' activity portfolios and fully respects the strategic lines of development approved by the Boards of Directors of Hera S.p.a. and Ascopiave S.p.a., as communicated to investors.

More specifically, as regards the gas and electricity marketing area, the agreement calls for a single operator to be created, bringing together the respective sales operations in the Veneto, Friuli Venezia Giulia and Lombardy regions, acting through EstEnergy S.p.a., a company currently jointly controlled by Ascopiave S.p.a. and Hera Comm S.r.l., the Hera Group's sales company. EstEnergy S.p.a.'s activities in the geographical areas indicated will be considerably increased, coming to include the Ascopiave Group's sales activities carried out by the subsidiaries Ascotrade S.p.a., Ascopiave Energie S.p.a. and Blue Meta S.p.a. as well as the joint ventures Asm Set S.r.l. (49%) and Etra Energia S.r.l. (51%), in addition to the liquidating Sinergie Italiane S.r.l. (30.94%) and the company Energia Base Trieste S.r.l. (92,000 contracts managed) and Hera Comm's Veneto and Friuli customers (96,000 gas contracts and 68,000 electricity contracts). A major operator rooted in the North-East will thus emerge with a portfolio totalling over 795,000 gas contracts and 265,000 electricity contracts, based on 31 December 2018 data, which considering the joint venture pro rata component amounts to over 1 million contracts. This new entity, which will take shape through EstEnergy, when fully operational, will have a consolidated Ebitda coming to roughly 69 m€, based on 2018 data, not including the contribution coming from owned companies with minority shareholdings. 52% of EstEnergy's share capital will be held by the Hera Group, and 48% by Ascopiave. The parties involved have disclosed that the overall equity value of the new EstEnergy amounts to 864.5 m€ (with a corresponding enterprise value of 797 m€), based on 31 December 2018 data, and may be subject to standard adjustments following the closing date; of this amount, 601 m€ (543 m€ enterprise value) pertains to sales activities originating from Ascopiave and 263 m€ to activities originating from HeraComm.

In order to regulate the new EstEnergy's governance, a Shareholders Agreement will be signed that calls for a Board of Directors made up of 5 members – 3 appointed by Hera, who will also appoint the CEO, and 2 by Ascopiave, who will also appoint the Chairman and the Chairman of the Board of Auditors – and that furthermore includes standard clauses protecting a minority shareholder, a 7-year right of transfer that may be exercised annually, granted to Ascopiave and reaching its entire shareholding in Est Energy S.p.a. and a right of acquisition, granted to Hera Comm in the event that Ascopiave S.p.a. reaches a residual holding in Est Energy S.p.a. coming to less than or equal to 5% of the company's capital. In particular, the transfer option concerning the minority shareholding of EstEnergy may be exercised, wholly or in part, up to the seventh year from the closing date, at a price set at the higher amount between (i) the fair market value of the shareholding, calculated at the exercise date, and (ii) the value of the shareholding, revised by applying a 4% annual interest rate, net of the amount of dividends received and in any case not lower than the value of the shareholding itself.

Furthermore, Amgas Blu, a sales company operating in the province of Foggia with roughly 50,000 customers, entirely owned by Ascopiave, will also be involved in the overall reorganisation of the gas and



electricity customer marketing area. This company will be directly acquired by Hera Comm at a price coming to roughly 44 m€, including its financial position, once again with reference to 31 December 2018 data.

At the closing date, Ascopiave will acquire a shareholding coming to roughly 3.6% of Hera Comm for the price of 65 m€, gaining the right to appoint one member of the company's Board of Directors. For this shareholding as well, a mechanism is expected to grant Ascopiave the right to transfer its shareholding in Hera Comm, extending over the same period of 7 years.

As regards the reorganisation of gas distribution activities, instead, Ascopiave is expected to acquire, from the Hera Group, an area of concessions including 188,000 delivery points in the Veneto and Friuli Venezia Giulia regions, with an investment value amounting to 171 m€ and a proforma Ebitda coming to 15.9 m€, both defined by 31 December 2018 data. Through this transaction, the Ascopiave Group will serve roughly 775,000 users and manage over 12,000 km of network, thus becoming the largest operator in the Triveneto Region and consolidating its position in the national ranking.

With this transaction, Ascopiave will proceed with its strategic repositioning plan, establishing a marketing agreement with a major player and reinforcing its presence in the core business of gas distribution.

As regards the Hera Group, through these agreements with Ascopiave it will reach its target of 3 million energy customers (3.2, according to 31 December 2018 data) set in its business plan to 2022. This represents a further step along the path of growth in this area, that has seen the Group double its energy customer base over the last 10 years, by way of internal growth and M&As.

The transaction, in addition to setting a deadline for the final agreement at 31 July 2019, will be subject to the standard conditions foreseen for this type of transaction and all communications and approvals given by authorities and responsible institutions, as well as, solely concerning the shareholdings in question, the consent of other shareholders in the case of Ascopiave S.p.a.'s shareholdings in the joint ventures ASM Set S.r.l., Etra Energia S.r.l. and the liquidating Sinergie Italiane S.r.l.. The parties involved expect the transaction to be concluded within 31 December 2019.

Ascopiave is assisted in the transaction by the teams of Rothschild&Co., for the financial part, and by the Bonelli Erede studio, for the legal part, while Hera has called on Lazard and the Grimaldi studio.

The Ascopiave Group operates in the natural gas sector, mainly in the segments of distribution and sale to end users. Thanks to its broad customer base and the quantity of gas sold, Ascopiave is currently one of the main operators in the industry at a national level. The Group owns concessions and direct assignments for the management of distribution activities in over 228 Towns, supplying the service to a market segment of 1.5 million inhabitants, through a distribution network which spreads over 10,000 kilometres. The sale of natural gas is performed through different companies, some under joint control. Overall, in 2018, the companies of the Group sold over 1 billion cubic metres of gas to end users. Ascopiave has been listed under the Star segment of Borsa Italiana since 12th December 2006.

Hera Group is one of Italy's largest multi-utility providers working in environment (waste collection and treatment), energy (electricity and gas distribution and sale) and water (aqueduct, sewerage and purification) sectors. The Group employs over 9,000 people and works every day to meet the many and varied needs of over 4.4 million citizens. It serves over 350 local municipalities mainly in the Emilia-Romagna, Marche, Tuscany, Abruzzo, Veneto and Friuli-Venezia Giulia regions. Listed since 2003, on 18 March 2019 Hera shares have been included in the FTSE MIB of Borsa Italiana.

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