Consolidate quarterly report

as at
31 March 2020

GRUPPO
HERA

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Introduction

Mission

“Hera aims at being the best multi-utility in Italy for its customers, workforce and shareholders. It intends to achieve this by further developing an original corporate model capable of innovating and forging strong links with the areas served by respecting the local environment.”

For Hera, being the best is a way of creating pride and trust for:

our customers, who receive quality services that satisfy their expectations, thanks to Hera’s constant responsiveness;

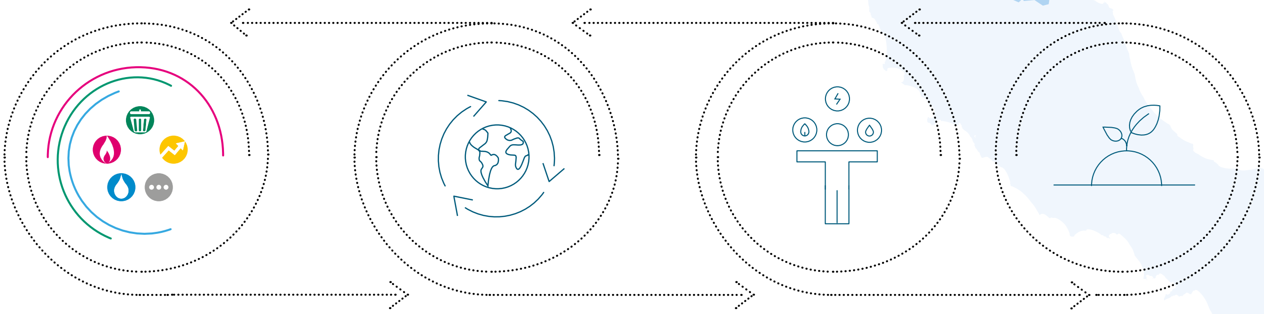
our employees, because the women and men who work for the company, with their skills, engagement and passion, are the foundation of its success;

our shareholders, confident that the economic value of the company will continue to be generated in full respect of the principles of social responsibility;

the local areas served, because economic, social and environmental wealth represents the promise of a sustainable future;

our suppliers, because they are key elements in the value chain and partners in growth.

Strategy



Hera pursues a **multi-business** growth strategy concentrated on three core business areas: **waste management**, **water services** and **energy**. This allows us to maintain a balanced portfolio that includes both regulated and free-market activities, and that lays the foundations for a path of steady growth.

The Group is distinguished by its search for excellent management models that embody the principles of a **circular economy**, making the most of emerging technological innovations.

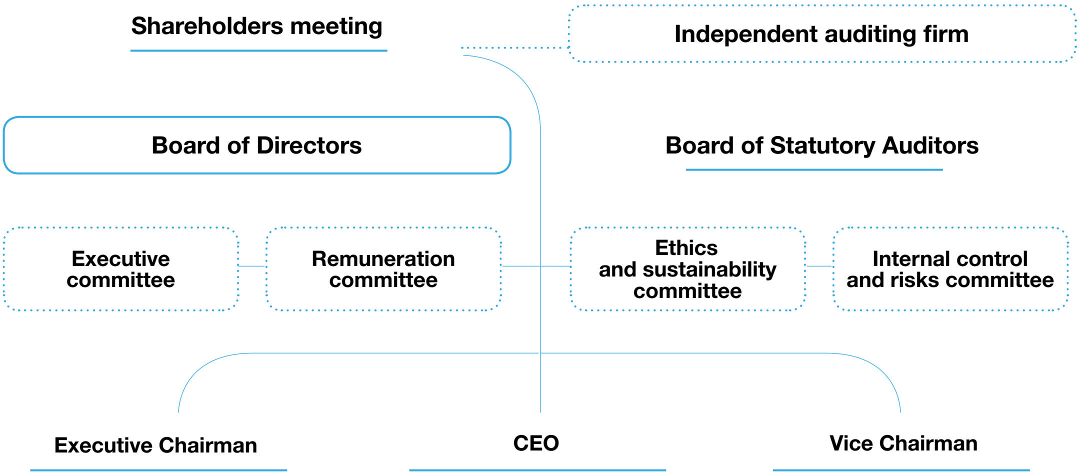
Effective long-term risk management is another characteristic of the Group’s strategy, as it is required to guarantee the **fundamental services** it provides to all, even in extreme or extraordinary circumstances.

Measuring the shared value generated for the local area provides tangible, quantifiable evidence that Hera has adopted a **sustainable growth** model.

Overall, the Group’s strategy combines business development with the needs of the ecosystem in which it operates, enhancing the reciprocal trust-based relationship it enjoys with its local areas.

Governance system

Hera's corporate governance is aimed at understanding and evaluating the stimuli from an increasingly complex context in order to continue growing and, at the same time, further consolidate the close links with the area served that have distinguished the Group since its establishment. Constant dialogue and specific knowledge of the actors involved have led us to develop an open and transparent way of doing business. This distinctive trait has been implemented over the years thanks to the creation of corporate bodies that are integrated with each other and, in line with the **Corporate governance code** and the **Code of ethics**, enable the expectations of all those interacting with Hera to be satisfied.



Shareholders meeting

Board of Directors

Member	Office
Tomaso Tommasi di Vignano	Executive Chairman
Stefano Venier	CEO
Gabriele Giacobazzi	Vice Chairman
Fabio Bacchilega	Member
Danilo Manfredi	Member
Alessandro Melcarne	Member
Lorenzo Minganti	Member
Monica Mondardini	Member
Erwin Paul Walter Rauhe	Member
Manuela Cecilia Rescazzi	Member
Paola Gina Maria Schwizer	Member
Federica Seganti	Member
Bruno Tani	Member
Alice Vatta	Member
Marina Vignola	Member

Board of Statutory Auditors

Chairman: Myriam Amato
Standing auditors:
Antonio Gaiani
Marianna Girolomini

Independent auditing firm

Deloitte & Touche Spa

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Directors' Report

1.01
Trends and contexts

Evaluations and forecasts in economic trends

The current international scenario is marked by the Covid-19 epidemic which, after first appearing in January 2020, rapidly proliferated throughout the world. The measures taken to contain the virus are causing a widespread shock impacting both supply (with businesses closed and the value chain interrupted) and demand (with a plunge in consumption and a drop in income), whose speed and intensity are historically unprecedented. Estimated global Gdp for 2020 has been revised downwards and a further decrease is expected. The International Monetary Fund has projected a -3% reduction in the world economy due to the Coronavirus, with improvement expected however for 2021 (+5.8%). China, the first country struck by the epidemic, will presumably maintain a positive growth rate in 2020 as well (+1.2%), while the reduction in the USA is estimated at -5.9% (+4.7% in 2021). In the eurozone, the fall in Gdp is expected to come to -7.5%, with recovery coming to 4.7% in 2021.

This downturn in prospects for growth led to a fall on stock markets. Financial markets saw a sharp drop in prices and a rise in volatility; the high degree of uncertainty furthermore caused inconsistent trends in the euro-dollar exchange rate. Prospects for world trade, which had already declined in January, worsened significantly. To contain the effects of the lockdown on the economy, central banks stepped in repeatedly, with extraordinary measures aimed at supporting demand, injecting liquidity into the economic system. The governing council of the Ecb introduced more expansive refinancing operations to sustain liquidity for businesses and an emergency purchase program for the pandemic, intended to counteract increases in yield spreads.

The measures taken to contain the epidemic caused a sharp fall in the demand for oil, with a negative impact on prices. This downward trend was further accentuated by a breakdown in Opec agreements, sparked by divergences between Russia and Saudi Arabia, which essentially eliminated supply constraints. Prices on the Brent gradually fell, reaching 20 dollars per barrel at the end of the quarter, the lowest price seen in the last 18 years (and the worst drop since 1991, coming to over -30%).

Trends in Italy

The main data available concerning Italian businesses had already shown contrasting signs in economic activity prior to the Covid-19 emergency. Only in the month of January, industrial production saw a cyclical rebound. Italy's trade with non-EU countries witnessed a rising trend in exports (in particular towards the United States, Switzerland and Japan) and a decrease in imports; a significant drop was instead seen in sales to China, due to the initial stages of the health emergency. Industrial production fell by roughly 6% on average over the first quarter of 2020, and in the same period Gdp showed a reduction of around five percentage points compared to December. All current scenarios concerning Italian Gdp foresee a highly negative trend in the first half-year, followed by recovery in the second half and a strong upturn in 2021. According to the International Monetary Fund, the most negative figures in the entire eurozone will concern Italy: estimates for growth in 2020 have gone from +0.5% to -9.1%, while growth in 2021 is expected to reach +4.8%.

On Italian financial markets, similarly to those of other European countries, stock prices fell significantly and the spread between government and German bonds widened considerably, showing a sharp increase in risk aversion and a deterioration in market liquidity.

In the first quarter, fluctuations in consumer prices resulted in a gradual slowdown. Based on preliminary Istat estimates, which take into account the impact on production of the health emergency due to the pandemic, the annual rate of increase in consumer prices dropped to 0.1%. Indicators show lower expectations for inflation among Italian businesses, a sign of fears that the health emergency will give way above all to a reduction in aggregate demand. The government has introduced significant expansionary measures that involve reinforcing social safety nets, suspending tax and social security payments, a moratorium on existing bank loans and public guarantees granted for loans to businesses.

Regarding the waste treatment business in the areas served by the Group, restrictions on movement and the closure of many commercial and industrial activities in the month of March led to a considerable drop in waste produced, which can currently be estimated at roughly 20% in urban waste and 40%, varying according to the geographic area in question, in special waste.

Energy sector: prices and demand

Energy prices reflected the period's economic weakness and unfavourable temperatures, which both contributed to reduced consumption. In the first quarter of 2020, prices on the day-ahead market (Mgp) fell by -33% compared to the same quarter in 2019. According to the data elaborated by the company responsible for the national transmission grid (Terna), electricity consumption in the quarter showed, as mentioned above, a sharp slowdown compared to the same period in the previous year (-4.5%) going from 80.6 TWh to 77 TWh, with a 10.2% drop in the month of March alone (compared to the same month in 2019). During the quarter, 86.1% of demand was met by national production, which fell compared to the same period in 2019 to 66.3 TWh, with 11.3 TWh coming from outside the country.

In the first quarter of 2020, net national generation from renewable sources came to 38.9% of total net generation, reaching a total volume of 25.8 TWh, in line with the 25.7 TWh generated in the first quarter of 2019. The amount of consumption covered by renewable sources settled at 33.5%, similar to the volumes recorded at 31 March 2019, with the exception of wind power, which saw a 1.2 TWh drop, offset by a comparable increase in hydroelectric generation. Lastly, a significant reduction was seen in thermoelectric generation, down -4.6 TWh.

The Dutch natural gas price index (Ttf), taken as a point of reference for prices on European spot markets, showed a 47% reduction in the first quarter of 2020 compared to the first quarter of 2019. The information made available by the manager of the national gas transmission network (Snam Rete Gas) for the same quarter also shows a -6.7% reduction in natural gas consumption compared to the first quarter of the previous year, going from 25.4 billion m^3 to 23.7 billion m^3. The most significant reduction in consumption came from civil demand, which settled at 13.5 billion m^3, with a -5% drop compared to the previous quarter, and electricity generation, whose volume came to 6 billion m^3, down 10%. The reduction in consumption for industrial purposes, lastly, came to roughly 8%. In terms of the amount injected into the network, over the quarter in question 67.1% of this demand was met by gas imports and 28.7% by stored volumes, while the remainder was covered by national production.

Regulated businesses: exceptional interventions

In the area of regulated businesses, significant regulatory interventions were not seen, with the exception of the precisely defined extraordinary measures aimed at managing the current emergency due to the Covid-19 pandemic. In particular, in order to finance exceptional initiatives intended to provide support for end customers in the electricity, gas and water sectors (resolution 60/2020/R/com), the Authority for energy, network and environmental regulations (Arera) introduced financing at the Energy and waste management services fund (Csea) corresponding to up to 1 billion euro. The initiatives adopted by Arera include blocking initial arrearage procedures and the suspension of supply for end customers already in arrears, from 10 March 2020 to 4 May 2020 (resolution 117/2020/R/com), and, when the arrears procedures are reintroduced, obliging energy sellers (regarding protected and standardised tariff programs) and integrated water service managers to offer customers interest-free deferred payment plans for the amounts invoiced (as regards bills to be paid for consumption pertaining to the period in question).

The regulator furthermore introduced measures aimed at mitigating, with particular reference to the electricity transmission and gas distribution sectors, the effects of the lower income received by energy sales companies due to blocking, as mentioned above, arrearage procedures and supply suspension due to arrears (resolution 116/2020/R/com). These measures basically allow energy sellers to limit the amounts to be paid to distributors, if income from end customers falls by a certain percentage (coming to at least 70% for invoices sent by electricity distributors and 80% for invoices sent by gas distributors). Arera furthermore allowed distributors to pay, in turn, the system charges corresponding to the amount actually received in this area from sellers (with the minimum amount coming to 80% of the sum invoiced) to Csea or Gme. The measures in question only apply to the month of April and guarantee financial coverage solely for system charges not paid by distributors.

1.02
Covid-19 emergency management

The Group is continuing to pursue a proactive management of the health emergency linked to the Coronavirus. In order to face this emergency, and to prevent and contain infections, the Extraordinary risk management committee created to deal with this crisis meets on a weekly basis to define operating plans to be applied based on developments in the situation, prepare measures supporting services and safety, ensure that information is constantly provided to the company's personnel, and implement measures to contain the economic impact. Continual efforts are made in communicating with reference figures and stakeholders in the areas served, through means including press releases published on the website and other digital tools.

The actions foreseen to protect Group employees, in line with the indications provided by health authorities, involve giving work leave to pregnant or breast-feeding women and immunodepressed people. In order to ensure service continuity, remote working is still activated for a very wide range of workers (over 3,000 employees) and all external consultants. Business trips have been reduced and internal or training events have not been planned over the short term. Measures including social distancing and sanitary masks remain in place for shared spaces such as cafeterias. Cleaning has been intensified at headquarters and other facilities. Operating services continue to be carried out respecting health safety norms for workers, enhanced for the epidemic; movement is still reduced (through means including the extension of the "vehicle at home" program for maintenance workers; this program now covers almost 1,000 workers) and the use of dressing rooms has been eliminated (or, in instances in which this is not possible, work shifts have been revised to reduce contact among operating teams). Activities in work sites have been reorganised to respect all health measures introduced by the government and various institutions. Note furthermore that Hera has stipulated a Covid-19 insurance policy for all employees infected by the virus, which provides guarantees and services and, in particular, includes indemnity for hospitalisation and recovery time. At 30 April 2020, 21 employees are infected, while 290 have returned to the workplace after leave. The overall number of employees involved is 343.

In order to prevent critical situations from arising in the supply chain, the essential categories for the Group's activities have been identified, as have monitoring indicators. Suppliers are still invited to follow the same worker protection measures adopted by the Group, and the requirements for gaining access to Hera facilities are still strict. To support small and medium enterprises with credits for supplies or services, and give these companies access to an additional source of financing, the Group continues to express its willingness to pay these credits, offering all support required to complete the related factoring procedures.

Customers have been invited to give priority to digital channels, in submitting their meter readings as well. Help desks in all areas served are still closed at present. Arera has introduced specific regulatory measures protecting electricity, gas and integrated water service users (for further details, see paragraph 1.01 "Trends and contexts"). The Group had in any case decided to take steps in advance, giving the possibility of paying by instalments to all customers dependent on unemployment insurance, those benefitting from income support measures and owners of businesses closed due to national or local rulings.

As regards the potential impact on its businesses, financial situation and operating performance, the Group believes that the projections included in the year-end financial statements, found in the corresponding paragraph of the statements at 31 December 2019, are still valid. Note, furthermore, that the Group monitors the impacts of the crisis on a weekly basis, following a number of indicators held to be relevant for its businesses, in order to update the models it uses in forecasting and take the most appropriate decisions.

1.03
Overview of operating and financial trends and definition of alternative performance measures

Operating APMs and investments

Operating APMs and investments (mn€)	March 20	March 19	Abs. change	% change
Revenues	**2,055.8**	**1,940.4**	**+115.4**	**+5.9%**
Ebitda	**349.2**	**330.8**	**+18.4**	**+5.6%**
Ebitda/revenues	17.0%	17.0%	+0.0 p.p.	
Ebit	**211.7**	**205.0**	**+6.7**	**+3.3%**
Ebit/revenues	10.3%	10.6%	-0.3 p.p.	
Net profit	**130.3**	**129.7**	**+0.6**	**+0.5%**
Net profit/revenues	6.3%	6.7%	-0.4 p.p.	
Net investments *	**91.5**	**92.7**	**-1.2**	**-1.3%**

* for the data used in calculating investments, see notes 14, 16, 17 and 18 of the explanatory notes and paragraph 1.03.03 of the Overview of Group management performance.

Financial APMs

Financial APMs (mn€)	March 20	dic-19	Var. Ass.	Var. %
Net non-current assets	6,876.5	6,846.3	+30.2	+0.4%
Net working capital	96.8	87.0	+9.8	+11.3%
Provisions	(650.0)	(649.1)	+0.9	+0.1%
Net invested capital	6,323.3	6,284.2	+39.1	+0.6%
Net debt	**(3,229.1)**	**(3,274.2)**	**-45.1**	**-1.4%**

The Hera Group uses alternative performance measures (APMs) to convey as effectively as possible information concerning trends in the profitability of the businesses in which it operates, as well as its equity and financial situation. In accordance with the guidelines published on 5 October 2015 by the European securities and markets authority (Esma/2015/1415) and in keeping with the provisions of Consob communication no. 92543 of 3 December 2015, the content of and the criteria used in defining the APMs used in this financial statement are explained below.

Alternative performance measures (APMs)

Ebitda is a measure of operating performance and is calculated as the sum of “Operating income” and “Depreciation, amortization and write-downs.” This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is a useful measure in evaluating the operating performance of the Group (as a whole, and within each business unit), also allowing for a comparison between operating profits of the reporting period with those of previous periods. In this way it is possible to analyze trends and compare the efficiencies achieved in different periods.

Ebit is a measure of operating performance and is calculated by subtracting operating costs from operating revenues. Among operating costs, amortisations and provisions are deducted from the special operating items which, if present, are described in the detailed table at the end of this paragraph. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is a useful measure in evaluating the operating performance of the Group (as a whole, and within each business unit), also allowing for a comparison between operating profits of the reporting period with those of previous periods. In this way it is possible to analyze trends and compare the efficiencies achieved in different periods.

Pre-tax results are calculated by subtracting the financial operations shown in the balance sheets from Ebit, as described above, net of special financial items which, if present, are described in the detailed table at the end of this paragraph.

Net results are calculated by subtracting from pre-tax results, as described above, the taxes shown in the balance sheets minus special fiscal items which, if present, are described in the detailed table at the end of this paragraph.

Results from special items (if present in the current report) are an APM aimed at drawing attention to the result of the special item entries which, if present, are described in the detailed table at the end of this paragraph. In the directors' report, this measure is placed between net results and net income for the period in question, thus allowing the performance of the Group's characteristic management to be read more clearly.

Ebitda on revenues, Ebit on revenues and net income on revenues are used as financial targets in internal documents (business plans) and external presentations (to analysts and investors), and measure the Group's operating performance through a proportion, expressed as a percentage, of Ebitda, Ebit and net income divided by the value of revenues.

Net investments are the sum of investments in tangible fixed assets, intangible assets and equity investments net of capital grants. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating spending capacity for the Group's investments in maintenance and development (as a whole and within each business unit), also allowing for a comparison with previous periods. This measure makes it possible to analyze trends.

Net fixed assets are calculated as the sum of: tangible fixed assets; intangible assets and goodwill; equity investments; deferred tax assets and liabilities. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's net assets as a whole, also allowing for a comparison with previous periods. In this way it is possible to analyze trends and compare the efficiencies achieved in different periods.

Net working capital is made up of the sum of: inventories; trade receivables and payables; current tax receivables and payables; other assets and other current liabilities; the current portion of assets and liabilities for financial derivatives on commodities. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's ability to generate cash flow through operating activities over a period of 12 months, in addition to comparisons with previous periods. In this way it is possible to analyze trends and compare the efficiencies achieved in different periods.

Financial APMs

Provisions includes the sum of the items "employee severance indemnities and other benefits" and "provisions for risks and charges". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is a useful measure in evaluating the Group's ability to deal with possible future liabilities, also allowing for a comparison with previous periods. This indicator makes it possible to analyse trends and compare the efficiencies achieved in different periods.

Net invested capital is defined by calculating the sum of "net fixed assets", "net working capital" and "provisions". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating all of the Group's current and non-current operating assets and liabilities, as specified above.

Net financial debt (at times referred to below as Net debt) is a measure of the company's financial structure determined in accordance with Consob communication 15519/2006, adding the value of non-current financial assets. This measure is therefore calculated by adding together the following items: current and non-current financial assets; cash and cash equivalents; current and non-current financial liabilities; current and non-current portions of assets and liabilities for derivative financial instruments on interest and exchange rates. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is a useful measure in evaluating the Group's financial debt, also allowing for a comparison with prior periods. In this way it is possible to analyze trends and compare the efficiencies achieved in different periods.

Adjusted net debt is a measure of the financial structure, calculated as net financial debt, minus the effect of the Ascopiave transaction, in particular net of the put option.

Sources of financing are obtained by adding "net financial debt" and "net equity". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents the breakdown of sources of financing, distinguishing between the company's own equity and that of third parties. It is a measure of the Group's financial autonomy and solidity.

Operating-financial APMs

The **Adjusted net debt to Ebitda ratio**, expressed as a multiple of Ebitda, is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents a measure of the operating management's ability to pay back its net financial debt.

Funds from operations (Ffo) are calculated beginning with Ebitda, subtracting provisions for doubtful accounts, financial charges, uses of provisions for risks (net of releases from provisions and increases due to changes in assumptions on future outlays following revised estimates on current landfills) and severance pay and taxes, net of the special items which, if present, are described in the detailed table at the end of this paragraph. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents an indicator of the operating management's ability to generate cash.

The Ffo/Adjusted net debt indicator, expressed as a percentage, is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents an indicator of the operating management's ability to pay back its adjusted net financial debt.

Adjusted Roi, or return on net invested capital, is defined as the ratio between Ebit, as described above, and net invested capital, minus the effect of the Ascopiave transaction, in particular net of the put option. Expressed as a percentage, this measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and is intended to indicate the ability to produce wealth through operating management, thus remunerating equity and capital pertaining to third parties.

Adjusted Roe, return on equity, is defined as the ratio between net profits and net equity, minus the effect of the Ascopiave transaction, in particular net of the put option. Expressed as a percentage, this measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and is intended to indicate the profitability obtained by investors, recompensing risk.

Cash flow is defined as operating cash flow, net of dividends paid. Operating cash flow is calculated as Ebit (as previously described and net of special items, if present), to which the following are added:
- amortisation, depreciation and provisions for the period, not including provisions for doubtful debts;
- changes in net working capital (*);
- provisions for the risk fund (net of releases from provisions) (**);
- use of severance pay reserves;
- the difference between changes in taxes paid in advance and deferred taxes;
- operating and financial investments;
- financial charges and financial income (***);
- divestitures;
- current taxes.

(*) stated net of the effects of the different accounting policy used for financial derivatives on commodities traded on the Eex platform, whose differential is regulated on a daily basis, minus any changes in NWC deriving from an enlarged entire scope of operations.
(**) minus releases from provisions and increases caused by modifications in estimated expenses in appraisals for operating landfills;
(***) minus the effects of updating deriving from the application of accounting standards Ias 37 and Ias 19 and the profits coming from associated companies and joint ventures, plus the dividends received from the latter, and gains/losses from transferred shareholding (excluding special items, if present).

This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and is intended to indicate the company's ability to generate cash flow and therefore its ability to finance itself.

1.03.01
Operating and financial results

Resilience and growth in results

The Hera Group closed the first quarter of 2020 with improvement in its main operating results compared to the same period in the previous year. Ebitda reached 349.2 million euro, with a 5.6% increase, Ebit came to 211.7 million euro, up 3.3% and, lastly, net profits settled at 130.3 million euro, up 0.5%. Net debt amounted to 3,229.1 million euro, dropping by 1.4% compared to 2019, thanks to the group's solid asset structure and positive trends in cash flows.

The Ascopiave partnership and the other external development operations, which will be discussed below, provided the foremost stimulus for the results achieved by the Hera Group in the first quarter of 2020. These transactions offset the effect of the mild temperatures seen in the first quarter of 2020 and the initial impact of the Covid-19 emergency. At the root of the results seen in March 2020, furthermore, lies the Group's resilient multi-business industrial strategy that balances regulated and free-market activities.

The main corporate and business transactions which had an effect on the 1Q 2020 results are as follows:

- On 23 April 2019, Hera Spa acquired 3.28% of the share capital of Acantho Spa from Aimag Spa, thus increasing its shareholding from 77.36% to 80.64%.
- On 9 May 2019, Hera Spa was definitively awarded the tender for acquiring 100% of shares of Cosea Ambiente Spa, a company managing municipal and similar waste services mainly within the province of Bologna. Cosea Ambiente Spa was consolidated as of June 2019, with operating and financial effects backdated to 1 January 2019. Furthermore, a Concession Act was stipulated between Cosea Consorzio Servizi Ambientali and Herambiente Spa which conceded the municipal, assimilated and special non-dangerous waste disposal plant located in Gaggio Montano to Herambiente Spa.
- Effective as of 1 July 2019 and with accounting effects backdated to 1 January 2019, the company Waste Recycling Spa was merged by incorporation into Herambiente Servizi Industriali Srl. This transaction was aimed at simplifying and generally improving operating efficiency, and led to the establishment of Italy's largest operator in industrial waste management.
- On 17 July 2019, Herambiente Spa acquired the entire shareholding of Pistoia Ambiente Srl, involved in managing the special waste landfill located in the Municipality of Serravalle Pistoiese. The company was consolidated with operating and financial effects as of 1 July 2019.
- Hera Comm Spa was awarded the tender, for the period from 1 October 2019 to 30 September 2020, four portions of the gas service (for customers in public services or without a supplier) and two portions of the default gas distribution service (for customers in arrears).
- On 19 December 2019, with the final closing of the corporate transaction between the Hera Group and the Ascopiave Group, the following operations were completed: shareholdings in the companies Ascotrade Spa, Ascopiave Energie Spa, Blue Meta Spa, Etra Energia Srl, ASM SET Srl and Hera Comm NordEst Srl were transferred to Estenergy Spa, a company controlled by Hera Comm Spa; the shareholding in the company Amgas Blu Srl was transferred to Hera Comm Spa; shareholding in the company AP Reti Gas Nord Est Srl was transferred to Ascopiave Spa. Furthermore, AcegasApsAmga Spa's Gas Distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone Atems was transferred to AP Reti Gas Nord Est Srl, effective as of 31 December 2019. For further information, see paragraph 1.03.01.
- On 31 January 2020, Hera Spa communicated the purchase of 2.5% of Ascopiave Spa from the Amber fund, through the use of treasury shares coming from buy backs. This shareholding currently amounts to 2.9%.
- On 30 March 2020, AcegasApsAmga Servizi Energetici Spa purchased 9.72% of Hera Servizi Energia Srl from a third-party shareholder. The shareholding in the latter went from 57.89% to 67.61%.

The acquisitions of Cosea Ambiente Spa, Pistoia Ambiente Srl and the Gaggio Montano plant in the waste management area, as well as the companies involved in the Ascopiave transaction and the loss of the gas distribution branch are considered hereafter as changes in the scope of operations.

The following table shows operating results at 31 March 2020 and 2019

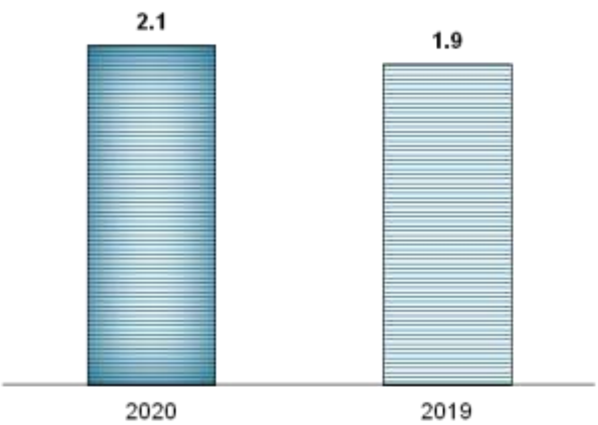
Results confirmed

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	2,055.8		1,940.4		+115.4	+5.9%
Other operating revenues	109.0	5.3%	121.0	6.2%	-12.0	-9.9%
Raw and other materials	(1,035.4)	-50.4%	(1,024.6)	-52.8%	+10.8	+1.1%
Service costs	(627.2)	-30.5%	(556.7)	-28.7%	+70.5	+12.7%
Other operating costs	(12.5)	-0.6%	(13.1)	-0.7%	-0.6	-4.6%
Personnel costs	(147.3)	-7.2%	(142.9)	-7.4%	+4.4	+3.1%
Capitalised costs	6.8	0.3%	6.7	0.3%	+0.1	+1.5%
Ebitda	**349.2**	**17.0%**	**330.8**	**17.0%**	**+18.4**	**+5.6%**
Amortisation, depreciation and provisions	(137.5)	-6.7%	(125.8)	-6.5%	+11.7	+9.3%
Ebit	**211.7**	**10.3%**	**205.0**	**10.6%**	**+6.7**	**+3.3%**
Financial operations	(28.7)	-1.4%	(21.1)	-1.1%	+7.6	+36.1%
Pre-tax result	**183.0**	**8.9%**	**183.9**	**9.5%**	**-0.9**	**-0.5%**
Taxes	(52.7)	-2.6%	(54.3)	-2.8%	-1.6	-2.9%
Net profit for the period	**130.3**	**6.3%**	**129.7**	**6.7%**	**+0.6**	**+0.5%**
Attributable to:						
Parent company shareholders	**124.4**	**6.0%**	**124.2**	**6.4%**	**+0.2**	**+0.2%**
Non-controlling interests	5.9	0.3%	5.5	0.3%	+0.4	+7.3%

Revenues increase thanks to changes in scope of operations

Revenues came to 2,055.8 million euro, with a 115.4 million euro increase (5.9%) over the 1,940.4 million euro seen in the same period in 2019. This growth in revenues was mainly due to the changes in the scope of operations, with a total of 220 million euro. Revenues for activities in trading, and generation and sales of electricity and gas, fell by roughly 102 million euro, due to the lower price of commodities and the lower volumes sold. Revenues in heat management and district heating services were also down, by roughly 8 million euro. Growth coming to 9.2 million euro was seen in revenues for the waste management sector and for work in public lighting activities, owing to a different classification, from other operating revenues to revenues. Lastly, a drop coming to roughly 3.0 million euro was seen in revenues for commissions in the water sector.
For further details, see the analyses of each single business area.

Revenues (bn€)



2.1
billion euro revenues (+5.9%)

Other operating revenues decreased compared to the same period of the previous year by 12.0 million euro or 9.9%. This trend is mainly due to the different classification of public lighting works, as mentioned above, amounting to 9.2 million euro, lower Ifric 12 revenues coming to roughly 2.0 million euro due to activities leaving the scope of operations, and the loss of the Cec contribution for two Group plants, coming to roughly 1 million euro. Lastly, note the higher revenues from sorted waste amounting to roughly 0.6 million euro.

Rise in costs of raw materials linked to trends in revenues

Costs for raw and other materials rose by 10.8 million euro compared to 31 March 2019, up 1.1%. This increase is due to changes in the scope of operations, coming to roughly 120 million euro, offset by lower costs for the price of raw materials and lower volumes of electricity and gas sold.

Other operating costs rose by 69.9 million euro overall (higher costs for services coming to 70.5 million euro and lower operating expenses coming to 0.6 million euro). Not including the changes in the scope of operations, totalling roughly 69 million euro, note the higher costs for expenses in the Ict area, coming to roughly 4 million euro for digitalisation and innovation processes carried out by the Hera Group. The higher costs indicated above were only partially offset by lower costs for subcontracted works in the water sector coming to roughly 3.0 million euro.

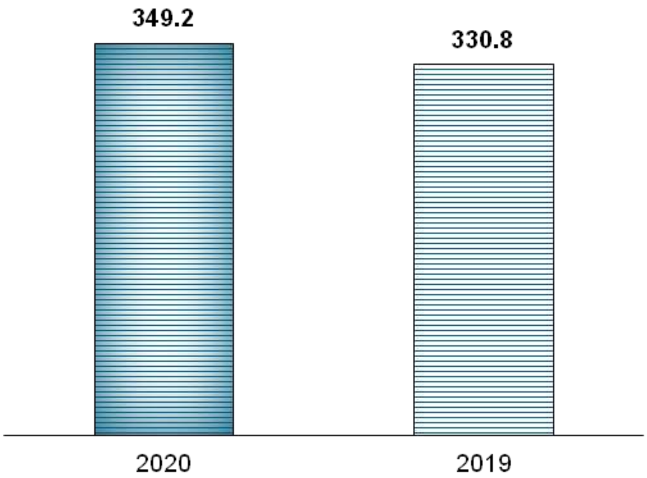
+3.1% increase in the cost of personnel

The cost of personnel rose by 4.4 million euro or 3.1%. This increase is linked to the changes in the scope of operations, coming to 3.8 million euro, while the remainder results from the increases in remuneration foreseen by the National labour contract, contained by a lower average presence.

Capitalised costs at 31 March 2020 amounted to 6.8 million euro, in line with the same period in the previous year.

Ebitda settled at 349.2 million euro, up 18.4 million euro or 5.6% over the first quarter of 2019. This increase in Ebitda is due to the performances of the energy and waste management areas. The energy areas as a whole grew by 17.2 million euro, mainly due to the entry of the EstEnergy Group's companies. The waste management area grew by 2.9 million euro and, lastly, the water cycle area showed a slight 1.7 million euro drop.
For further details, see the analyses of each single business area.

Ebitda (mn€)



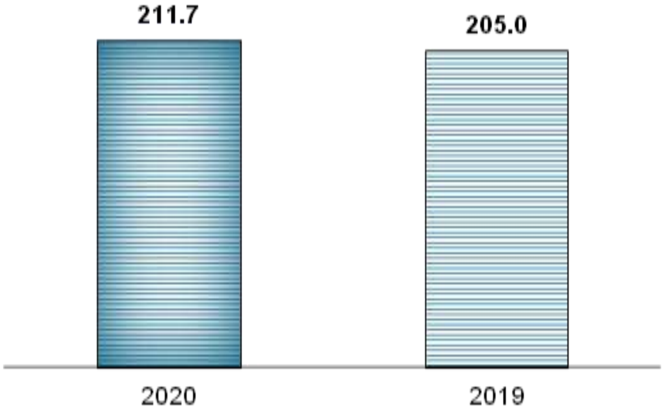
349.2
million euro Ebitda (+5.6%)

Higher amortisation for changes in the scope of operations

Amortisation, depreciation and provisions rose by 11.7 million euro, going from 125.8 million euro in the first quarter of the previous year to 137.5 million euro. The higher amortisation seen was mainly due to changes in the scope of operations and greater use of landfills, partially offset by a revision made during the previous year in the appraisal of the technical-economic useful lives of assets in the integrated water cycle, carried out in a collaboration with a company operating in the asset valuation sector; following this revision, amortisation rates for the integrated water cycle are essentially in line with the ones set by Arera for the 2020 – 2023 tariff period. Allocations for risks fell, mainly in the Herambiente Group, while an increase was seen in the doubtful debt provision.

Ebit for the first quarter of 2020 came to 211.7 million euro, up 6.7 million euro or 3.3% compared to the 205.0 million euro seen in the same period of 2019.

Ebit (mn€)



211.7
million euro Ebit (+3.3%)

Financial operations increase due to changes in the scope of operations

The result of financial operations came to 28.7 million euro at 31 March 2020, up 7.6 million euro or 36.1% compared to 31 March 2019. This increase is mainly due to the higher imputed costs linked to the Put option on the amount held by Ascopiave Spa, coming to 5.4 million euro. Other factors included lower profits from joint ventures coming to 2.7 million euro, mainly due to the consolidation of EstEnergy Spa, which contributed with 2.4 million euro in 2019.

Pre-tax results fell by 0.9 million euro or 0.5%, going from 183.9 million euro at 31 March 2019 to 183.0 million euro in the first three months of 2020.

Tax rate falls

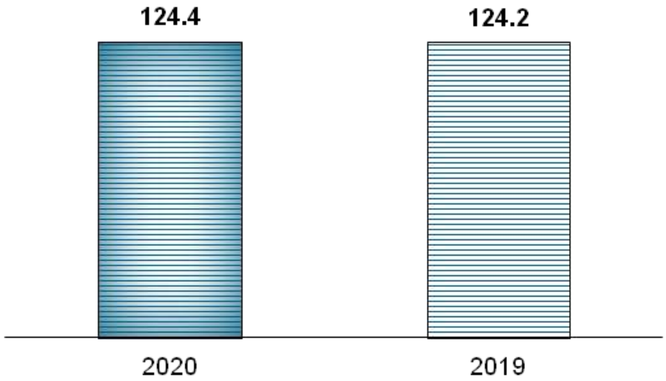
Taxes pertaining to the first quarter of the year went from 54.2 million euro in 2019 to 52.7 in 2020. The tax rate came to 28.8% and thus showed significant improvement compared to the 29.5% seen in the first quarter of the previous year. This result is mainly due to the benefits grasped in terms of large and extremely large amortisations concerning the investments made, as in previous years, in moving towards the technological, digital and environmental transformation pursued by the Group.

+0.5% Net profit

Net profit therefore rose by 0.5% or 0.6 million euro, going from 129.7 million euro in the first quarter of 2019 to 130.3 million euro in the same period in 2020.

Profits pertaining to the Group amounted to 124.4 million euro, with slight growth over the figure seen at 31 March 2019.

Net profit post minorities (mn€)



124.4
million euro net profit post minorities

1.03.02

Analysis of the Group's financial structure and investments

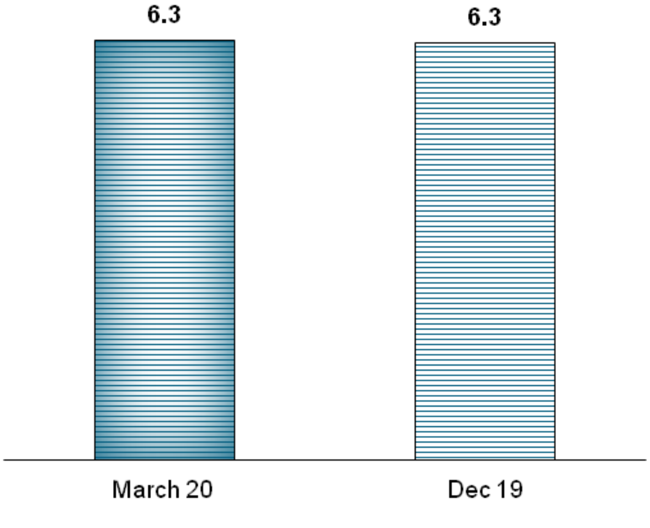
What follows in an analysis of trends in the Group's net invested capital and sources of financing at 31 March 2020.

Group solidity increases

Invested capital and sources of financing (mn€)	March 20	% inc.	Dec 19	% inc.	Abs. change	% change
Net non-current assets	6,876.5	108.7%	6,846.3	108.9%	+30.2	+0.4%
Net working capital	96.8	1.5%	87.0	1.4%	+9.8	+11.3%
(Provisions)	(650.0)	-10.3%	(649.1)	-10.3%	-0.9	-0.1%
Net invested capital	**6,323.3**	**100.0%**	**6,284.2**	**100.0%**	**+39.1**	**+0.6%**
Equity	(3,094.2)	48.9%	(3,010.0)	47.9%	-84.2	-2.8%
Long-term borrowings	(3,379.7)	53.4%	(3,383.4)	53.8%	+3.7	+0.1%
Net current financial debt	150.6	-2.4%	109.2	-1.7%	+41.4	+37.9%
Net debt	(3,229.1)	51.1%	(3,274.2)	52.1%	+45.1	+1.4%
Total sources of financing	**(6,323.3)**	**-100.0%**	**(6,284.2)**	**100.0%**	**-39.1**	**-0.6%**

At 31 March 2020, net invested capital (Nic) came to 6,323.3 million euro, with a 0.6% rise over the 6,284.2 million euro seen at 31 December 2019.
The increase in net non-current assets is mainly due to the acquisition of 2.5% of the shares of Ascopiave Spa in late January 2020, which reinforced the partnership launched in December 2019.

Net invested capital (bn€)

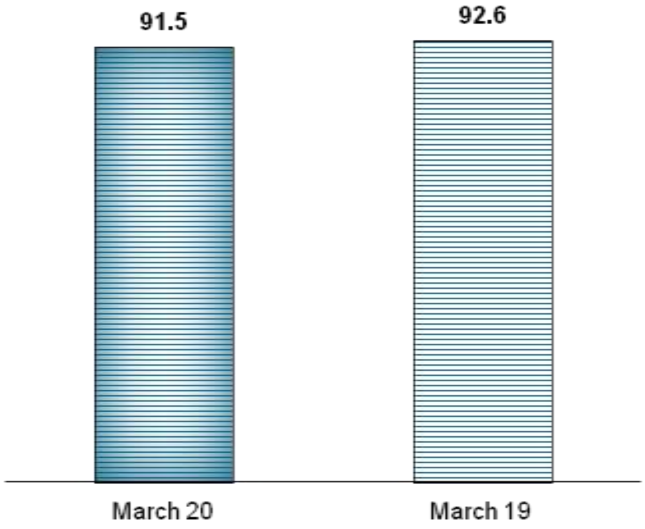


6.3
billion euro
net invested capital

In the first quarter of 2020, Group investments amounted to 118.6 million euro, including 27.2 million euro related to the acquisition of financial holdings in Ascopiave Spa.
Capital grants amounted to 3.6 million euro, of which 2.7 million consisting in FoNI investments as per the tariff method for the integrated water service, in line with the previous year. Net operating investments came to 91.5 million euro, falling by 1.1 million euro compared to the previous year.

Net investments amount to 118.6 million euro

Total net operating investments (mn€)



91.5
million euro net operating investments (-1.1 million euro)

The following table shows a breakdown by business area, with separate mention of capital grants

Total investments (mn€)	March 20	March 19	Abs. change	% change
Gas area	24.7	23.8	+0.9	+3.8%
Electricity area	10.5	8.9	+1.6	+18.0%
Integrated water cycle area	35.4	35.3	+0.1	+0.3%
Waste management area	9.8	13.2	-3.4	-25.8%
Other services area	1.7	2.5	-0.8	-32.0%
Headquarters	13.1	12.4	+0.7	+5.6%
Total gross operating investments	**95.1**	**96.2**	**-1.1**	**-1.1%**
Capital grants	3.6	3.6	+0.0	+0.0%
of which FoNI (New Investments Fund)	2.7	2.9	*-0.2*	-6.9%
Total net operating investments	**91.5**	**92.6**	**-1.1**	**-1.2%**
Financial investments	27.2	0.1	+27.1	+100.0%
Total net investments	**118.6**	**92.7**	**+25.9**	**+27.9%**

Strong efforts continue to be made in operating investments in plants and infrastructures

Excluding capital grants, the Group's operating investments came to 95.1 million euro, down 1.1 million euro compared to the previous year and mainly involved interventions on plants, networks and infrastructures. Additionally, regulatory upgrading involved above all gas distribution, with a large-scale metre substitution, and the purification and sewerage areas.
Remarks on investments in each single area are included in the analysis by business area.
At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures.
Overall, investments in structures increased by 0.7 million euro compared to the previous year, mainly involving Group IT systems, while real estate investments dropped due to the completion, during the previous year, of a few significant interventions on corporate offices.
in the first three months of 2020, provisions amounted to 650.0 million euro, in line with the figure seen at the end of the previous year. This result is mainly a consequence of an increase in post-mortem landfill provision adjustments and reinstatements of third party goods, due to the application of accounting standard Ias 37, which offset expenses for usage.

650.0 million euro provisions

Equity rose from 3,010.0 million euro in 2019 to 3,094.2 million euro in March 2020, owing to the positive results for the period, coming to 130.3 million euro.

3.1 billion euro equity

1.03.03

Analysis of net cash (net borrowings)

A solid financial position

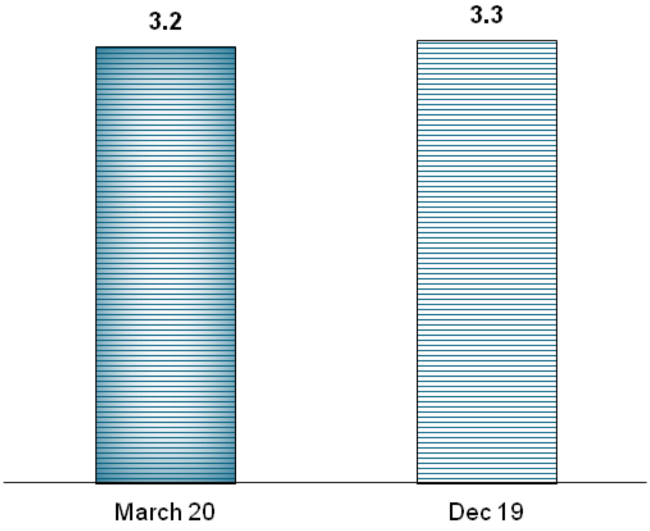
An analysis of net financial debt is shown in the following table

mn€		March 2020	Dec 2019
a	**Cash and cash equivalents**	**502.6**	**364.0**
b	**Other current financial receivables**	**72.7**	**70.1**
	Current bank debt	(157.5)	(111.5)
	Current part of bank borrow ings	(54.8)	(63.1)
	Altri debiti finanziari correnti	(189.5)	(130.9)
	Other current financial liabilities	(22.9)	(19.4)
c	**Current financial debt**	**(424.7)**	**(324.9)**
d=a+b+c	**Net current financial debt**	**150.6**	**109.2**
	Non-current bank debt and bonds issued	(2,821.4)	(2,815.1)
	Other non-current financial liabilities (ex cluding put option)	(20.1)	(20.2)
	Non-current lease pay ments	(69.3)	(76.1)
e	**Non-current financial debt**	**(2,910.8)**	**(2,911.4)**
f=d+e	**Net financial position**	**(2,760.2)**	**(2,802.2)**
g	**Non-current financial receivables**	**143.2**	**135.3**
h=f+g	**Net financial debt (excluding put option)**	**(2,617.0)**	**(2,666.9)**
	Nominal amount - fair v alue put option	(454.1)	(450.6)
	Net financial debt with adjusted put option (put option adj Net debt)	**(3,071.1)**	**(3,117.5)**
	Amount of future div idends - fair v alue put option	(158.0)	(156.7)
	Adjusted Net debt	**(3,229.1)**	**(3,274.2)**

The overall amount of net financial debt, coming to 3,229.1 million euro, dropped by roughly 45 million euro compared to December 2019. The Group's financial structure at 31 March 2020 shows current debt totalling 424.7 million euro, of which 54.8 million euro in bank loans reaching maturity within the year, 189.5 million euro in debts towards other lenders, and 157.5 million euro in current bank debt. The latter consists of accruals for passive interest on financing coming to 30 million euro and usage of current credit lines coming to roughly 127.5 million euro. The amount of non-current bank debt and bonds issued was essentially the same as in the previous year. At 31 March 2020, medium- and long-term debt was largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (77% of the total), with repayment at maturity. The value of the put option linked to the 19 December 2019 Ascopiave transaction concerning the minority holding in EstEnergy Spa showed a 3.5 million euro increase in the nominal amount and a 1.3 million euro increase in the amount for future dividends. No changes were seen in the value of the Hera Comm Spa minority shareholding option, the latter being included in "Non-current bank debt and bonds issued", coming to 54 million euro.
The total debt shows an average time to maturity of over 6 years, with 60.3% maturing after more than five years.

Net financial debt went from 3,247.2 million euro in 2019 to 3,229.1 million euro in March 2020. The first quarter saw a positive operating cash flow, related to seasonal factors.

Net financial debt (bn€)



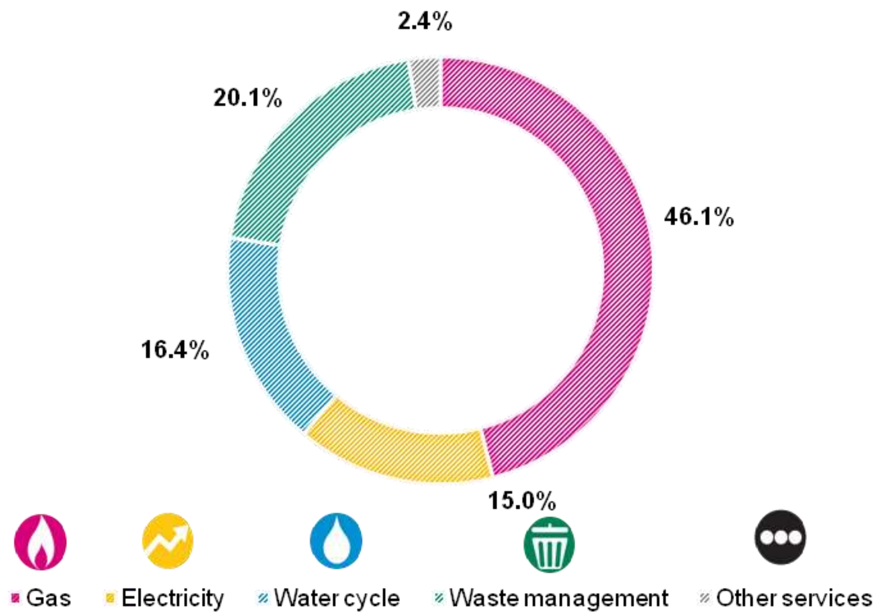
3.23
billion euro
net financial debt

1.04
Analysis by business area

A multi-business strategy

An analysis of the operating results achieved in the Group's business areas is provided below, including: the gas area, which covers services in natural gas distribution and sales, district heating and heat management; the electricity area, which covers services in electricity generation, distribution and sales; the integrated water cycle area, which covers aqueduct, purification and sewerage services; the waste management area, which covers services in waste collection, treatment and recovery; the other services area, which covers services in public lighting and telecommunications, as well as other minor services.

Ebitda March 2020



Over 60% of the contribution to overall Ebitda coming from the Group's various areas involves the energy areas

The Group's income statements include corporate headquarter costs and account for intercompany transactions at arm's length.

The following analyses of each business area take into account all increased revenues and costs, having no impact on Ebitda, related to the application of Ifric 12. The business areas affected by this accounting standard are: natural gas distribution services, electricity distribution services, all integrated water cycle services and public lighting services.

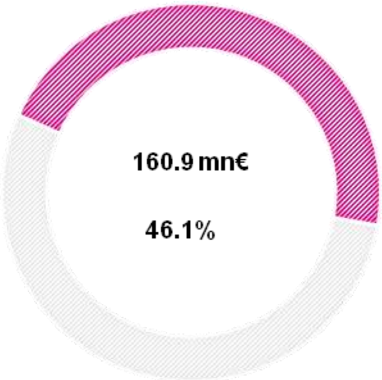
In all business areas, as in the income statements, accounting standard Ifrs 16 on operating leases has been applied, with an equivalent effect on both years.

1.04.01
Gas

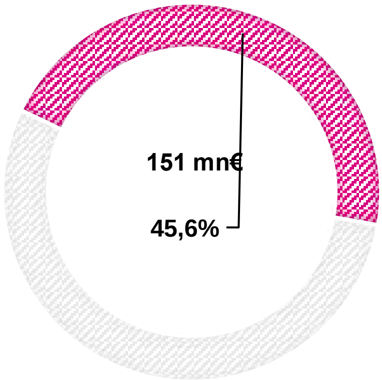
Margins rise

The first quarter of 2020 showed growth over the same period in the previous year, in terms of both margins and volumes sold. This result was mainly obtained thanks to an increase in sales, owing to the Ascopiave Group partnership transaction, which involved the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu Srl, in exchange for the transfer of a distribution branch in the Triveneto area (in the PD1, PD2, UD3 and PN Atems). Lastly, through tenders concerning the period from 1 October 2019 to 30 September 2020, Hera Comm Spa was awarded four portions of the last resort gas service and two portions of the default gas distribution service.

Ebitda gas area 2020



Ebitda gas area 2019



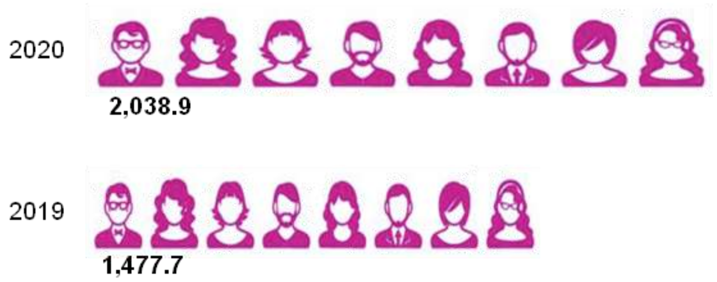
The following table shows the changes occurred in terms of Ebitda

Ebitda rises by +6.5%

(mn€)	March 20	March 19	Abs. change	% change
Area Ebitda	**160.9**	**151.0**	**+9.9**	**+6.5%**
Group Ebitda	349.2	330.8	+18.4	+5.6%
Percentage weight	46.1%	45.6%	+0.5 p.p.	

The number of gas customers rose by 561.2 thousand or 38.0% compared to the first quarter of 2019. The entry within the scope of operations of the companies belonging to the EstEnergy Group and AmgasBlu Srl contributed with 605.4 thousand customers and offset the decrease in the customer base, mainly due to the different result of the last resort market tenders mentioned above, coming to roughly 30 thousand customers.

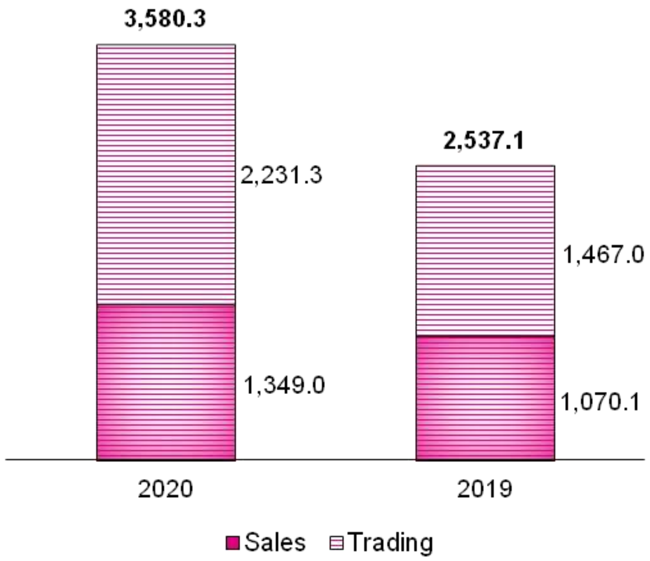
Customers (k)



2.0
million gas customers

Overall volumes of gas sold rose by 1,043.2 million m^3 or 41.1%, going from 2,537.1 million m^3 in March 2019 to 3,580.3 in March 2020. Trading volumes increased by 764.3 million m^3 (30.1% of total volumes), due to a higher amount of foreign trading. Volumes sold to end customers showed growth coming to 26.1% or 278.9 million m^3 over March 2019, thanks to the contribution coming from the companies belonging to the EstEnergy Group and AmgasBlu Srl, amounting to 361.6 million m^3. This growth was only partially offset by drops in traditional (54.5 million m^3) and last resort (28.2 million m^3) markets, mainly due to the very mild winter, whose average temperatures were 4% higher than in 2019, and the initial effects of the Covid-19 emergency.

Volumes sold (mn m^3)



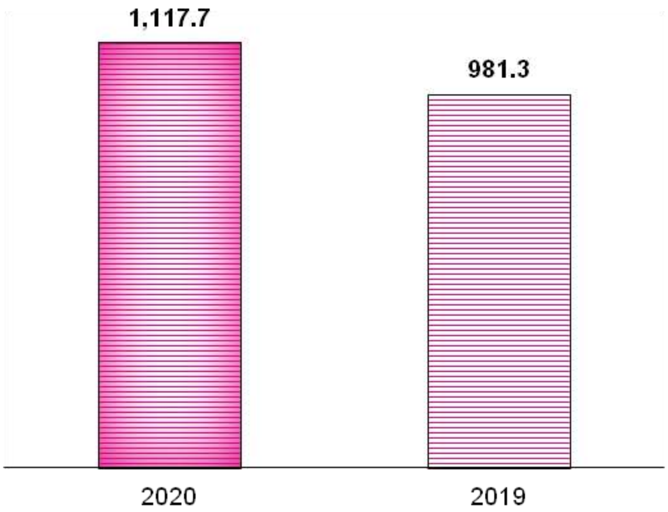
+41.1%
increase in volumes sold

The following table summarises operating results for the gas area

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	1,117.7		981.3		+136.4	+13.9%
Operating costs	(926.5)	-82.9%	(800.5)	-81.6%	+126.0	+15.7%
Personnel costs	(32.6)	-2.9%	(31.7)	-3.2%	+0.9	+2.8%
Capitalised costs	2.2	0.2%	1.9	0.2%	+0.3	+15.5%
Ebitda	**160.9**	**14.4%**	**151.0**	**15.4%**	**+9.9**	**+6.5%**

Revenues went from 981.3 million euro in March 2019 to 1,117.7 million euro at 31 March 2020, with growth coming to 136.4 million euro or 13.9%. The main reasons for this growth consist in higher revenues due to the acquisition the companies of the EstEnergy Group and AmgasBlu Srl, coming to 190.2 million euro, and a higher amount of trading, amounting to roughly 58.0 million euro. This growth was offset by lower revenues caused by the lower price of gas as a raw material, accounting for roughly 59 million euro, and lower volumes of gas sold, coming to roughly 33 million euro; the latter, accompanied by lower revenues in district heating and heat management, coming to roughly 10.6 million euro, confirmed the negative effect of the mild temperatures mentioned above.
Energy efficiency certificates also dropped by roughly 2.4 million euro, revenues for long-term commissions and subcontracts by 1.8 million euro, with an equal effect on operating costs and the regulated revenues for gas distribution, coming to 5.7 million euro, mainly due to the transfer to Ascopiave of geographical areas manages in the PD1, PD2, UD3 and PN Atems.
Note furthermore that, from a regulatory point of view, 2020 is the 1st year of the 5th regulatory period (approved with resolution 570/2019/R/Gas), which calls for a significant reduction in recognised operating costs, in addition to a reduction in Wacc for measurement (from 6.8% to 6.3%).

Revenues (mn€)

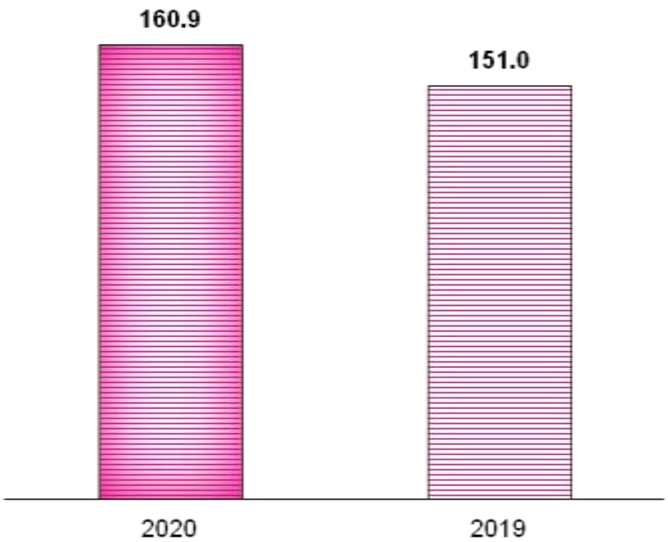


1,117.7
million euro revenues

This growth in revenues was reflected by a proportionate increase in operating costs, which went from 800.5 million euro in March 2019 to 926.5 million euro in the same month in 2020, thus showing an overall increase coming to 126.0 million euro. This trend is mainly due to a higher amount of trading and the companies acquired, as mentioned above.

Ebitda rose by 9.9 million euro or 6.5%, going from 151.0 million euro in the first quarter of 2019 to 160.9 million euro in the first quarter of 2020, thanks to the entry of the companies belonging to the EstEnergy Group and AmgasBlu Srl, which offset the lower volumes of gas sold and the lower margins in district heating and heat management due to the mild temperatures seen in the first quarter of 2020.

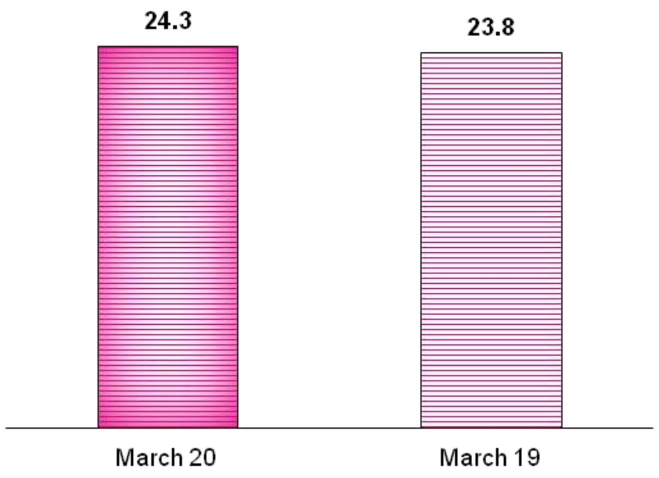
Ebitda (mn€)



160.9
million euro Ebitda

In the first quarter of 2020, net investments in the gas area came to 24.3 million euro, up 0.5 million euro compared to the first quarter of the previous year. In gas distribution, a decrease coming to 1.2 million euro overall was seen, 3.2 million euro of which derive from lower investments in AcegasApsAmga Spa's gas distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone Atems, transferred effective as of 31 December 2019 as part of the Ascopiave transaction. The interventions mainly involved a large-scale metre substitution (deliberation 554) and non-recurring work on plants and networks. Requests for new gas connections dropped in the first quarter of 2020 compared to the previous year. Investments totalling 2.2 million euro were seen in gas sales, for activities involved in acquiring new customers. Investments increased in heat management, with the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa, and in the district heating service, where requests for new connections dropped compared to the same period in the previous year.

Net investments gas (mln/euro)



24.3
million euro net investments gas

Details of operating investments in the gas area are as follows

Gas (mn€)	March 20	March 19	Abs. change	% change
Networks and plants	18.5	19.7	-1.2	-6.1%
Acquisition gas customers	2.2	1.5	+0.7	+46.7%
DH/heat management	3.9	2.6	+1.3	+50.0%
Total gas gross	**24.7**	**23.8**	**+0.9**	**+3.8%**
Capital grants	0.4	0.0	+0.4	+100.0%
Total gas net	**24.3**	**23.8**	**+0.5**	**+2.1%**

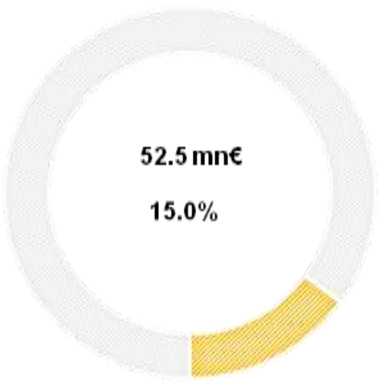
1.04.02

Electricity

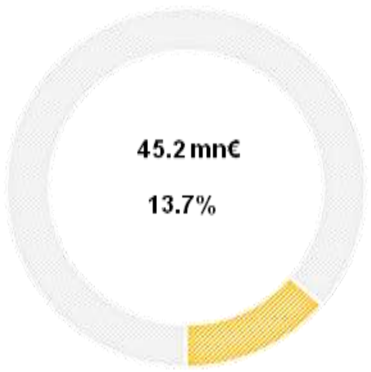
Margins increase

At the end of the first quarter of 2020, Ebitda for the electricity area rose over the previous year, mainly thanks to the partnership transaction with the Ascopiave Group, which entailed the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu Srl.

Ebitda electricity area 2020



Ebitda electricity area 2019



The following table shows the changes occurred in terms of Ebitda

(mn€)	March 20	March 19	Abs. change	% change
Area Ebitda	**52.5**	**45.2**	**+7.3**	**+16.2%**
Group Ebitda	349.2	330.8	+18.4	+5.6%
Percentage weight	15.0%	13.7%	+1.3 p.p.	

+16.2% Ebitda rises

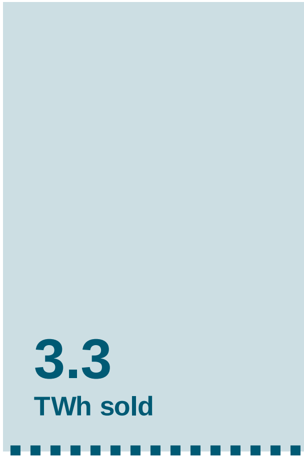
The number of electricity customers settled at 1.3 million supply points, up 17.4% (192.9 thousand customers) compared to 31 March 2019. The most significant growth was seen on the free market, which accounted for 20.0% of the overall increase, mainly owing to the entry within the Group's consolidated scope of the companies belonging to the EstEnergy Group and AmgasBlu, which contributed with roughly 107.3 thousand customers, and the reinforced marketing initiatives introduced, which accounted for roughly 114.7 thousand customers. This growth mitigated the fall in safeguarded and protected customers.

Customers (k)

1.3
million electricity customers

Volumes of electricity sold went from 3,254.2 GWh at 31 March 2019 to 3,295.6 GWh at the same date in 2020, with an overall increase of 1.3% or 41.3 GWh. Volumes sold on the free market grew by 12.5% of the total, thanks to both the companies acquired, as mentioned above, which contributed with 120.6 GWh, and inertial internal growth, coming to 287.3 GWh. This growth proved able to offset the 351.9 GWh drop in safeguarded volumes, which came to 10.8% of the total.

Volumes sold (GWh)



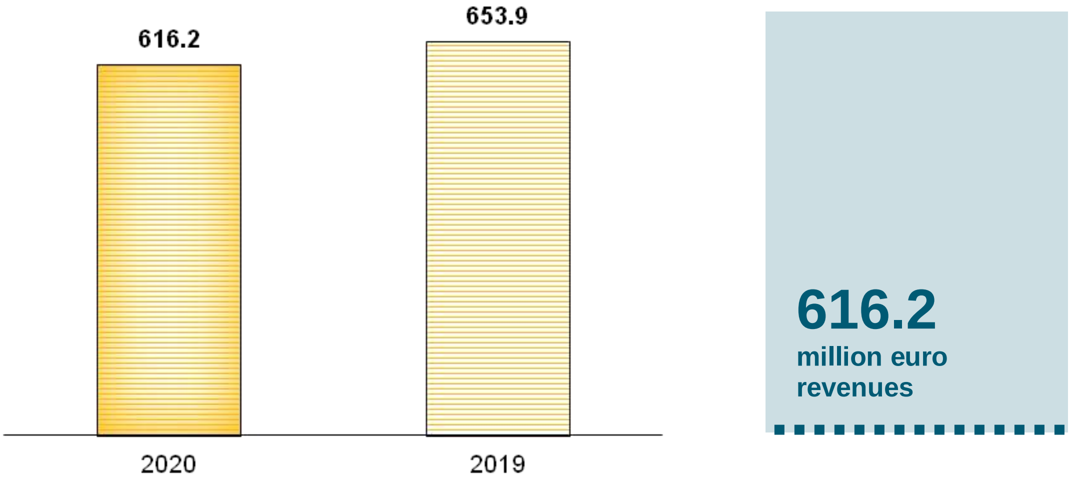
The following table summarises operating results for the area

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	616.2		653.9		-37.7	-5.8%
Operating costs	(553.4)	-89.8%	(599.6)	-91.7%	-46.2	-7.7%
Personnel costs	(12.1)	-2.0%	(11.0)	-1.7%	+1.1	+10.0%
Capitalised costs	1.8	0.3%	1.9	0.3%	-0.1	-5.3%
Ebitda	**52.5**	**8.5%**	**45.2**	**6.9%**	**+7.3**	**+16.2%**

Ebitda rises by 7.3 million euro

Revenues showed a drop coming to 37.7 million euro or 5.8%, going from 653.9 million euro in March 2019 to 616.2 million euro in the same month of 2020. The main reasons lie in lower revenues for trading coming to 19.0 million euro, the fall in volumes sold, which led to lower revenues amounting to roughly 9.7 million euro, the lower price of raw materials, responsible for 24.4 million euro, lower revenues from transmission outside the grid, coming to roughly 5.5 million euro, with no variation on costs, and lower revenues for electricity generation coming to roughly 10.8 million euro. This decrease was only partially offset by higher revenues coming from the acquisition of the companies of the EstEnergy Group and AmgasBlu Srl, amounting to roughly 29 million euro, and revenues for long-term commissions and subcontracted works coming to 1.0 million euro, with an equal effect on operating costs.
Regulated revenues remained stable compared to March 2019, calculated based on Wacc for 2020, the first year of the 2020-2023 regulatory semi-period, regulated by resolution 568/2019.

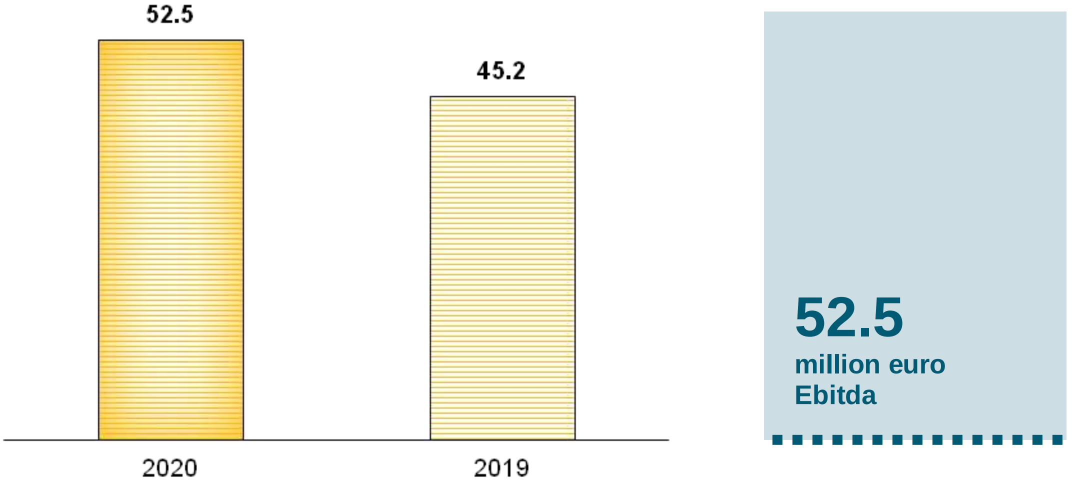
Revenues (mn€)



The decrease in revenues was reflected to an equal degree by operating costs, which went from 599.6 million euro at 31 March 2019 to 553.4 million euro in the same period of 2020, thus falling by 46.2 million euro. This trend is mainly due to lower prices for raw materials, despite the growth seen in the scope of operations.

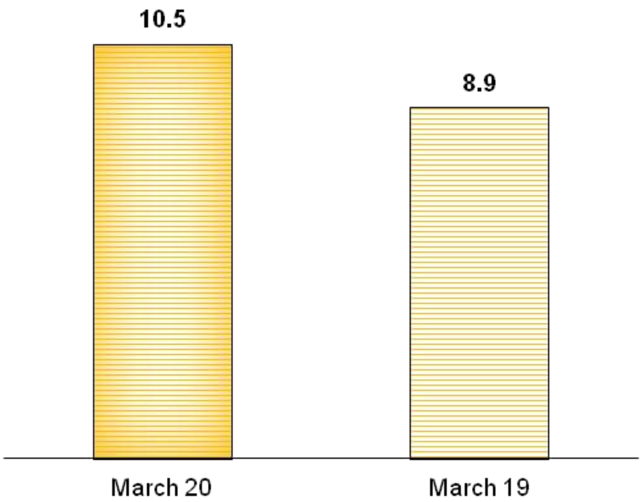
At 31 March 2020, Ebitda rose by 7.3 million euro or 16.2%, going from 45.2 million in 2019 to 52.5 million euro at the same date in 2020, due to higher margins coming from the entry of the companies belonging to the EstEnergy Group and AmgasBlu Srl and from electricity generation, which offset the lower margins from trading.

Ebitda (mn€)



Investments in the electricity area during the first quarter of 2020 amounted to 10.5 million euro, up 1.6 million euro over the first quarter of the previous year.
Interventions mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.
Compared to the first quarter of the previous year, the increases were seen in distribution, coming to 0.6 million euro and mainly involving interventions on networks and plants in the Trieste area, and 1.0 million euro in energy sales, for initiatives linked to acquiring new customers. Requests for new connections remained in line with the previous year.

Net investments electricity (mn€)



10.5
million euro net investments electricity

Details of operating investments in the electricity area are as follows

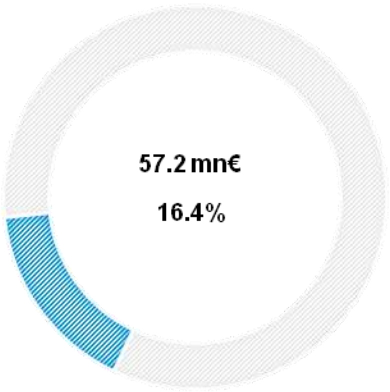
Electricity (mn€)	March 20	March 19	Abs. change	% change
Networks and plants	6.2	5.6	+0.6	+10.7%
Acquisition electricity customers	4.3	3.3	+1.0	+30.3%
Total electricity gross	**10.5**	**8.9**	**+1.6**	**+18.0%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total electricity net	**10.5**	**8.9**	**+1.6**	**+18.0%**

1.04.03
Integrated water cycle

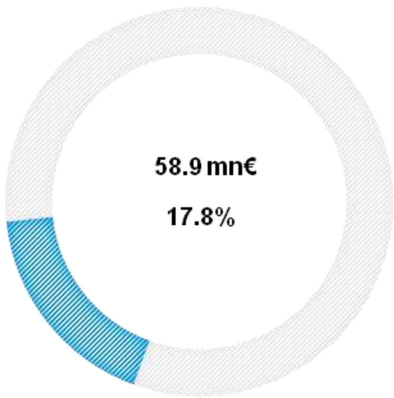
In the first quarter of 2020, the integrated water cycle area saw a slight decrease in margins, coming to 1.7 million euro or 2.9%. From a regulatory point of view, note that 2020 is the first year in which the tariff method defined by the Authority for the third regulatory period (MTI-3), 2020-2023 (resolution 580/2019), is applied. A revenue (Vrg) is assigned to each operator, defined on the basis of operating costs and capital costs according to the investments made, with a view to increasing cost efficiency, in addition to measures intended to promote and valorise interventions aimed at sustainability and resilience.

Slight drop in results for the first quarter of 2020

Ebitda water cycle area 2020



Ebitda water cycle area 2019



The following table shows the changes occurred in terms of Ebitda

(mn€)	March 20	March 19	Abs. change	% change
Area Ebitda	**57.2**	**58.9**	**(1.7)**	**(2.9%)**
Group Ebitda	349.2	330.8	+18.4	+5.6%
Percentage weight	16.4%	17.8%	-1.4 p.p.	

-2.9%
Slight decrease in Ebitda

The number of water customers settled at 1.5 million, rising by 3.9 thousand or 0.3% compared to the first quarter of 2019, confirming the moderate trend of internal growth seen in the Group's reference areas, mainly in the Emilia-Romagna region managed by Hera Spa.

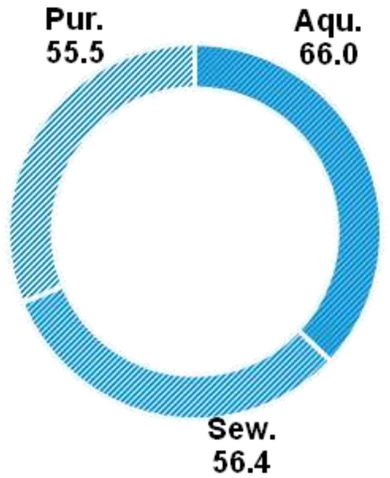
Customers (k)

1.5
million customers integrated water cycle

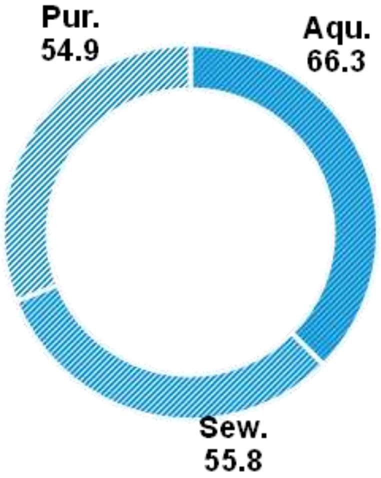
The main quantitative indicators for the area are as follows

66 million m³: quantity managed in the aqueduct

Quantity managed 2020 (mn m³)



Quantity managed 2019 (mn m³)



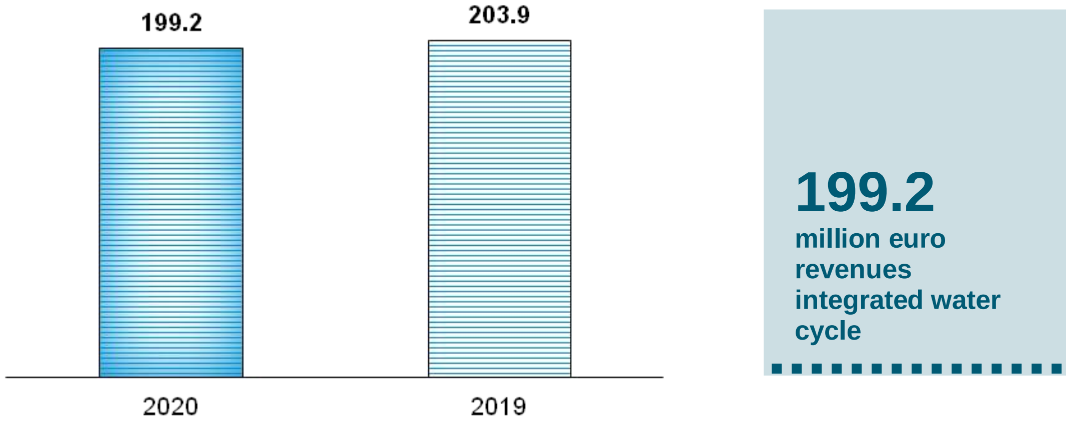
Volumes dispensed through the aqueduct were essentially in line with March 2019, showing a very slight drop coming to 0.3 million m³ or 0.4%. The quantities managed in sewerage and purification were also virtually unchanged, with slight growth coming to 0.6 million m³ and 0.7 million m³ respectively compared to the first quarter of the previous year. The volumes dispensed, following the Authority's resolution 664/2015, are an indicator of activity in the areas in which the Group operates and are subject to equalisation owing to norms that call for a regulated revenue to be recognised independently from volumes distributed.

An overview of operating results for the water area is provided in the table below

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	199.2		203.9		-4.7	-2.3%
Operating costs	(98.7)	-49.6%	(102.7)	-50.3%	(4.0)	(3.9%)
Personnel costs	(44.1)	-22.1%	(43.5)	-21.3%	+0.6	+1.4%
Capitalised costs	0.8	0.4%	1.1	0.6%	(0.3)	(26.4%)
Ebitda	**57.2**	**28.7%**	**58.9**	**28.9%**	**-1.7**	**-2.9%**

At 31 March 2020, revenues showed a 4.7 million euro or 2.3% decrease, going from 203.9 million euro in the first quarter of 2019 to 199.2 million euro in the same period of 2020. This trend is due to lower revenues involving commissions and subcontracted works carried out in the first quarter of 2020, amounting to roughly 3.5 million euro, lower revenues from new connections and customer requests, as well as lower revenues from dispensing coming to roughly 0.5 million euro, mainly due to the reduced standardised costs for electricity and water as a raw material, partially offset by tariffary adequation as per the new method, MTI-3.

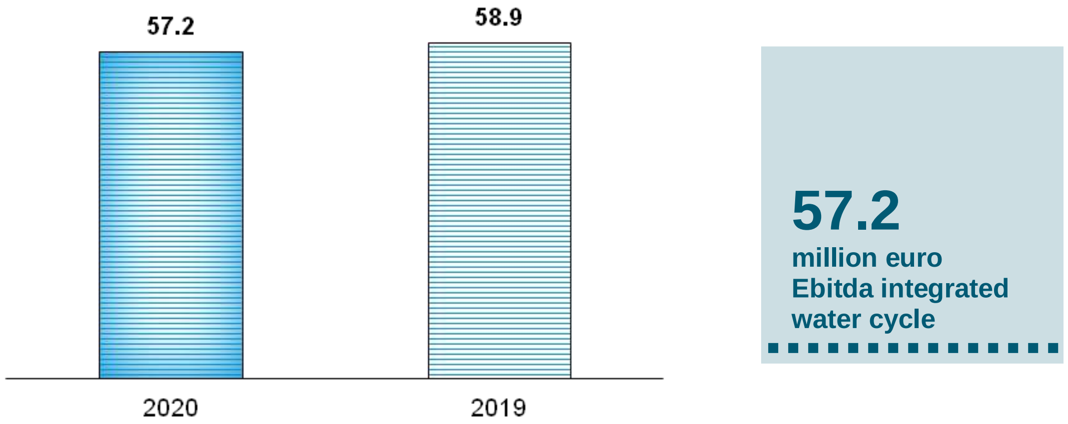
Revenues (mn€)



Operating costs saw a decrease coming to 4.0 million euro or 3.9%, going from 102.7 million euro in the first quarter of 2019 to 98.7 million euro in the same period in 2020. Excluding the lower costs linked to the higher amount of works carried out, as previously described under revenues, coming to 3.5 million euro overall, costs were fundamentally in line with the first quarter of 2019, showing a slight drop amounting to 0.5 million euro. The latter trend is mainly due to the lower cost for water as a raw material and of electricity.

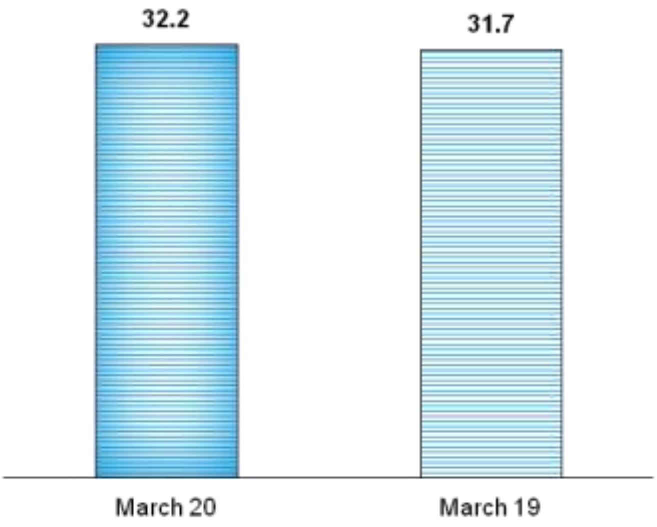
Ebitda decreased slightly, by 1.7 million euro or 2.9%, going from 58.9 million euro in the first quarter of 2019 to 57.2 million euro in the same period of 2020, largely due to lower revenues from new connections, customer requests and dispensing.

Ebitda (mn€)



Net investments in the integrated water cycle area amounted to 32.2 million euro in the first quarter of 2020, up 0.5 million euro over the first quarter of the previous year. Including the capital grants received, which fell by 0.4 million euro, the investments made were essentially in line with the previous year, amounting to 35.4 million euro.
These investments mainly involved extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage.
Investments were made coming to 22.4 million euro in the aqueduct, 8.5 million euro in sewerage and 4.5 million euro in purification.

Net investments water cycle (mn€)



32.2
million euro net investments water cycle (+0.5 million euro)

The more significant works include: in the aqueduct, the increased activity in network and connection improvement linked among other things to Arera resolution 917/2017 on the regulation of the technical quality of the integrated water system; upgrading and renewal of important feeding pipes for two municipalities in the Bologna area; in sewerage, continued progress was made in the important works for the Rimini seawater protection plan, even though in 2020 a lower impact is expected for the interventions sustained by Hera compared to the previous year. Maintenance interventions aimed at redeveloping the sewerage network in other areas were, instead, in line with the previous year, as were works in drainage upgrading pursuant to regional deliberation 201/2016; in purification, note the upgrading on the Lido di Classe and Lugo purifiers.
Requests for new water and sewerage connections increased over the previous year.
Capital grants amounting to 3.2 million euro included 2.7 million euro deriving from the tariff component called for by the New Investments Fund (FoNI) tariff method, and fell by 0.4 million euro compared to the previous year.

Details of operating investments in the integrated water cycle area are as follows

Significant operating investments in aqueduct, sewerage and purification

Integrated water cycle (mn€)	March 20	March 19	Abs. change	% change
Aqueduct	22.4	20.0	+2.4	+12.0%
Purification	4.5	4.8	-0.3	-6.3%
Sewerage	8.5	10.4	-1.9	-18.3%
Total integrated water cycle gross	**35.4**	**35.3**	**+0.1**	**+0.3%**
Capital grants	3.2	3.6	-0.4	-11.1%
of which FoNI (New Investments Fund)	2.7	2.9	-0.2	-6.9%
Total integrated water cycle net	**32.2**	**31.7**	**+0.5**	**+1.6%**

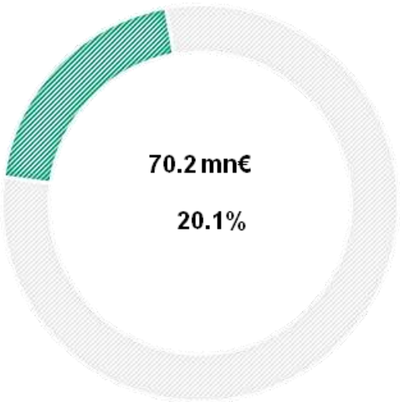
1.04.04

Waste management

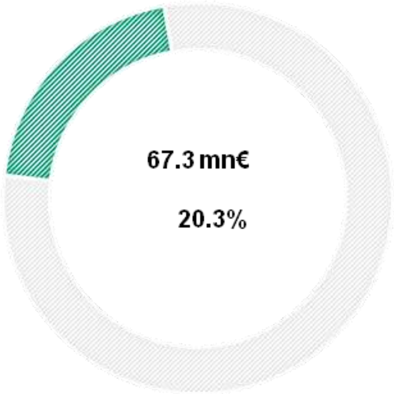
Ebitda rises

In the first quarter of 2020, the waste management area accounted for 20.1% of the Hera Group's overall Ebitda, showing growth in Ebitda over the same period in 2019. In waste treatment and recovery, the Group consolidated its national leadership in the first quarter of 2020 by deploying complete and integrated marketing offers, shaping commercial partnerships with main sector players and remaining constantly present in calls for tenders, in addition to maintaining a complete and avant-garde set of plants able to offer effective and sustainable solutions that support a circular economy. Environmental resource protection was confirmed as a priority goal in the first quarter of 2020 as well, along with optimising reuse, as is demonstrated by the Group's special focus on promoting sorted waste, which increased by 1.3 p.p. over March 2019.

Ebitda waste management 2020



Ebitda waste management 2019



The following table shows the changes occurred in terms of Ebitda

Growth in Ebitda: +4.3%

(mn€)	March 20	March 19	Abs. change	% change
Area Ebitda	**70.2**	**67.3**	**+2.9**	**+4.3%**
Group Ebitda	349.2	330.8	+18.4	+5.6%
Percentage weight	20.1%	20.3%	-0.2 p.p.	

Volumes commercialised and treated by the Group in the first quarter of 2020 are as follows

Quantity (k tons)	March 20	March 19	Abs. change	% change
Municipal waste	513.4	521.6	-8.2	-1.6%
Market waste	579.2	488.6	+90.6	+18.5%
Waste commercialised	**1,092.7**	**1,010.2**	**+82.5**	**+8.2%**
Plant by-products	614.1	614.9	-0.8	-0.1%
Waste treated by type	**1,706.7**	**1,625.1**	**+81.6**	**+5.0%**

An analysis of this data shows a rise in commercial waste due to market waste, which rose by 18.5%, and a slight drop in municipal waste. The growth in market volumes is a result of the higher volumes treated due to the enlarged scope of operations, as discussed below, as well as an increase in intermediated flows.

Market waste: +18.5%

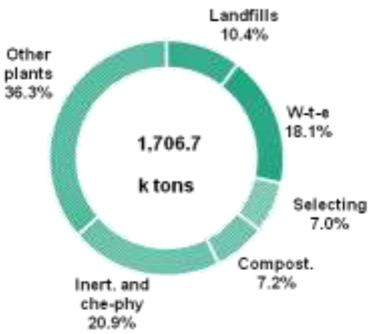
While municipal waste showed a slight decrease, coming to 1.6%, sorted and sandy shore waste increased by 1.3%, and unsorted waste fell by 4.8%.
Lastly, plant by-products were essentially in line with the first quarter of 2019.

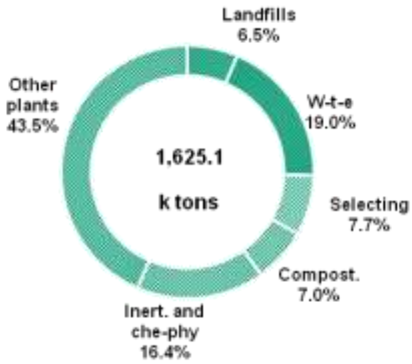
Further progress was made in sorted municipal waste, which went from 64.1% in the first quarter of 2019 to 65.4% in the same period of the current year. At 31 March 2020, sorted waste increased by 1.5 p.p. in Emilia-Romagna and by 1.8 p.p. in the Triveneto area, while decreasing slightly in the Marche region, by 0.4 p.p.

Sorted waste (%)

Waste treated by type of plant March 2020

Waste treated by type of plant March 2019





Quantity (k tons)	March 20	March 19	Var. Ass.	Var. %
Landfills	176.7	105.4	+71.3	+67.6%
W-t-e	309.4	308.2	+1.2	+0.4%
Selecting plants and other	120.1	124.4	-4.3	-3.5%
Composting and stabilisation plants	123.1	113.2	+9.9	+8.7%
Inertisation and chemical-physical plants	357.6	267.0	+90.6	+33.9%
Other plants	620.0	706.8	-86.8	-12.3%
Waste treated by plant	**1,706.7**	**1,625.1**	**+81.6**	**+5.0%**

The Hera Group operates in the entire waste cycle, with 93 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 9 waste-to-energy plants, 12 composters/digesters and 14 selecting plants.

Compared to the first quarter of 2019, the current year benefitted from both the acquisition of Pistoia Ambiente Srl, which manages the Serravalle Pistoiese landfill, and the operational status of the new non-dangerous waste treatment plant inaugurated in Cordenons, in the province of Pordenone. Furthermore, a municipal and non-dangerous special waste treatment plant is now managed in Gaggio Montano.

Waste treatment showed growth coming to 5.0% over the first quarter of 2019. Note in particular the higher quantity in landfills, mainly related to the larger scope of operations mentioned above. In waste-to-energy plants, waste treated was essentially in line with the previous year, with a slight increase coming to 0.4%. The slightly lower amount treated in selecting plants is due to the lower quantities treated, mainly in the Castiglione delle Stiviere and Bologna plants. The higher amount treated in composters and stabilisers is mainly due to the higher volumes treated in the Voltana plants and the Tremonti mechanical-biological treatment plant. The higher amount treated in stabilisation and chemical-physical plants is due to a different classification of some plants in the subcontracted/other plants area. Lastly, the decrease in subcontracted/other plants is mainly due to a different classification in other categories of a few plants, partially offset by an increase in intermediated volumes.

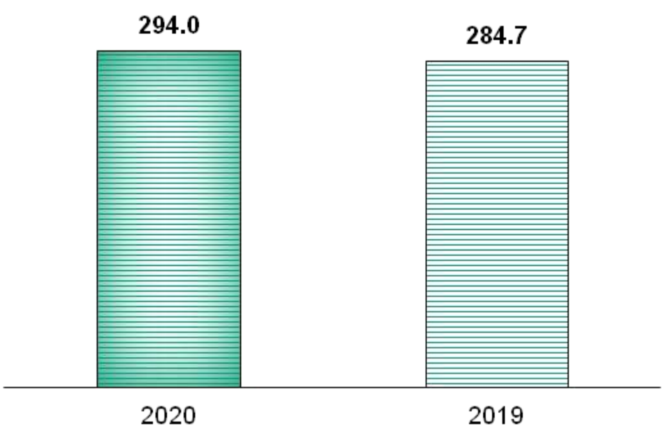
The table below summarises the area's operating results

Ebitda increases

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	294.0		284.7		+9.3	+3.3%
Operating costs	(172.1)	-58.5%	(167.1)	-58.7%	+5.0	+3.0%
Personnel costs	(53.3)	-18.1%	(51.6)	-18.1%	+1.7	+3.3%
Capitalised costs	1.6	0.5%	1.2	0.4%	+0.4	+33.9%
Ebitda	**70.2**	**23.9%**	**67.3**	**23.6%**	**+2.9**	**+4.3%**

Revenues rose by 3.3% or 9.3 million euro, going from 284.7 million euro at 31 March 2019 to 294.0 million euro for the first quarter of 2020. Excluding the change in scope of operations due to the entry of Cosea Ambiente Spa, Pistoia Ambiente Srl and the Gaggio Montano plant (hereafter, changes in scope of operations), which contributed with roughly 6.9 million euro, the waste management area saw revenues grow by roughly 2.4 million euro over the previous period. This change is due to a positive trend seen in prices for special waste, the increase in volumes treated and higher revenues for growth in sorted waste as regards municipal waste services. These positive factors were only partially offset by lower revenues from electricity generation, owing to the loss of energy incentives for some plants, the fall in the price of market and thermal energy, in spite of higher generation from W-t-e and the contribution coming from the Sant'Agata biomethane plant. Lastly, note the fall in volumes of products sold by Aliplast Spa, coming to roughly 7%.

Revenues (mn€)



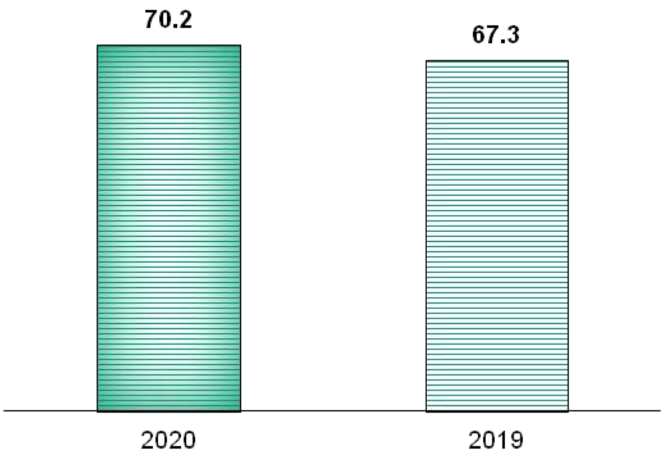
294.0
million euro waste management revenues

Operating costs increased by 3.0% or 5.0 million euro in the first quarter of 2020, going from 284,7 million euro in March 2019 to 294.0 million euro in March 2020. Not including changes in the scope of operations, which contributed with 4.1 million euro, costs rose by 0.9 million euro. In the waste treatment business, note the higher costs involved in marketing development and by-product externalisation, in spite of the lower costs involved in planned maintenance on Group plants. Linked to the trend in revenues mentioned above, a drop was seen in purchasing costs on the Pet sustained by Aliplast Spa. As regards municipal waste, note the higher costs involved in developing new projects for sorted waste.

The cost of personnel, not including the changes in scope of operations mentioned above, increased by roughly 1.3 million euro or 0.8%.

Ebitda went from 67.3 million euro in the first quarter of 2019 to 70.2 million euro in the same period of 2020 showing growth amounting to 2.9 million euro or 4.3%. This rise was sustained by higher prices for special waste treatment, higher quantities managed and the enlarged scope of operations, despite the lower revenues for electricity generation.

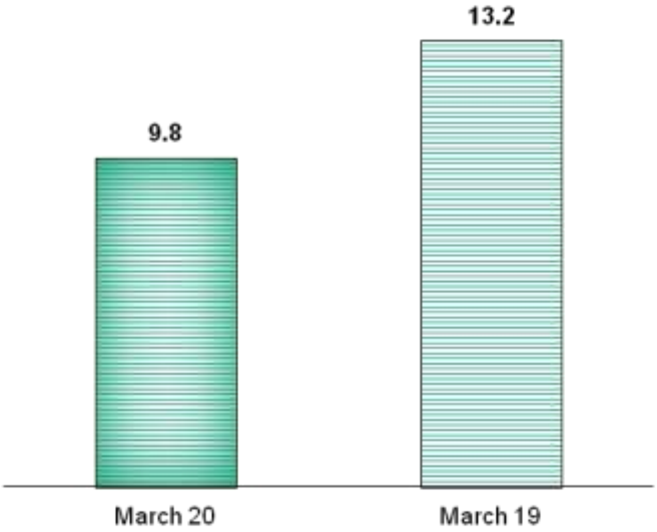
Ebitda (mn€)



70.2
million euro Ebitda waste management

Net investments in the waste management area concerned treatment plant maintenance and upgrading and amounted to 9.8 million euro, down 3.4 million euro compared to the first quarter of the previous year.
The composter/digester sector dropped by 1.1 million euro, due to the significant interventions carried out one year earlier on the Sant'Agata Bolognese composter in constructing the biomethane plant, in addition to other interventions including upgrading the Tre Monti mechanical biological treatment plant.
The W-t-e plants sector saw a 0.8 million euro decrease, due to lower non-recurring maintenance done on the Trieste and Rimini plants.
Investments in landfills fell by 3.7 million euro on account of the work done in 2019 on the Cordenons plant, the tenth sector of the Ravenna landfill and plants belonging to the company Marche Multiservizi Spa.
Increased investments in the special waste plants sector concerned maintenance on the refractor and substituting the grinder in the Ravenna F3 plant.
The ecological islands and collection equipment sector showed a rise in investments coming to 1.1 million euro over the previous year, while the increase in the selection and recovery plants sector mainly concerned investments made by the Aliplast Group.

Net investments waste management (mn€)



9.8
million euro
net investments
waste management

Details of operating investments in the waste management area are as follows

Waste management (mn€)	March 20	March 19	Abs. change	% change
Composting/digestors	0.4	1.5	-1.1	-73.3%
Landfills	1.7	5.4	-3.7	-68.5%
WTE	2.3	3.1	-0.8	-25.8%
Rs plants	1.2	0.7	+0.5	+71.4%
Ecological areas and collection equipment	2.4	1.3	+1.1	+84.6%
Transshipment, selecting and other plants	1.8	1.3	+0.5	+38.5%
Total waste management gross	**9.8**	**13.2**	**-3.4**	**-25.8%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total waste management net	**9.8**	**13.2**	**-3.4**	**-25.8%**

Operating investments in treatment plants

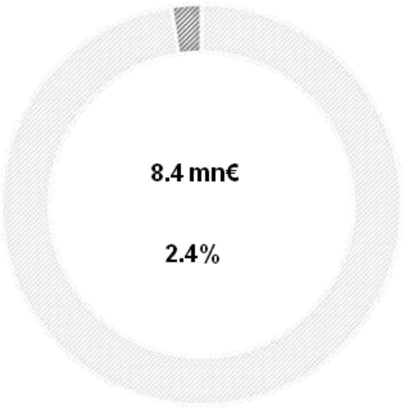
1.04.05

Other services

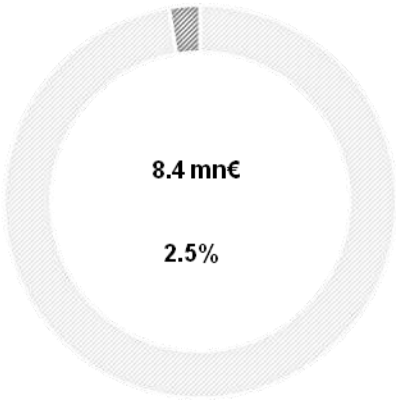
Ebitda stable

The other services area covers all minor businesses managed by the Group, including public lighting, telecommunications and cemetery services. At 31 March 2020, results for this area were in line with the same period in the previous year, settling at 8.4 million euro.

Ebitda other services 2020



Ebitda other services 2019



The changes occurred in terms of Ebitda are as follows

(mn€)	March 20	March 19	Abs. change	% change
Area Ebitda	**8.4**	**8.4**	**+0.0**	**+0.0%**
Group Ebitda	349.2	330.8	+18.4	+5.6%
Percentage weight	2.4%	2.5%	-0.1 p.p.	

The following table shows the area's main indicators as regards public lighting services

Quantity	March 20	March 19	Abs. change	% change
Public lighting				
Lighting points (k)	562.6	530.0	+32.6	+6.2%
of which led	24.1%	18.1%	+6.0 p.p.	
Municipalities served	186.0	174.0	+12.0	+6.9%

562.6 thousand lighting points

An analysis of the data regarding public lighting shows an increase coming to 32.6 thousand lighting points and the acquisition of 12 new municipalities served. Over the first quarter of 2020, the Hera Group acquired roughly 35 thousand lighting points in 15 new municipalities. The most significant of these were: roughly 8.0 thousand lighting points in Lombardy, roughly 8.4 thousand lighting points in Emilia-Romagna, roughly 9.1 thousand lighting points in Friuli-Venezia Giulia, roughly 1.1 thousand lighting points in Sardinia and roughly 7.0 thousand lighting points in regions of central Italy. These increases fully offset the loss of roughly 2 thousand lighting points and 3 municipalities managed in Friuli-Venezia Giulia. The percentage of lighting points using led light bulbs also increased, settling at 26.9% in the first quarter of 2020, up 8.8 percentage points. This trend reflects the constant attention shown by the Group towards an increasingly efficient and sustainable management of public lighting.

Among the indicators for the other services area, note also the 4,300 Km fibre optic ultra-broadband network owned by the Hera Group through its digital company, Acantho. This network serves the main cities in the Emilia Romagna region as well as Padua and Trieste, offering businesses and private customers high-performance connectivity with outstanding reliability, system and data security and service continuity.

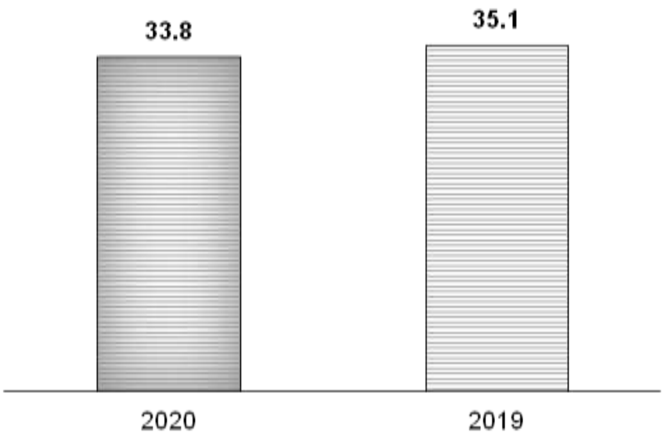
The area's operating results are provided in the table below

Area in line with the past

Income statement (mn€)	March 20	% inc.	March 19	% inc.	Abs. change	% change
Revenues	33.8		35.1		-1.3	-3.7%
Operating costs	(20.7)	-61.2%	(22.1)	-63.0%	-1.4	-6.3%
Personnel costs	(5.2)	-15.3%	(5.1)	-14.5%	+0.1	+2.0%
Capitalised costs	0.4	1.3%	0.5	1.5%	-0.1	-18.6%
Ebitda	**8.4**	**24.9%**	**8.4**	**24.0%**	**+0.0**	**+0.0%**

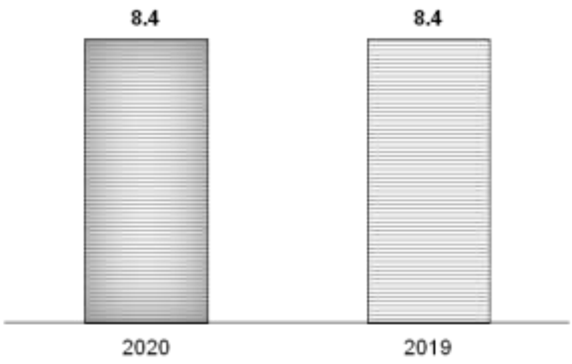
Revenues for the area were essentially in line with March 2019, with a slight decrease coming to 3.7%, corresponding to 1.3 million euro. This trend was mainly due to lower revenues for public lighting, despite the higher revenues seen in the telecommunications business.

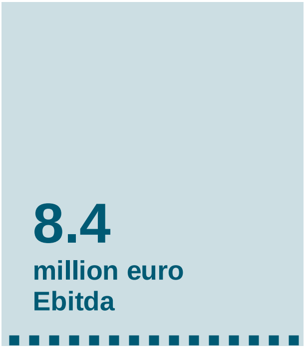
Revenues (mn€)



Ebitda for the area was in line with March 2019, settling at 8.4 million euro, mainly due to higher revenues in telecommunications services, which fully offset the results from public lighting and cemetery services.

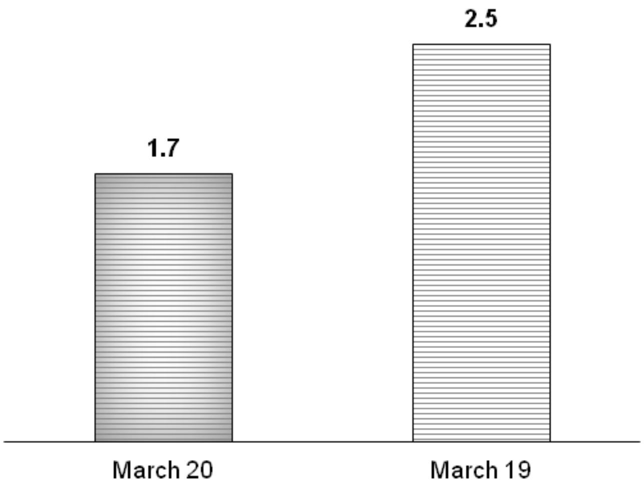
Ebitda (mn€)





In the first quarter of 2020, investments in the other services area came to 1.7 million euro, down compared to the first quarter of the previous year.
In telecommunications, 1.0 million euro were invested in networks and Tlc and Idc (Internet data centre) services, down by 0.7 million euro compared to the previous year. In the public lighting service, investments coming to 0.7 million euro went to maintaining, upgrading and modernising lampposts in the areas served, with a slight drop compared to the previous year.

Net investments other services (mn€)



1.7
million euro
net investments
other services

Details of operating investments in the other services area are as follows

Other services (mn€)	March 20	March 19	Abs. change	% change
Tlc	1.0	1.7	-0.7	-41.2%
Public lighting and street lights	0.7	0.9	-0.2	-22.2%
Total other services gross	**1.7**	**2.5**	**-0.8**	**-32.0%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total other services net	**1.7**	**2.5**	**-0.8**	**-32.0%**

1.05
Share performance and investor relations

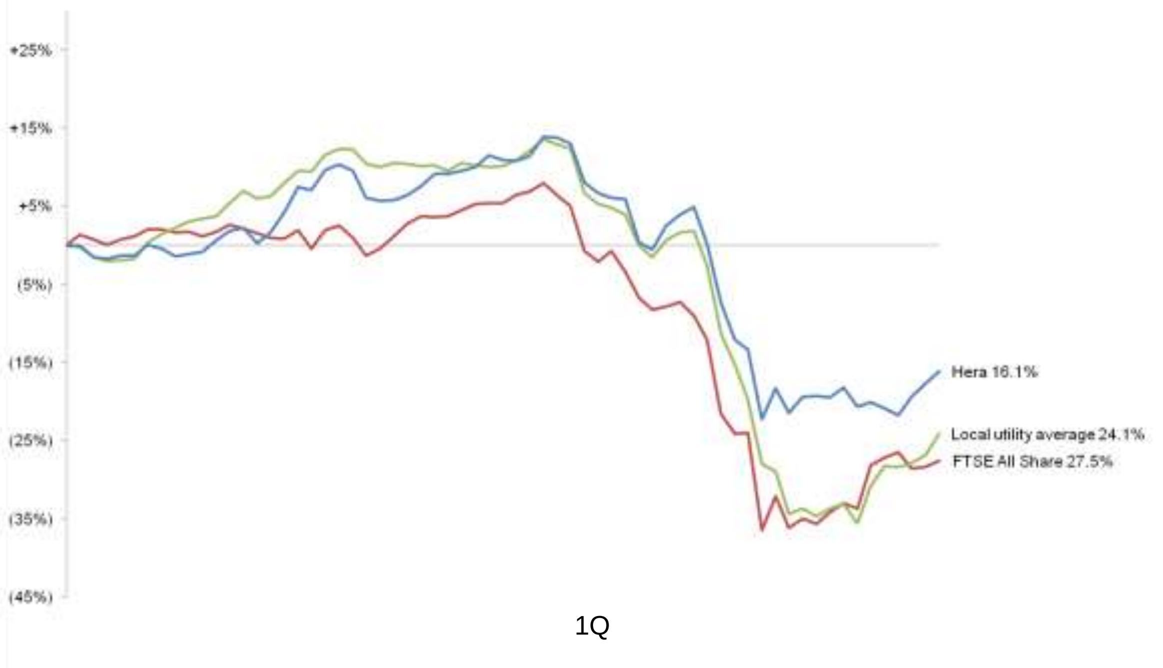
Global stock markets plunge in the first quarter of 2020 due to the Covid-19 pandemic

Financial markets showed a negative performance in the first quarter of 2020 on account of the global spread of the Covid-19 virus, which had significant repercussions on the world economy due to the tight measures adopted by many governments to contain the pandemic. Before the first cases of infection were discovered outside of China, prices on stock markets were rising and in a few cases reached record levels, based on expectations for solid economic expansion thanks to signs of easing in the trade war between the United States and China and the abundance of liquidity offered by the main central banks. The optimism shown by financial operators was also boosted by their awareness that the American administration would sustain the economy during the current presidential election year. The Italian Ftse All Share stock market index fell by -29.5% over the quarter, a few percentage points more than other European markets owing to the concern shown by investors as to the country's level of debt, which allows little room for expansive policies, and the difficult negotiations seen in Europe over how to deploy financial measures able to protect the continent's economies, in particular those suffering most on account of the pandemic.

Hera performance better than local utilities and the market

Within this context, Hera stock closed the period with an official price of 3.279 euro, down -16.1%, after reaching a historical high of 4.494 euro on 20 February, corresponding to a capitalisation of roughly 6.7 billion euro, following the road show which presented the business plan to 2023 in the main financial hubs in Europe and the United States. From late February until the end of the quarter, even in a context of widespread selling, Hera stock showed higher resilience and stability than other local utilities (-24.1%) and the market as a whole (-27.5%), confirming its low beta (volatility index) and the solidity of its economic fundamentals, recognised by investors.

1Q-2020 Hera stock, utility sector and Italian market performance comparison



Hera's Board of Directors, which met on 25 March 2020 to approve the 2019 year-end results, decided to put a 10.0 cent per share dividend to the Shareholders Meeting's approval, in line with the indications contained in the business plan. Following the approval given by shareholders, which took place during the Meeting held on 29 April 2020, the ex-coupon date was set for 6 July, with payment on 8 July. Hera thus confirmed its ability to remunerate shareholders even in times of economic crisis, thanks to the resilience of its activity portfolio, which has allowed it to pay constant and rising dividends since its initial listing.

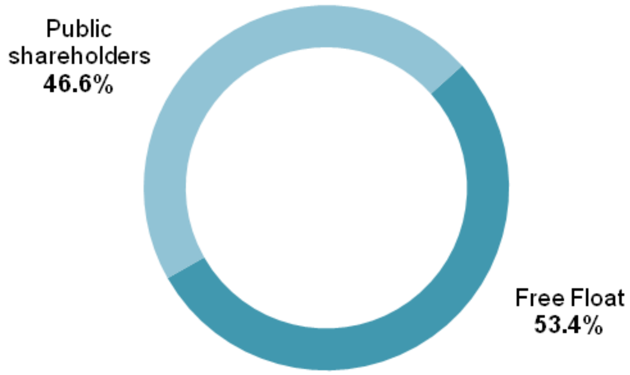
10.0 cent dividend confirmed, in line with the goals set out in the business plan

The joint effect of continuously remunerating shareholders through dividends and rises in the price of the stock led the total shareholders' return accumulated since the Ipo to remain consistently positive and to settle, at the end of the period in question, at over +268.5%.

Total shareholders return since the Ipo: +269%

The financial analysts covering the company (Banca Akros, Banca Imi, Equita Sim, Findentiis, Intermonte, Kepler Cheuvreux, MainFirst and Mediobanca) have all expressed positive or neutral opinions, with no negative opinion. At the end of the quarter, the consensus target price came to 3.96 euro, higher than the 3.87 euro recommended at the end of 2019.

Shareholder breakdown at 31 March 2020



At 31 March 2020, the shareholder breakdown showed its usual stability and balance, with 46.6% of shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders' agreement effective from 1 July 2018 to 30 June 2021, and a 53.4% free float. The shareholding structure is highly fragmentary, with a large amount of public shareholders (111 municipalities, the largest of which holds shares amounting to less than 10% of the total) and a high number of private institutional and retail shareholders.

46.6% share capital pertaining to the public stockholders agreement

Since 2006, Hera Spa has adopted a share buyback program, renewed by the Shareholders Meeting held on 29 April 2020 for 18 further months, for an overall maximum amount of 270 million euro. This plan is aimed at financing M&A opportunities involving smaller companies, and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At the end of the first quarter, Hera Spa held 16.9 million treasury shares.

After publishing the Group's 2019-2023 business plan, Hera's Executive Chairman and CEO took part in a road show which visited the main financial centres in Europe and the USA, to illustrate the Group's growth targets to investors. This timely communication initiative met with favour among institutional investors and had a positive effect on the stock's performance during the period in question.
The dedication shown by the Group towards communicating with investors contributed to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

Communication with the market as an intangible asset

2

Consolidated Financial Statements of the Hera Group

2.01
FINANCIAL STATEMENT FORMATS

2.01.01
Income statement

mln/euros	notes	31-Mar-2020 (3 months)	31-Mar-2019 (3 months)
Revenues		2,055.8	1,940.4
Other operating revenues		109.0	121.0
Use of raw materials and consumables		(1,035.4)	(1,024.6)
Service costs		(627.2)	(556.7)
Personnel costs		(147.3)	(142.9)
Other operating costs		(12.5)	(13.1)
Capitalized costs		6.8	6.7
Amortisation, depreciation and provisions		(137.5)	(125.8)
Operating revenues		**211.7**	**205.0**
Share of profits (losses) pertaining to joint ventures and associated companies		3.0	5.7
Financial income		15.5	30.5
Financial expense		(47.2)	(57.3)
Financial operations		**(28.7)**	**(21.1)**
Earnings before taxes		**183.0**	**183.9**
Taxes		(52.7)	(54.2)
Net profit for the period		**130.3**	**129.7**
Attributable to:			
parent company shareholders		124.4	124.2
minority shareholders		5.9	5.5
Earnings per share			
basic		**0.084**	**0.085**
diluted		**0.084**	**0.085**

2.01.02
Statement of financial position

mln/euros	notes	31-Mar-20	31-Dec-19
ASSETS			
Non-current assets			
Property, plant and equipment		1,975.0	1,992.7
Rights of use		90.5	96.9
Intangible assets		3,794.3	3,780.2
Goodwill		814.6	812.9
Equity investments		167.1	143.5
Current and non-current financial assets		143.2	135.3
Deferred tax assets		185.2	174.8
Derivative financial instruments		45.3	41.1
Total non-current assets		**7,215.2**	**7,177.4**
Current assets			
Inventories		136.8	176.5
Trade receivables		2,186.0	2,065.3
Current financial assets		72.7	70.1
Current tax assets		34.9	42.1
Other current assets		411.2	395.7
Derivative financial instruments		167.3	72.2
Cash and cash equivalents		502.6	364.0
Total current assets		**3,511.5**	**3,185.9**
TOTAL ASSETS		**10,726.7**	**10,363.3**

mln/euros	notes	31-Mar-20	31-Dec-19
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,471.9	1,474.8
Reserves		1,291.7	948.0
Profit (loss) for the period		124.4	385.7
Group net equity		**2,888.0**	**2,808.5**
Non-controlling interests		206.2	201.5
Total net equity		**3,094.2**	**3,010.0**
Non-current liabilities			
Non-current financial liabilities		3,471.8	3,456.3
Non-current lease liabilities		69.3	76.1
Post-employment and other benefits		124.8	127.3
Provisions for risks and charges		525.2	521.8
Deferred tax liabilities		150.2	154.5
Derivative financial instruments		27.1	27.4
Total non-current liabilities		**4,368.4**	**4,363.4**
Current liabilities			
Current financial liabilities		401.8	305.5
Current lease liabilities		22.9	19.4
Trade payables		1,228.0	1,391.8
Current tax liabilities		127.1	86.9
Other current liabilities		1,208.5	1,047.9
Derivative financial instruments		275.8	138.4
Total current liabilities		**3,264.1**	**2,989.9**
TOTAL LIABILITIES		**7,632.5**	**7,353.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**10,726.7**	**10,363.3**

2.01.03
Cash flow statement

mln/euros	notes	31-Mar-20	31-Mar-19
Earnings before taxes		**183.0**	**183.9**
Adjustments to reconcile net profit to the cash flow from operating activities			
Amortisation and impairment of assets		106.8	96.9
Allocation to provisions		30.7	28.9
Effects from valuation using the equity method		(3.0)	(5.7)
Financial (income) expenses		31.7	26.8
(Capital gains) losses and other non-monetary elements		(6.6)	5.7
Change in provision for risks and charges		(11.0)	(9.5)
Change in provision for employee benefits		(3.0)	(2.3)
Total cash flow before changes in net working capital		**328.6**	**324.7**
(Increase) decrease in inventories		39.7	52.6
(Increase) decrease in trade receivables		(142.1)	(360.0)
Increase (decrease) in trade payables		(163.8)	(37.0)
Increase/decrease in other current assets/liabilities		149.1	214.9
Changes in working capital		**(117.1)**	**(129.5)**
Interest income and other financial income collected		5.8	10.4
Interest expenses, net charges on derivatives and other paid financial charges		(39.6)	(43.6)
Paid taxes		(6.9)	(4.5)
Cash flow from operating activities (a)		**170.8**	**157.5**
Investments in property, plant and equipment		(20.9)	(23.9)
Investments in intangible assets		(74.1)	(72.5)
Investments in companies and business units net of cash and cash equivalents		(27.2)	0.2
Sale price of property, plant and equipment and intangible assets		-	0.8
(Increase) decrease in other investment activities		(9.9)	(24.6)
Cash flow from (for) investing activities (b)		**(132.1)**	**(120.0)**
New issue of long-term financial payables		-	125.0
Repayments and other net changes in financial payables		114.3	(34.8)
Lease finance payments		(5.3)	(4.7)
Acquisition of interests in consolidated companies		(1.2)	(1.1)
Changes in treasury share		(7.9)	5.9
Cash flow from (for) financing activities (c)		**99.9**	**90.3**
Increase (decrease) in cash and cash equivalents (a+b+c)		**138.6**	**127.8**
Cash and cash equivalents at the beginning of the period		364.0	535.5
Cash and cash equivalents at the end of the period		502.6	663.3

2.01.04

Statement of changes in net equity

mln/euros	Share capital	Reserves	Reserves derivatives valued at fair value	Reserves actuarial income (losses) post-employment benefits	Reserves shares valued at fair value	Revenues for the period	Net equity	Non-controlling interests	Total
Balance as of 31-Dec-2018	**1,465.3**	**926.8**	**16.5**	**(29.7)**		**281.9**	**2,660.8**	**185.9**	**2,846.7**
Adoption of IFRS 16		(4.6)					(19.3)	(0.6)	(19.9)
Balance as of 01-Jan-19	**1,465.3**	**922.2**	**16.5**	**(29.7)**	**-**	**281.9**	**2,656.2**	**185.3**	**2,841.5**
Revenues for the period						124.2	124.2	5.5	129.7
Other components of comprehensive income:									
fair value of derivatives, change for the period			(40.7)				(40.7)		(40.7)
Overall revenues for the period	**-**	**-**	**(40.7)**	**-**	**-**	**124.2**	**83.5**	**5.5**	**89.0**
changes in treasury share	2.1	3.8					5.9		5.9
changes in equity investments		(0.5)					(0.5)	(0.6)	(1.1)
changes in the scope of consolidation							-	11.9	11.9
Allocation of revenues:									
dividends paid out		195.2				(195.2)	-		-
allocation to reserves		86.7				(86.7)	-		-
Balance as of 31 March 2019	**1,467.4**	**1,207.4**	**(24.2)**	**(29.7)**	**-**	**124.2**	**2,745.1**	**202.1**	**2,947.2**
Balance as of 31-Dec-19	**1,474.8**	**1,019.7**	**(37.9)**	**(33.8)**	**-**	**385.7**	**2,808.5**	**201.5**	**3,010.0**
Revenues for the period						124.4	124.4	5.9	130.3
Other components of comprehensive income:									
fair value of derivatives, change for the period			(33.2)				(33.2)		(33.2)
fair value of derivatives, change for the period					(5.1)		(5.1)		(5.1)
Overall revenues for the period	**-**	**-**	**(33.2)**	**-**	**(5.1)**	**124.4**	**86.1**	**5.9**	**92.0**
changes in treasury share	(2.9)	(5.0)					(7.9)		(7.9)
changes in equity investments							-	(1.2)	(1.2)
other movements		1.3					1.3		1.3
dividends paid out		166.3				(166.3)	-		-
allocation to reserves		219.4				(219.4)	-		-
Balance as of 31 March 2020	**1,471.9**	**1,401.7**	**(71.1)**	**(33.8)**	**(5.1)**	**124.4**	**2,888.0**	**206.2**	**3,094.2**

2.01.05
SYNTHETIC EXPLANATORY NOTES

Accounting policies

As set forth in article 82-ter "Informazioni finanziarie periodiche aggiuntive" (additional periodic financial information) of the Issuers' Regulation, the Hera Group has voluntarily decided to publish the consolidated three-month report as of 31 March 2020.

This consolidated three-month report was not prepared in accordance with what outlined in the accounting principle regarding the sub-annual financial statement (IAS 34 "Interim Financial Reporting"), even though it was prepared in accordance with accounting standards with reference to the consolidated financial statements at 31 December 2019.

The preparation of this three-month report required estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities as of the reporting date. If, in the future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give an accurate representation of management operations. It should also be noted that certain valuation processes, specifically the more complex ones such as establishing any impairment of non-current assets, are generally carried out fully only for the preparation of the annual financial statements, except in cases where there are impairment indicators that require an immediate impairment test.

Income taxes are reported on the basis of the best estimate of the weighted average tax rate anticipated for the full financial year.

The data included in this consolidated three-month report are comparable to the same data of the previous periods.

Financial statement formats

The formats used are the same as those used for the consolidated financial statements as of and for the year ended 31 December 2019. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this presentation, which is also used by our major competitors and is in line with international practice, best represents the company's results. The other components of comprehensive income are shown separately in the statement of changes in equity. The Statement of financial position makes the distinction between current and non-current assets and liabilities. The cash-flow statement has been prepared using the indirect method.

In the financial statements any non-recurring costs and revenues are indicated separately.

The financial statements contained in this consolidated three-month report are expressed in millions of euros through a decimal, unless otherwise indicated.

Scope of consolidation

The consolidated financial statements as of 31 March 2020 include the financial statements of the parent company Hera Spa and those of its subsidiaries. Control is obtained when the parent company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Equity investments in joint ventures in which the Hera Group exercises joint control with other companies as well as the companies over which the Group exercises significant control are consolidated with the equity method.

Small-scale subsidiaries are excluded from overall consolidation and valued at fair value recorded in other items of the comprehensive income statement.

The lists of the companies included in the scope of consolidation are shown at the end of these notes.

Changes in the scope of consolidation

On 26 February 2020, Sviluppo Ambiente Toscana Srl sold its shares, amounting to 39.5%, in the affiliated company Q.Thermo Srl.

Changes in equity investments

On 30 March 2020, AcegasApsAmga Servizi Energetici Spa purchased from Meta Srl a number of shares equal to 9.72% of Hera Servizi Energia Srl, thus increasing its stake from 57.89% to 67.72%.

Other corporate operations

With effect from 1 January 2020, Alimpet Srl was merged by incorporation into Aliplast Spa and A Tutta Rete Srl, in liquidation, was merged into Inrete Spa.

Earnings per share

The following is a statement of earnings per share, calculated in relation to profit or loss attributable to holders of ordinary shares of the parent company.

	31-Mar-2020 (3 months)	31-Mar-2019 (3 months)
Profit (loss) for the period attributable to holders of ordinary shares of the parent entity (A)	124.4	124.2
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,472,618,745	1,468,078,654
diluted (C)	1,472,618,745	1,468,078,654
Earnings (loss) per share (in euro)		
basic (A/B)	**0.084**	**0.085**
diluted (A/C)	**0.084**	**0.085**

Other information

This three-month consolidated financial statement as at 31 March 2020 was drawn up by the Board of Directors and approved by the same at the meeting held on 13 May 2020.

2.02
LIST OF THE CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euro) (*)	Percentage held		Total interest
			direct	indirect	
Parent company: Hera Spa	Bologna	1,489,538,745			
Acantho Spa	Imola (BO)	23,573,079	80.64%		80.64%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasApsAmga Servizi Energetici Spa	Udine	11,168,284		100.00%	100.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sarl	La Wantzenau (France)	25,000		75.00%	75.00%
Aliplast Iberia SL	Calle Castilla -Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spoo	Zgierz (Poland)	1,200,000 PLN		75.00%	75.00%
Amgas Blu Srl	Foggia	10,000		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Ascopiave Energie Spa	Pieve di Soligo (TV)	250,000		100.00%	100.00%
Ascotrade Spa	Pieve di Soligo (TV)	1,000,000		89.00%	89.00%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Lev		100.00%	100.00%
Blue Meta Spa	Pieve di Soligo (TV)	606,123		100.00%	100.00%
Cosea Ambiente Spa in liquidation	Castel di Casio (BO)	477,526	100.00%		100.00%
EstEnergy Spa	Trieste	266,061,261	1.00%	99.00%	100.00%
Etra Energia Srl	Cittadella (PD)	100,000		51.00%	51.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
Hera Comm Spa	Imola (BO)	53,595,899	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		84.00%	84.00%
Hera Comm Nord Est Srl	Trieste	1,000,000		100.00%	100.00%
Hera Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		67.61%	67.61%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		46.70%	46.70%
Pistoia Ambiente Srl	Serravalle Pistoiese (PT)	1,000,000		75.00%	75.00%
Sviluppo Ambiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%

in liquidation					
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

Jointly controlled companies

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%

Affiliated companies

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
ASM SET Srl	Rovigo	200,000		49.00%	49.00%
Set Spa	Milan	120,000	39.00%		39.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Sinergie Italiane Srl in liquidation	Milan	1,000,000		31.00%	31.00%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

**The company's share capital consists of 67,577,681 euro of ordinary shares and 10,450,000 euro of related shares.

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Share capital Euro 1.489.538.745 fully paid up
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