



CONSOLIDATE QUARTERLY REPORT

as at 31 March 2021



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MISSION

HERA'S GOAL IS TO BE THE BEST MULTI-UTILITY IN ITALY

for its customers, workforce and shareholders. It aims to achieve this by further developing an original corporate model capable of innovating and forging strong links with the areas served, while 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 company will continue to generate economic value in full respect of social responsibility principles.



OUR SUPPLIERS,

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



THE LOCAL AREAS SERVED,

because economic, social and environmental wealth represents the promise of a sustainable future.

STRATEGY



Hera pursues a multi-business growth strategy focused 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, which lays the foundations for a path of steady growth even when facing increasingly frequent systemic crises.



The Group is distinguished by its search for excellent and innovative management models that embody the principles of a **circular economy** and the pursuit of **carbon neutrality**, making the most of the emerging technological innovations that ever more decisive in ensuring increasing efficiency and resilience in assets and services.

In much the same way, the Group's strategy continuously improves long-term **risk and opportunity** assessment and management, as required to guarantee the **fundamental services**

it provides to the public 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 in which stakeholders are invited to play an increasingly active role.

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, to further consolidate the close links with the area served that have distinguished the Group since its establishment. Constant communications 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 **Code of ethics**, ensure that all those interacting with Hera have their expectations satisfied.



For further information, consult the **Corporate Governance Report**



BOARD OF DIRECTORS						BOARD OF STATUTORY AUDITORS	INDEPENDENT AUDITING FIRM
MEMBER	OFFICE	EXECUTIVE COMMITTEE	REMUNERATION COMMITTEE	INTERNAL CONTROL AND RISKS COMMITTEE	ETHICS AND SUSTAINABILITY COMMITTEE	CHAIRMAN	DELOITTE & TOUCHE SPA
Tomaso Tommasi di Vignano	Executive Chairman	C				Myriam Amato	
Stefano Venier	CEO	M					
Gabriele Giacobazzi*	Vice Chairman	VC	C		C		
Fabio Bacchilega*	Member		M			Antonio Gaiani	
Danilo Manfredi	Member					Marianna Girolomini	
Alessandro Melcarne	Member	M					
Lorenzo Minganti*	Member				M		
Monica Mondardini*	Member		M				
Erwin P.W. Rauhe°	Member				M		
Manuela Cecilia Rescazzi*	Member						
Paola Gina Maria Schwizer*	Member				M		
Federica Seganti	Member					C	
Bruno Tani*	Member						
Alice Vatta*	Member		M			M	
Marina Vignola	Member						
						Filippo Maria Bocchi	
						Cristiana Rogate	

KEY

- C Chairman of the Committee
- VC Vice Chairman of the Committee
- M Member of the Committee
- * Newly appointed

° Lead Independent Director



1.01 TRENDS AND CONTEXTS, STRATEGIC APPROACH AND GROUP MANAGEMENT POLICIES

Trends and contexts

Economy and finance: closing data and projections

Economic activity recovered considerably in the fourth quarter of 2020, followed however by a slowdown due to increasing Covid-19 infections, which, in any case, did not prevent all major advanced economies from recording above expansion-rate manufacturing-related performances in the first quarter of 2021. The services sector in particular, one of the most affected by the pandemic, shows weak growth prospects in the euro area, while more robust indicators have appeared for the US and the UK. Inflation in the world's main advanced economies rose overall, but still remains low, and for this reason the main central banks have confirmed an expansionary orientation in their monetary policies. Due to delays in vaccination campaigns and the spread of new variants of the virus, short-term growth prospects still reflect the uncertainties associated with the ongoing pandemic. In particular, medium-term prospects show the benefits of monetary and fiscal policy support and continued vaccination campaigns, but the timing and scope of recovery remain uncertain. According to the baseline scenario released by the International Monetary Fund (IMF) in April, global output should grow by 6% in 2021, reaching higher than pre-pandemic levels by the end of the year, and by 4.4% in 2022.

With particular reference to the euro area, in order to ensure full support for the economy and inflation and to ensure favourable financing conditions for each sector, i.e. to prevent the rise in yields observed on international markets from resulting in prematurely tightened financial conditions (not justified, that is, by the current economic outlook), in the second half of March and in the current quarter, the European Central Bank broadened and prolonged its monetary stimulus and increased the pace of securities purchases under the Pandemic Emergency Purchase Programme (PEPP) compared to the early months of the year. According to the projections released by the European Central Bank in March, GDP should grow by 4% in 2021 and 4.1% in the following year. According to preliminary data, inflation stood at 1.3%, on a twelve-month basis, in March; the increase compared to the end of 2020 reflected, in addition to the trends in the energy sector, a number of non-recurring factors, whose impact should be offset during the course of this year. The PEPP will continue to be used flexibly and strongly in order to maintain favourable financing conditions and counter the impact of the pandemic on inflation, whose prospects remain weak.

The context in Italy

As regards the context in Italy, the most recent data provided by the IMF shows that in the first three months of the current year GDP remained unchanged, affected by the restrictions on movement and other measures intended to counter the Covid-19 epidemic following a new rise in infections. In particular, the strength seen in industry was accompanied by an enduringly weak performance in services. While consumption remained weak, the performance shown by investments and exports was more positive. The propensity to save remains high and household spending is still partly restrained by fear over future developments in infections.

The Italian Government has dedicated additional resources to strengthening the vaccination plan and other initiatives intended to counter the pandemic in the area of healthcare. Within the context of the European Union's financial instrument for recovery (Next Generation EU), the Government has prepared the National Recovery and Resilience Plan (PNRR); according to the initial indications, the available resources should amount to almost 192 billion euro. The forecast for macroeconomic trends included in the 2021 Budget Law projects an annual GDP growth rate for 2021 (which incorporates the PNRR) coming to 4.1%, revised downwards compared to previous estimates due to recent figures concerning the epidemic.

Changes in prices and financial markets

Consumer prices, which had taken a negative turn in the final months of 2020, rose to 0.7% in the harmonised index in March; this rebound is explained by data collection difficulties in March last year and upward pressure on production prices, especially due to the recovery in energy prices and shortages of components and materials in global value chains.

In the first quarter of the year, conditions on Italian financial markets were favourable and government bond yields were contained; the reduction in the sovereign risk premium and the decisions made by the European Central Bank offset the upward pressure coming mainly from the US market. The spread compared to ten-year German government bond yields remained almost unchanged, lower than prior to the pandemic. Italian share prices rose in line with those of the euro area.

**Energy sector:
prices,
consumption
and demand**

Greater strength shown by industry and favourable temperatures resulted in higher prices for gas and consequently electricity. In the first quarter of 2021, the Day-before energy market (MGP) showed a price increase coming to 50% compared to the same quarter of 2020. According to the data processed by the national grid transmission company (Terna), electricity consumption in the quarter showed recovery compared to the same period last year (+2.1%), rising from 77 TWh to 78.6 TWh, with an increase in March alone of 11.8% (compared to the same month in 2020). During the quarter, 85.6% of demand was met by domestic production, which increased compared to the same period in 2020 by 1.4%, reaching 67.3 TWh, while the foreign balance stood at 12 TWh.

In the first quarter of 2021, net domestic production from renewable sources amounted to 40.7% of total net production, with a volume of 27.4 TWh, higher than the 25.7 TWh produced in the first quarter of 2020. The amount of consumption satisfied by renewables came to 34.9%, up compared to the volumes recorded at 31 March 2020, with the exception of geothermal and photovoltaic production, which suffered an overall decrease of -0.3 TWh, offset by the substantial increase in hydroelectric production (+15.9%) and wind power (+7.4%). The reduction in thermoelectric production compared to the same quarter last year was minor, -0.7 TWh.

The price index for natural gas at the Dutch hub (TTF), taken as a reference for the prices on European short-term spot markets, showed an increase in the first quarter of 2021 coming to 90% compared to the first quarter of 2020. The information made available by the manager of the national gas transmission network (Snam Rete Gas) for the same quarter also showed a 5.3% increase in natural gas consumption compared to the same quarter of the previous year, from 23.9 billion cubic metres to 25.1 billion cubic metres. The most significant increase in consumption consisted in civil demand, which stood at 14.7 billion cubic metres, up 6.7% on the first quarter of the previous year, and electricity generation, with volumes reaching 6.4 billion cubic metres and a 2.7% increase over the same quarter in 2020. Finally, consumption for industrial purposes remained in line with 2020, at around 3.7 billion cubic metres. During the quarter, 68.5% of demand was met, in terms of gas injected into the network, by imports, 28% by storage and the remainder by domestic production.

**Regulated
businesses
and updates**

As regards regulated businesses, no significant new regulations appeared, except for the confirmation of the extraordinary measures aimed at managing the current emergency resulting from the Covid-19 pandemic and measures for the integrated waste service and the integrated water service. For more details on the regulatory framework affecting the Group, see paragraph 1.01.01 "Trends and contexts", "Businesses and regulations" section, of the Directors' report at 31 December 2020.

The Regulatory Authority for Energy, Networks and the Environment (Arera) implemented (Resolution 63/2021/R/com) the methods for applying the "new" system for automatic recognition of social bonuses (electricity, gas and water) for those experiencing economic hardship, introduced by Legislative Decree no. 124/19, converted into Law no. 157/19. As of 1 January 2021, in order to obtain the benefits to which one is entitled based on current income and household assets (including the aforementioned bonuses), the party concerned may simply fill out a Dichiarazione sostitutiva unica (Dsu) for ISEE purposes, without the need to submit (as was previously the case) a special application to receive these benefits, which will continue to be provided by retail energy sellers and integrated water service operators (with system charges for these operators). Due to this reform, the institutions expect a significant increase in the amount of bonuses for economic hardship granted.

As far as the integrated waste service is concerned, the local authority in question retains the right to request a financial advance from the Cassa per i Servizi Energetici e Ambientali (Csea) for lower revenues deriving from the application of subsidies for non-household users. In the first quarter of 2021, by way of resolution no. 138/2021/R/RIF, Arera also initiated the procedure for defining the waste tariff method for the second regulatory period (MTR-2), which will make changes to the regulations set out in resolution no. 443/2019/R/rif relating to the first regulatory period, at the same

time initiating the procedure for defining tariffs for access to treatment plants, expecting them to be approved within 31 July 2021.

In order to renew regulations for metering in the integrated water service (resolution 83/2021/R/Idr), Arera has also initiated a process aimed at assessing the contribution of smart water metering, enhancing transparency towards users as to their consumption habits, introducing compensation for users in the event of a lack of attempts by the operator to take a reading, defining a uniform regulation for managing “hidden” leaks in private systems and, finally, defining and implementing, in the context of condominiums, methods for identifying individual consumption data (pertaining to the owners of the residential units).

1.02 COVID-19 EMERGENCY MANAGEMENT

The Coronavirus pandemic continues to represent a challenge for people, institutions and businesses, as regards health protection, the economic effects linked to production activities, and the social factors involved in the rapid changes seen in people's lifestyles.

In order to ensure compliance with measures intended to support services and safety, provide continuous information to company personnel and stakeholders, and implement all containment initiatives aimed at reducing the pandemic's operating and financial impact, the Group has adopted a crisis management model that is well-structured, organic and resilient in each strategic area, in addition to being constantly and proactively updated as the situation evolves. The Group's management constantly monitors the impact of the pandemic on the socio-economic fabric in which the Group operates, through weekly reporting, and rapidly takes the necessary corrective actions to mitigate or offset the negative effects of the crisis. The related reporting includes, in particular, quantitative business data (consumption recorded, volumes managed, services rendered) representing economic trends in the industrial sector, as well as data relating to customer management, to better understand the financial movements related to liquidity risk.

Various actions have been implemented by the Group to deal with the health emergency and adapt to the new context in which its operating processes take place.

In order to guarantee continuity in essential services for citizens, in compliance with the criteria of safety, reliability and efficiency, the operations and maintenance programmes for networks and plants are managed within the limits established by emergency regulations. Physical contact takes place only in activities that are essential for service continuity and for which the physical presence of personnel is concretely necessary. In order to guarantee service continuity to customers, adequate prevention and protection measures for workers and users have been maintained at help desks, and previously existing telephone and digital channels have been enhanced. Customers are encouraged to use digital channels, for taking readings as well. Arera has adopted specific regulatory measures to protect users of the electricity, gas and integrated water services (for further details, see section "Businesses and regulations" in paragraph 1.01 "Trends and contexts" of the Directors' Report at 31 December 2020). Street sanitation and dedicated services for collecting waste produced by Covid-19 positive or quarantined citizens continued, based on agreements with municipal authorities.

In order to prevent critical issues from arising along the supply chain, the categories defined as essential for the Group's activities have been kept active. The employee protection measures identified by Hera also continue to be required of suppliers who collaborate with the Group. The criteria for access to premises remain restricted and limited to situations of necessity. In order to support small and medium businesses that hold credits for supplies or services, and to allow these companies to have an additional source of financing, the Group also continues to be willing to pay the receivables owed to them, providing all support necessary to finalise the related factoring transactions.

The regulatory document representing the set of prevention and protection measures adopted to counter the spread of the virus continues to be updated on the basis of trends in the pandemic, and applies updates in the national protocol signed by the social partners on 6 April in the presence of the Government. As regards the identification of risk scenarios caused by the spread of the Covid-19 virus from an Enterprise Risk Management perspective, see the paragraph entitled "Risk factors: actors, methodology and management areas" in the Directors' Report at 31 December 2020. Note, furthermore, that the Group signed the Confindustria (Confederation of Italian Industry) initiative regarding the possibility of vaccinating its employees on company premises, pending the definition of criteria and procedures by the appropriate bodies.

In accordance with the indications provided by health authorities, and in order to safeguard and protect employees, a specific procedure has been defined for managing workers with a specific fragility, i.e. those with current or previous illnesses that make them susceptible to particularly serious consequences in the event of infection. This procedure was developed with the cooperation of the doctors in question and in full respect of privacy.

Additional activities (compared to the standard ones) in cleaning and sanitising company premises continue to be intensified. Personnel (both external and employees) continue to be provided with the personal protection equipment necessary to deal with health emergencies (ex. masks to protect the respiratory tract, disinfectant gels, gloves and disposable overalls), and disinfectant gel dispensers are still found at entrances and near common areas in company premises. In company canteens and other common areas, rules of conduct provide for staggered entry times and specific logistics for space management that allow a suitable distance between people.

Services outside company premises continue to be provided in compliance with health and safety regulations for workers, including reducing travel (also by extending the “vehicle at home” mode for maintenance workers) and eliminating the use of changing rooms or, where this is not possible, revising work shifts to reduce overlaps between operating teams. Hera has maintained its Covid-19 insurance policy in place, at a cost entirely sustained by the company, for all employees infected with the virus. The policy provides, as an additional benefit, a package of guarantees and services and, in particular, provides for hospitalisation indemnity, convalescence indemnity and post-hospitalisation assistance.

In order to ensure service continuity, but also to make it easier for employees to manage their private lives, remote working has been confirmed as a structural element of the company’s work organisation, while the Group makes major efforts towards an intense use of alternative work and communication tools. Finally, the pandemic has led to a drastic reduction in business travel, with internal events also cancelled and, as a result, an exponential increase in remote meetings and virtual training rooms. In order to guarantee the security of information systems, controls on access in virtual private network (VPN) mode are constantly increasing and automatic controls are constantly evolving.

Finally, it has been confirmed that the pandemic is not expected to have any impact on the Group's business model in all its areas of operation in the medium/long term, and therefore on its ability to generate income and on its financial performance. The operating and financial targets set for 2021 are therefore confirmed, since the Group does not believe that the current conditions require a revision of its growth projections.

1.03 OVERVIEW OF OPERATING AND FINANCIAL TRENDS AND DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APMs)

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, if present, are explained below. Any operating, financial and fiscal special items, if present, are described below.

The Hera Group determines its operating indicators for the reporting period by reclassifying, within the result from special items, any significant components of income that (i) derive from non-recurring events or transactions or any transactions or events that are not frequently repeated during the usual course of business; (ii) derive from events or transactions that do not represent normal business activities.

The indicators illustrated below are used as financial targets in internal presentations (business plans) and in external presentations (for analysts and investors). They provide useful measures for assessing the Group's operating performance (overall and within each business unit), including comparisons between the reporting period in question and previous periods as regards operating profitability.

Operating APMs and investments

Ebitda is calculated as the sum of the operating income shown in the balance sheets and depreciation, amortization and write-downs.

Ebit is calculated by subtracting operating costs from operating revenues. Among operating costs, special operating items, which if present are described in the detailed table at the end of this paragraph, are deducted from amortisations and provisions.

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 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 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. For the data used in calculating investments, see the content of paragraph 1.03.

Financial APMs

Net non-current assets are calculated as the sum of: tangible fixed assets; intangible assets and goodwill; equity investments; deferred tax assets and liabilities.

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.

Provisions includes the sum of the items “employee severance indemnities and other benefits” and “provisions for risks and charges”.

Net invested capital is defined by calculating the sum of “net fixed assets”, “net working capital” and “provisions”.

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.

Sources of financing are obtained by adding together “net financial debt” and “net equity”.

**Operating-
financial
APMs**

The Adjusted net debt to Ebitda ratio, expressed as a multiple of Ebitda, is 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.

The FFO/Net debt indicator, expressed as a percentage, represents an indicator of the operating management’s ability to pay back its net financial debt.

ROI, return on net invested capital, is defined as the ratio between Ebit, as described above, and net invested capital. It is intended to indicate the ability to produce wealth through operating management, thus remunerating equity and capital pertaining to third parties.

ROE, return on equity, is defined as the ratio between net profits and net equity. It 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.

(*) 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 future expenses following revised 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).

The Hera Group's APMs are provided in the following table:

Operating APMs and investments (mn€)	March 21	March 20	Abs. change	% change
Revenues	2,271.8	2,055.8	216.0	+10.5%
Ebitda	362.0	349.2	12.8	+3.7%
Ebitda/revenues	15.9%	17.0%	(1.1) pp	+0.0%
Ebit	223.1	211.7	11.4	+5.4%
Ebit /revenues	9.8%	10.3%	(0.5) pp	+0.0%
Net profit	140.3	130.3	10.0	+7.7%
Net profit/revenues	6.2%	6.3%	(0.1) pp	+0.0%
Net investments	112.9	118.6	(5.7)	(4.8)%
Financial APMs (mn€)	March 21	December 20	Abs. change	% change
Net non-current assets	6,993.3	6,983.6	9.7	+0.1%
Net working capital	44.6	53.6	(9.0)	(16.8)%
Provisions	(657.5)	(654.9)	2.6	+0.4%
Net invested capital	6,380.4	6,382.3	(1.9)	(0.0)%
Net debt	(3,077.6)	(3,227.0)	(149.4)	(4.6)%

1.03.01 Operating results and investments

Growth reflects strategy

In 2021, the Hera Group is committed both to its usual focus on efficiently managing the services provided and to searching for opportunities for growth through external lines, as well as to the continuing actions towards increasing shared value, in line with European policies and the objectives on the UN's 2030 Agenda.

Industrial growth, through a balanced management of commercial development and participation in public tenders, the circular economy, not only as a statement of social commitment but also as a strategic driver of sustainable growth, and risk management, across the board and proactive, both in corporate strategy and integrated into the corporate culture, are the commitments that the Hera Group has made to achieve its new objectives, also turning to digitalisation and innovation as levers to support resilience.

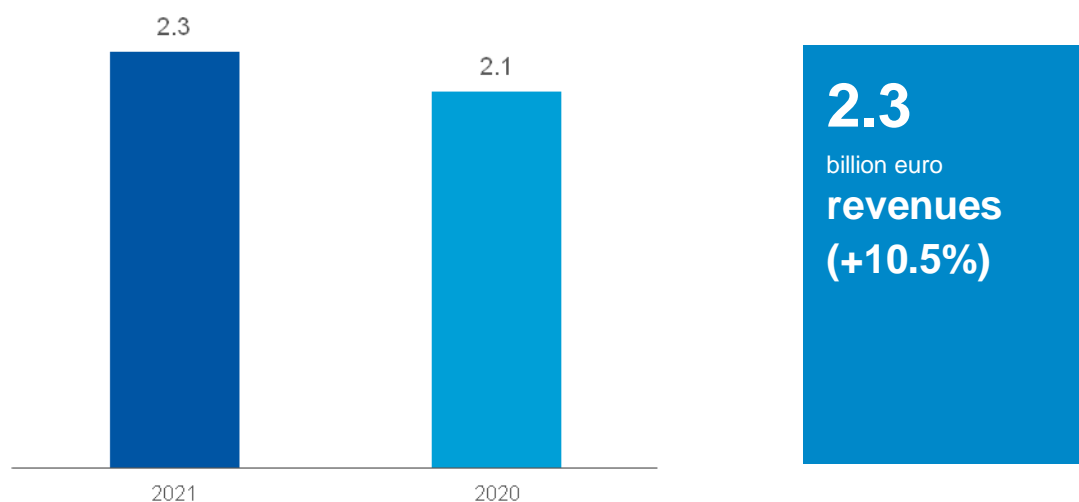
Compared to the first three months of 2020, the company Wolmann Spa, which operates in the photovoltaic panel installation sector, one of the value-added services that Hera offers to its energy customers, has been integrated into the Hera Group's scope of operations.

In addition, note the overall positive trend in the tenders awarded in last resort markets to Hera Comm Spa, details of which are provided in sections 1.04.01 and 1.04.02.

The following table shows operating results at 31 March 2021 and 2020:

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	2,271.8	0.0%	2,055.8	0.0%	216.0	+10.5%
Other operating revenues	100.7	4.4%	109.0	5.3%	(8.3)	(7.6)%
Raw and other materials	(1,209.7)	(53.2)%	(1,035.4)	(50.4)%	174.3	+16.8%
Service costs	(646.9)	(28.5)%	(627.2)	(30.5)%	19.7	+3.1%
Other operating expenses	(17.1)	(0.8)%	(12.5)	(0.6)%	4.6	+36.8%
Personnel costs	(150.1)	(6.6)%	(147.3)	(7.2)%	2.8	+1.9%
Capitalised costs	13.3	0.6%	6.8	0.3%	6.5	+94.9%
Ebitda	362.0	15.9%	349.2	17.0%	12.8	+3.7%
Amortization, depreciation and provisions	(138.9)	(6.1)%	(137.5)	(6.7)%	1.4	+1.0%
Ebit	223.1	9.8%	211.7	10.3%	11.4	+5.4%
Financial operations	(28.8)	(1.3)%	(28.7)	(1.4)%	0.1	+0.3%
Pre-tax result	194.3	8.6%	183.0	8.9%	11.3	+6.2%
Taxes	(54.0)	(2.4)%	(52.7)	(2.6)%	1.3	+2.5%
Net profit for the period	140.3	6.2%	130.3	6.3%	10.0	+7.7%
Attributable to:						
Parent company shareholders	132.2	5.8%	124.4	6.0%	7.8	+6.3%
Non-controlling interests	8.1	0.4%	5.9	0.3%	2.2	+37.2%

REVENUES (bn€)



Revenues up thanks to energy activities

Revenues increased by 216 million euro, or 10.5%, compared to the same period in 2020. With regard to the activities of the energy sectors, higher revenues came from brokerage, higher volumes of gas sold and an increase in the price of electricity, against a decline in electricity volumes sold, in the price of gas as a raw material and in revenues from off-grid transmission and system charges; as a whole, these effects contributed with roughly 174 million euro. Also note the growth in the heat management business, thanks to activities related to the facade bonus and energy efficiency works, which

contributed with roughly 20 million euro, and an increase in activities for value-added services for customers coming to roughly 3 million euro.

Revenues from the waste management sector were also up, due to higher revenues from energy production and a higher amount of waste treated, by roughly 8 million euro, as were revenues from district heating, by roughly 1.3 million euro, and revenues from regulated network services, by roughly 1.5 million euro.

Lastly, revenues from the sale of materials recovered through sorted waste collection were reclassified, from other operating revenues to revenues, coming to approximately 9 million euro.

For further details, see the analyses of each business area.

Other operating revenues decreased by 8.3 million euro, or 7.6%, compared to the previous year. This trend is mainly due to the different classification of revenues for the sale of recovered materials mentioned above, coming to 9 million euro, and lower energy efficiency grants coming to roughly 10 million euro. These figures were offset by higher revenues for Ifric12 orders amounting to approximately 13 million euro.

Costs for raw materials linked to trends in revenues

The costs of raw and other materials rose by 174.3 million euro compared to the first three months of 2020, up 16.8%. This increase is similar to the trend seen in revenues from energy activities. In addition, purchasing costs for plastic materials also increased, due to the higher volumes sold.

Other operating costs increased by 24.3 million euro overall (higher service costs amounting to 19.7 million euro and higher operating expenses coming to 4.6 million euro). These include higher costs related to heat management coming to approximately 13.5 million euro, higher costs for incremental improvements to assets under concession totalling approximately 12 million euro, higher costs for waste collection and treatment coming to roughly 5.9 million, higher costs for ICT expenses as a result of the digitalisation and innovation process that the Group is carrying out amounting to roughly 1.0 million euro and higher costs for value-added services coming to approximately 1.7 million euro. The above-mentioned growth was partly offset by lower costs for off-network transmission and system charges coming to roughly 19 million euro.

Furthermore, compared to the same period one year earlier, a resumption of works and construction activities was seen, that had been blocked at the beginning of the lockdown in March 2020 due to the Covid-19 outbreak, and higher insurance costs.

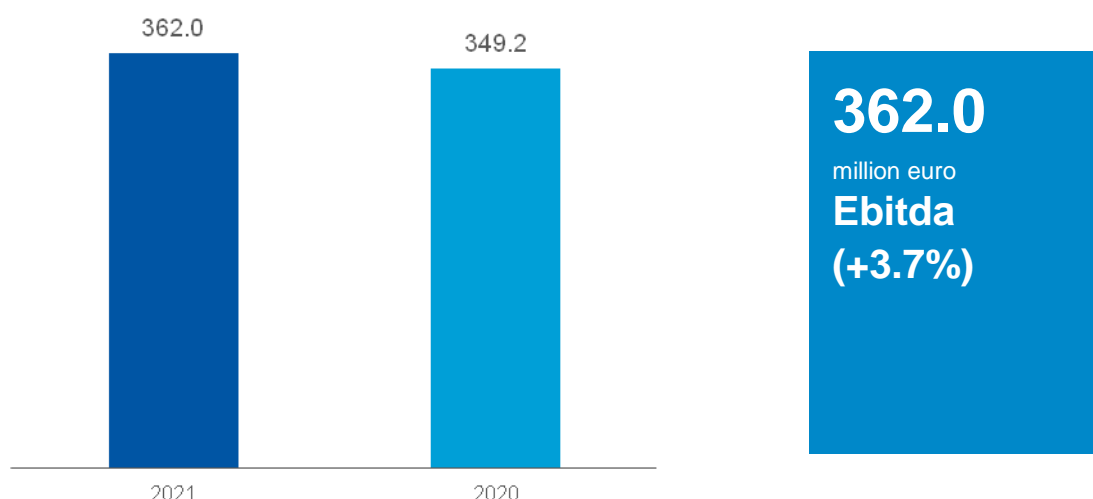
Finally, in relation to the health emergency, higher costs were seen for sanitation, cleaning and the purchase of DPI.

+1.9% increase in the cost of personnel

The cost of personnel rose by 2.8 million euro or 1.9%. This increase was linked to increases in remuneration foreseen by the National labour contract and lower benefits from the large-scale use of holiday pay introduced by the Group last year during the national lockdown.

Capitalised costs rose by 6.5 million euro, due to higher work in investments on assets owned by the Group.

EBITDA (mn€)

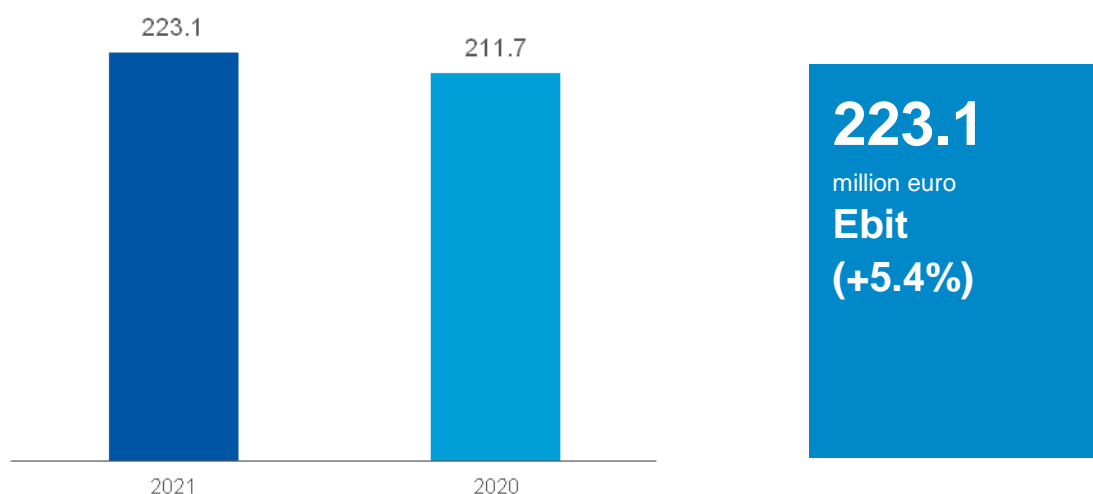


Ebitda increased by 12.8 million euro, or 3.7%. This growth in Ebitda is due to the performance of the energy areas, which grew by 12.3 million euro overall, mainly due to higher sales and brokerage margins. The other services area grew by 2.0 million euro, while the waste management area increased by 0.6 million euro. Finally, the water cycle area decreased by 2.2 million euro. For further details, see the analyses of each business area.

Higher amortisation for new investments

Depreciation, amortisation and provisions at 31 March 2021 increased by 1.4 million euro compared to the previous year, going from 137.5 million euro to 138.9 million euro. Higher amortisation for new investments was seen, partly offset by lower amortisation in the Herambiente Group due to lower quantities sent to landfills. The drop in accruals to the provision for bad debts, mainly in the sales company Hera Comm, was affected by the trend seen in tenders awarded in last resort markets.

EBIT (mn€)



Ebit increased by 11.4 million euro, or 5.4%; the increase coming from growth in Ebitda was slightly offset by higher amortisations, as mentioned above.

Financial operations increase, due to non-recurring elements

The result of financial operations at 31 March 2021 came to 28.8 million euro, up 0.1 million euro, or 0.3%, compared to 31 March 2020.

This change is mainly due to an increase coming to roughly 1.0 million euro in financial charges related to the transfer of tax credits due to the Group company Hera Servizi Energie, as part of the “ecobonus” incentive activities, mitigated by higher income for arrears indemnities on receivables from last resort market customers.

Pre-tax profit increased by 11.3 million euro, or 6.2%, for the reasons described above.

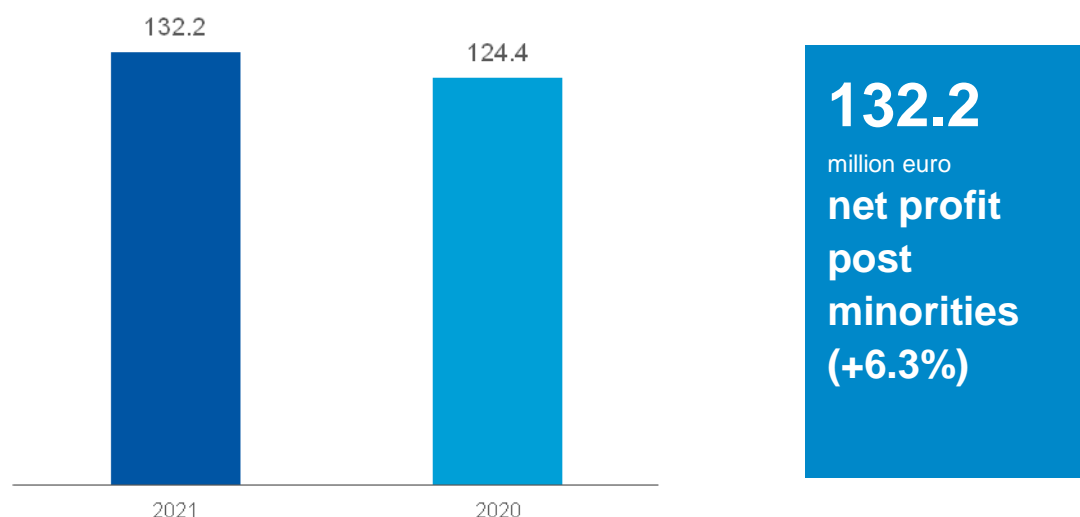
Tax rate falls

Taxes for the first quarter increased from 52.7 million euro in 2020 to 54.0 million euro in 2021. The tax rate settled at 27.8% and thus showed further improvement compared to the 28.8% seen in the previous year's first quarter. This positive result was mainly due to the benefits received in terms of maxi- and hyper-amortisation, in addition to the tax credit introduced by the 2020 Budget Law, related to the significant investments that the Group continues to make in technological, digital and environmental transformation.

+7.7% Net profit

Net profit therefore increased by 7.7%, or €10 million, due to the sum of all the events described above.

NET PROFIT POST MINORITIES (mn€)



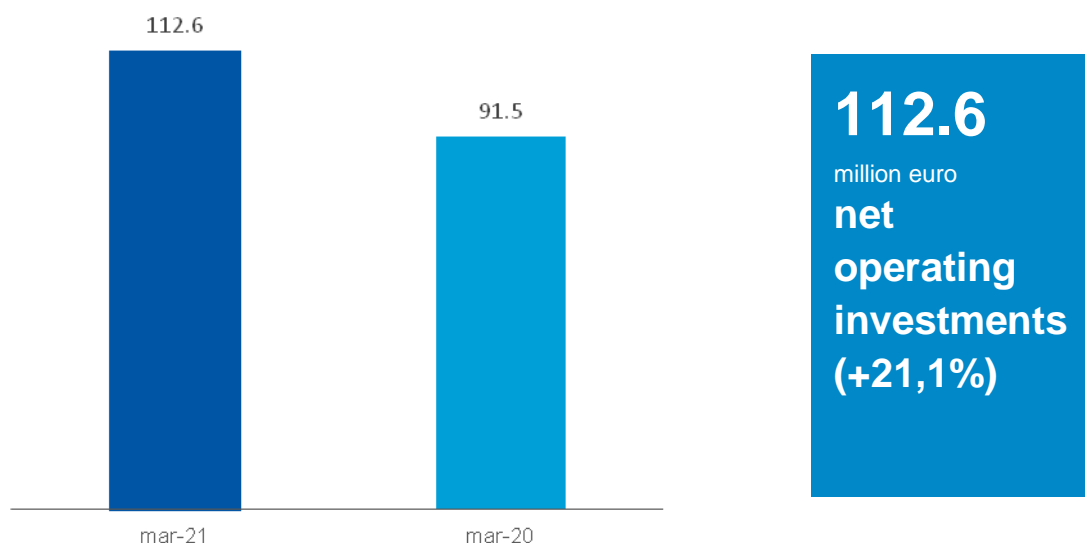
Profit attributable to the Group increased by 7.7 million euro, or 6.3%, compared to the first three months of 2020.

Net investments amount to 112.9 million euro

In the first quarter of 2021, the Group's net investments amounted to 112.6 million euro, down 5.7 million euro compared to the previous year.

Capital grants amounted to 3.7 million euro, including 3.4 million euro for FoNI investments, as foreseen by the tariff method for the integrated water service. Net operating investments amounted to 112.6 million euro, up 21.1 million euro compared to the same period of the previous year. Financial investments amounted to 0.3 million euro and decreased compared to the previous year due to the purchase during the first quarter of 2020 of a shareholding in Ascopiave Spa coming to 27.2 million euro.

TOTAL NET OPERATING INVESTMENTS (mn€)



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

Total investments (mn€)	March 21	March 20	Abs. change	% change
Gas area	31.9	24.7	7.2	+29.1%
Electricity area	12.2	10.5	1.7	+16.2%
Integrated water cycle area	42.2	35.4	6.8	+19.2%
Waste management area	12.7	9.8	2.9	+29.6%
Other services area	2.8	1.7	1.1	+64.7%
Headquarters	14.6	13.1	1.5	+11.5%
Total gross operating investments	116.3	95.1	21.2	+22.3%
Capital grants	3.7	3.6	0.1	+2.8%
of which FoNi (New Investments Fund)	3.4	2.7	0.7	+25.9%
Total net operating investments	112.6	91.5	21.1	+23.1%
Financial investments	0.3	27.2	(26.9)	+100.0%
Total net investments	112.9	118.6	(5.7)	(4.8)%

Including capital grants, the Group's operating investments amounted to 116.3 million euro, a 21.2 million euro increase compared to the previous year, and mainly concerned works on plants, networks and infrastructures. In addition, regulatory adjustments were made, especially in the gas distribution sector involving a massive meter substitution, and in the purification and sewage sector.

Comments on investments in individual areas are provided in the analyses by business area.

At headquarters, investments involved works on buildings on company premises, information systems, the vehicle fleet, as well as laboratories and remote control facilities. Overall, structural investments increased by 1.5 million euro compared to the previous year, mainly due to work on company offices and vehicle fleet renewal.

1.04.02 Financial structure and adjusted net debt

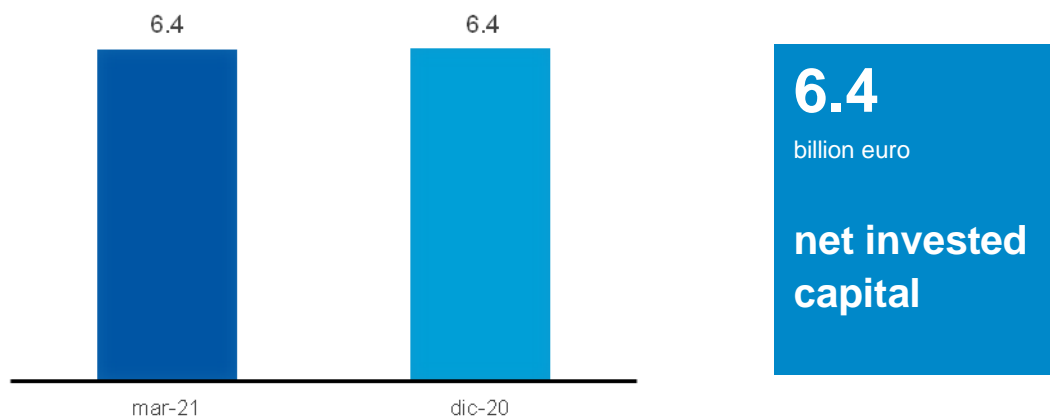
What follows in an analysis of trends in the Group's net invested capital and sources of financing at 31 March 2021.

Invested capital and sources of financing (mn€)	March 21	% inc.	December 20	% inc.	Abs. change	% change
Net non-current assets	6,993.3	+109.6%	6,983.6	+109.4%	9.7	+0.1%
Net working capital	44.6	+0.7%	53.6	+0.8%	(9.0)	(16.8)%
(Provisions)	(657.5)	(10.3)%	(654.9)	(10.3)%	(2.6)	(0.4)%
Net invested capital	6,380.4	+100.0%	6,382.3	+100.0%	(1.9)	+0.0%
Equity	(3,302.8)	+51.8%	(3,155.3)	+49.4%	(147.5)	(4.7)%
Long-term borrowings	(3,576.5)	+56.1%	(3,617.1)	+56.7%	40.6	+1.1%
Net current financial debt	498.9	(7.8)%	390.1	(6.1)%	108.8	+27.9%
Net debt	(3,077.6)	+48.2%	(3,227.0)	+50.6%	149.4	+4.6%
Total sources of financing	(6,380.4)	(100.0)%	(6,382.3)	+100.0%	1.9	+0.0%

Group
solidity
confirmed

Net invested capital (NIC) remained in line with 31 December 2020, coming to 6,380.4 million euro, confirming the positive trend in net working capital, which fell by 9 million euro.

NET INVESTED CAPITAL (bn€)



657.5
million euro
provisions

In March 2021, provisions amounted to 657.5 million euro, in line with the previous year-end figure of 654.9 million euro. This result is mainly the result of provisions for the period and adjustments to the post-mortem provisions for landfills and restoration of third-party assets, which offset outflows for uses.

3.3
billion euro
equity

Equity went from 3,155.3 million euro in 2020 to 3,302.8 million euro in March 2021, thanks to the positive net operating result of for the first three months of 2021, which came to 140.3 million euro, strengthening the Group's solidity, offset by movements in treasury shares.

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

mn€		31 March 21	31 December 20
a	Cash and cash equivalents	1,203.1	987.1
b	Other current financial receivables	25.2	32.8
	Current bank debt	(196.2)	(188.6)
	Current part of bank borrowings	(355.9)	(307.1)
	Other current financial liabilities	(158.8)	(114.0)
	Current lease payments	(18.5)	(20.1)
c	Current financial debt	(729.4)	(629.8)
d=a+b+c	Net current financial debt	498.9	390.1
	Non-current bank debt and bonds issued	(3,003.0)	(3,047.3)
	Other non-current financial liabilities (excluding put option)	(27.7)	(27.7)
	Non-current lease payments	(71.1)	(73.5)
e	Non-current financial debt	(3,101.8)	(3,148.5)
f=d+e	Net financial position	(2,602.9)	(2,758.4)
g	Non-current financial receivables	140.3	140.8
h=f+g	Net financial debt (excluding put option)	(2,462.6)	(2,617.6)
	Nominal amount - fair value put option	(460.6)	(456.4)
	Net financial debt with adjusted put option (Net debt adj put option)	(2,923.2)	(3,074.0)
	Portion of future dividends - fair value put option	(154.4)	(153.0)
	Net financial debt (Net debt)	(3,077.6)	(3,227.0)

The overall amount of adjusted net financial debt came to 3,077.6 million euro, with a 149.4 million euro decrease compared to the previous year.

The Group's financial structure shows current debt coming to 729.4 million euro, of which 355.9 million euro are related to the current part of debt, which includes 249.9 million euro linked to the nominal part of the Bond maturing on 4 October 2021, as well as 106.0 million euro related to the portion of medium-term bank loans reaching maturity within the year. The portion of current debt owed to other financial institutions amounts to 158.8 million euro, while the 196.2 million euro due to banks includes 29.9 million euro in interest payable on loans and roughly 166.3 million euro in current lines of credit.

The current portion of operating leases amounts to 18.5 million euro, while the non-current portion comes to 71.1 million euro, both falling slightly compared to the amount seen in 2020.

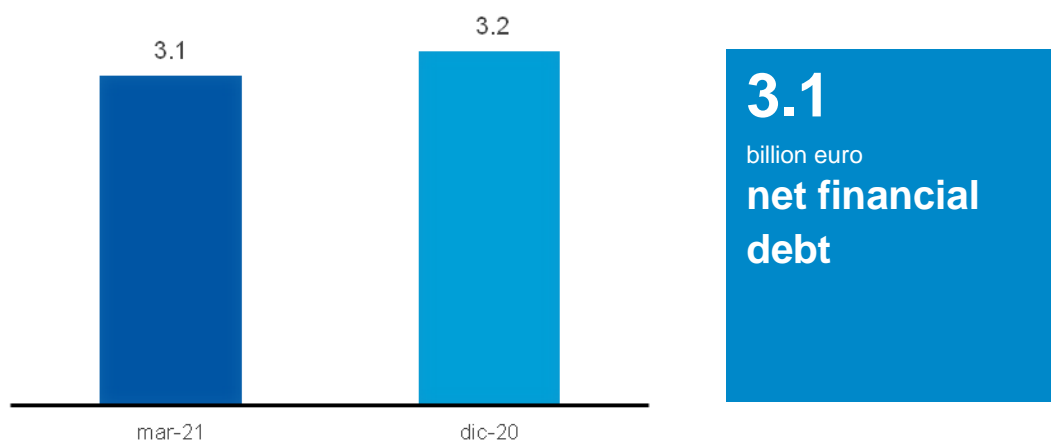
The amount relating to "non-current bank debt and bonds issued" fell compared to the previous year, due to the restatement within the current part of the 50 million euro BPER financing.

Cash and cash equivalents increased from 987.1 million euro in 2020 to 1,203.1 million euro at 31 March 2021, mainly due to the positive contribution coming from the results of operating management.

At 31 March 2021, 80.2% of medium- and long-term debt consisted in bonds with repayment at maturity. Total debt showed an average time to maturity of over six years, with 63.7% of debt maturing after five years.

Net financial debt fell by 149.4 million euro, going from 3,227.1 million euro in 2020 to 3,077.6 million euro in 2021, thanks to the positive contribution coming from operating management during the quarter.

NET FINANCIAL DEBT (bn€)

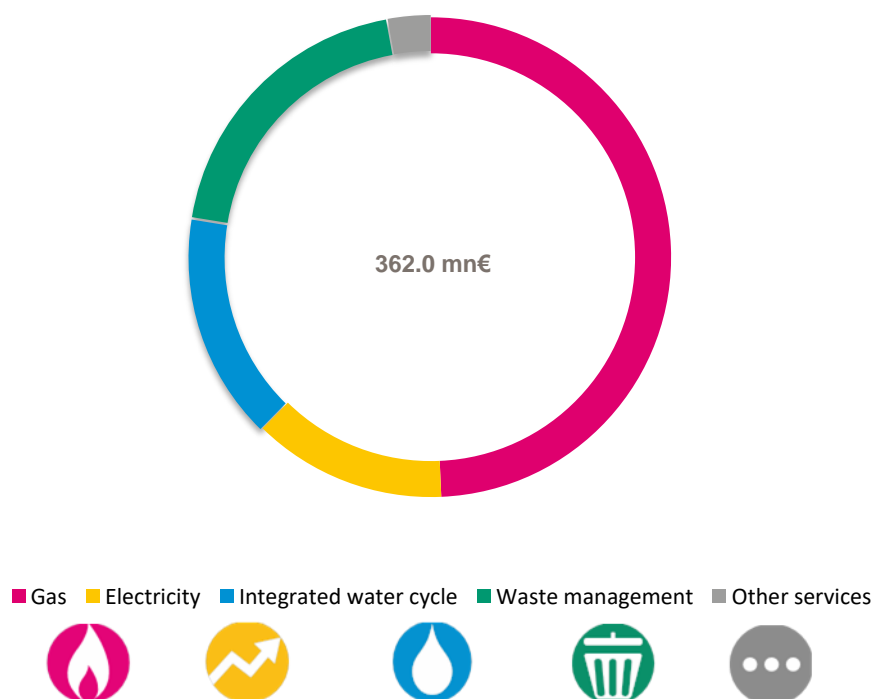


1.04 ANALYSIS BY BUSINESS AREA

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 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.

A multi-business strategy

EBITDA MARCH 2021



The contribution to Ebitda coming from the Group's various business areas reflects seasonal factors in the business areas, with the energy areas contributing with over 60%

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

The following analyses of each single 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, waste collection services and public lighting services.

1.04.01 Gas

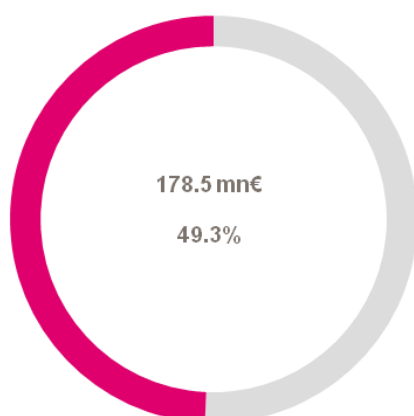
The first quarter of 2021 showed growth over the same period in 2020, in terms of both Ebitda and volumes sold. This result was achieved mainly thanks to the positive contribution coming from traditional markets and markets subject to tenders. Precisely in these latter markets, the Hera Group is increasingly consolidating its presence, achieving excellent results and demonstrating that it can play a leading role in a market with an ever-increasing number of competitors. In this regard, Hera Comm was awarded, through tenders:

Ebitda rises

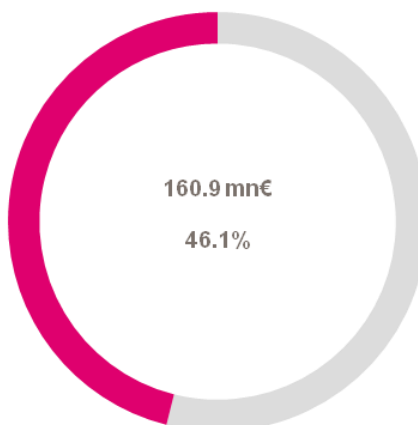
- 8 of the 9 portions of the last resort gas service (for customers providing public services or those without a supplier) for 1 October 2020 – 30 September 2021: Valle d'Aosta, Piedmont, Liguria, Trentino Alto Adige, Veneto, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria and Marche, Abruzzo, Molise, Basilicata, Puglia, Lazio and Campania. In the previous tender, Hera Comm had been awarded 4 portions out of 9;
- 5 of the 9 portions of the default gas distribution service (for customers in arrears) for 1 October 2020 – 30 September 2021: Valle d'Aosta, Piedmont, Liguria, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata and Puglia. In the previous tender, Hera Comm had been awarded 2 portions out of 9;
- 9 of the 12 portions in the Consip GAS13 tender, with which public administrations will purchase natural gas in 2021: Valle d'Aosta, Piedmont, Liguria, Friuli-V.G., Emilia-Romagna, Lombardy, Lazio, Campania, Calabria, Sicily, Basilicata and Puglia.

Alongside the above-mentioned trends, note the increase in the heat management business due to increased activities linked to insulation incentives and energy efficiency works, and the positive contribution coming from district heating.

EBITDA GAS AREA 2021



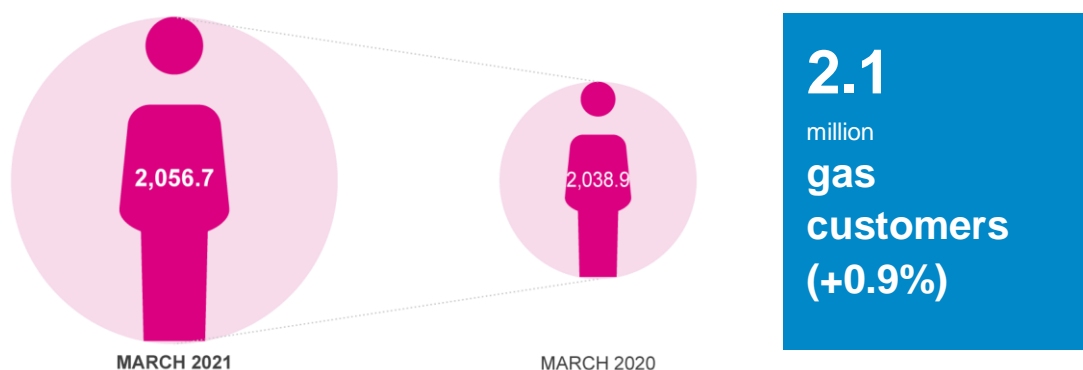
EBITDA GAS AREA 2020



The following table shows the changes occurred in terms of Ebitda:

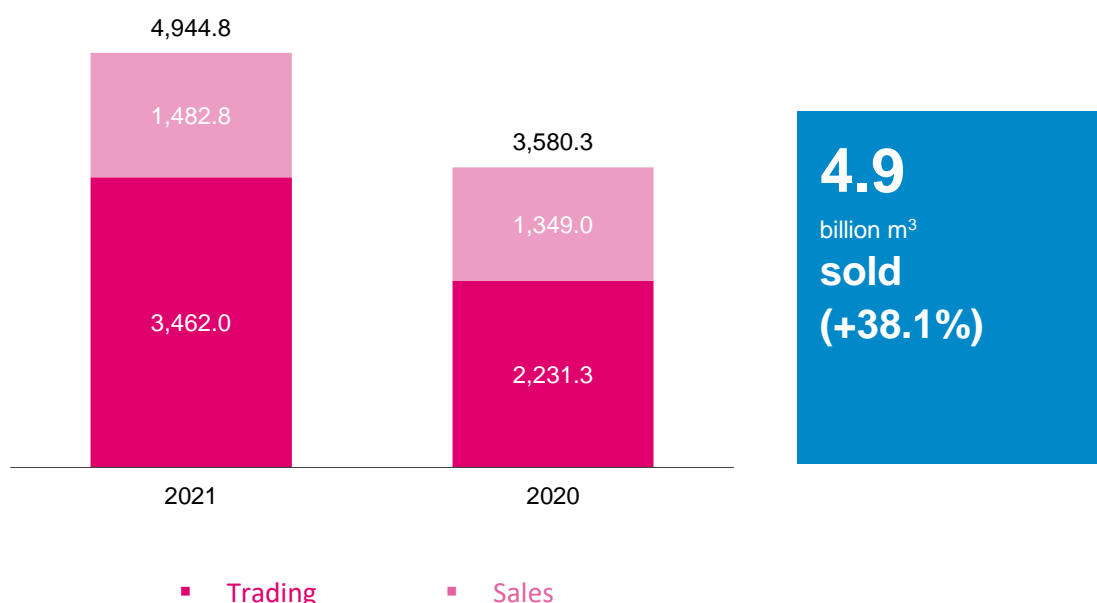
(mn€)	March 21	March 20	Abs. change	% change
Area Ebitda	178.5	160.9	17.6	+11.0%
Group Ebitda	362.0	349.2	12.8	+3.7%
Percentage weight	49.3%	46.1%	+3.2 p.p.	

CUSTOMERS (k)



The number of gas customers rose by 17.7 thousand, or 0.9%, over the previous year. The new portions awarded through tenders contributed to this increase with roughly 56 thousand customers, which more than offset the drop of roughly 38 thousand customers in the customers base in traditional markets.

VOLUMES SOLD (mn m³)

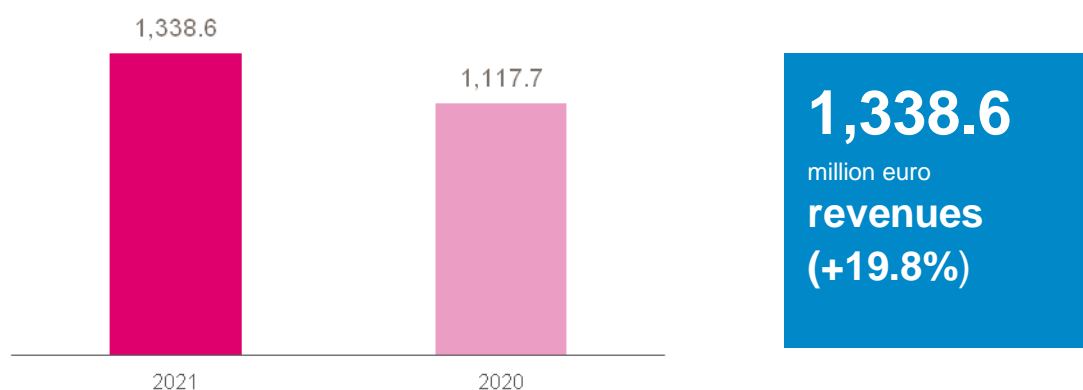


Overall volumes of gas sold increased by 1,364.5 million m³, or 38.1%. Trading volumes showed growth coming to 1,230.7 million m³, or 34.4% of total volumes, due to higher trading both abroad and on the Italian market. Volumes sold to end customers showed growth coming to 9.9% over the same period in 2020, equivalent to 133.8 million m³, thanks to the good performance on traditional markets, coming to 81.2 million m³ and the new portions of last resort market awarded through tenders, as mentioned above, amounting to 52.6 million m³.

The following table summarises operating results for the gas area:

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	1,338.6		1,117.7		220.9	+19.8%
Operating costs	(1,130.8)	(84.5)%	(926.5)	(82.9)%	204.3	+22.1%
Personnel costs	(33.7)	(2.5)%	(32.6)	(2.9)%	1.1	+3.4%
Capitalised costs	4.4	+0.3%	2.2	0.2%	2.2	+99.8%
Ebitda	178.5	13.3%	160.9	14.4%	17.6	+11.0%

REVENUES (mn€)



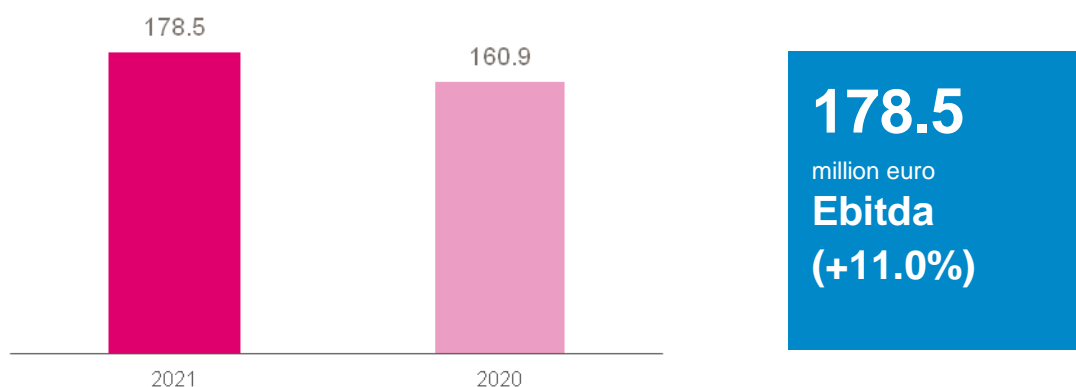
Revenues increased by 220.9 million euro or 19.8% compared to the previous year. The reasons for this mainly involve trading, which generated higher revenues coming to 177 million euro, higher volumes sold amounting to 44 million euro, higher revenues from off-network transmission and system charges totalling 18 million euro, with an equivalent effect on costs, higher revenues from the heat management business for activities related to insulation incentives and energy efficiency works coming to approximately 20 million euro and revenues from long-term contracts and third-party works amounting to 5 million euro.

This growth was contained by lower revenues due to the lower price of the gas as a raw material, coming to approximately 34 million euro, following the average trend in the first quarter of the CMEM tariff component, which decreased by 14% compared to 31 March 2020, and by the decrease in revenues from energy efficiency certificates, amounting to approximately 10 million euro.

Regulated revenues decreased by 0.8 million euro. From a regulatory perspective, since 2021 is the second year of the new regulatory period, there are no regulatory changes to note. Therefore, the slight decrease essentially corresponds to a natural update of the restriction mainly linked to Capex updates.

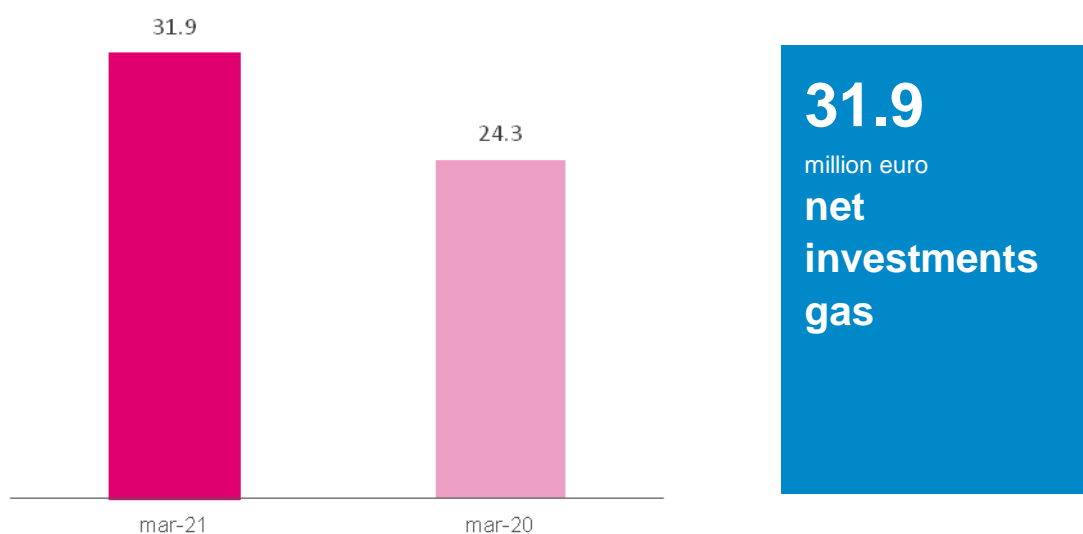
The increase in revenues was proportionally reflected by higher operating costs, which showed an overall increase of 204.3 million euro. This trend is mainly due to greater activity in heat management and trading and higher volumes sold.

EBITDA (mn€)



Ebitda increased by 17.6 million euro, or 11.0%, thanks to the new portions awarded in the last resort and Consip markets, which, together with the positive contribution coming from district heating, complemented and solidified the growth achieved in traditional markets and in the heat management business, due to the increased activities linked to insulation incentives and energy efficiency works.

NET INVESTMENTS GAS (mn€)



In the first quarter of 2021, net investments in the gas area amounted to 31.9 million euro, up 7.6 million euro compared to the previous year. In gas distribution, an overall increase of 5.3 million euro was seen, mainly due to increased interventions for the large-scale replacement of meters (Resolution 554) and extraordinary maintenance on networks and plants. In gas sales, investments coming to 2.2 million euro concerned activities related to acquiring new customers, in line with the previous year. Investments increased overall by 2.1 million euro, involving Hera Spa's district heating service and the heat management activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Requests for new connections were essentially in line with the previous year.

Details of operating investments in the gas area are as follows:

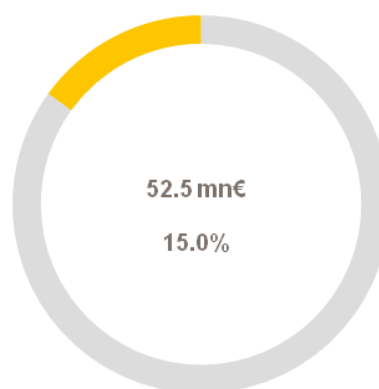
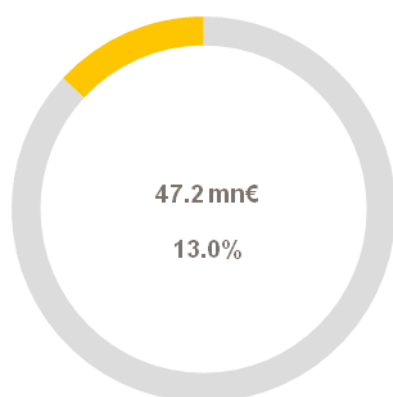
Gas (mn€)	March 21	March 20	Abs. change	% change
Networks and plants	23.8	18.5	5.3	+28.6%
Acquisition gas customers	2.2	2.2	-	+0.0%
DH/heat management	6.0	3.9	2.1	+53.8%
Total gas gross	31.9	24.7	7.2	+29.1%
Capital grants	-	0.4	(0.4)	(100.0)%
Total gas net	31.9	24.3	7.6	+31.3%

Electricity

At the end of the first quarter of 2021, Ebitda in the electricity area was down compared to the previous year. The positive result achieved in trading and the strong commercial growth supported by innovative offers, value-added services and an ever-improving customer experience for all types of customers, were unable to offset the fall in production due to the different market conditions of the dispatching service compared to the same period in 2020. Additionally, a lower result in the safeguarded market was caused by the different scope of the portions managed: as of 2021, in fact, the Hera Group manages the portion of customers in Campania, Abruzzo and Umbria, compared to 7 lots in the previous two-year period.

ELECTRICITY EBITDA 2021

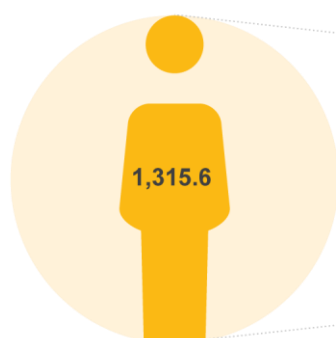
ELECTRICITY EBITDA 2020



The following table shows the changes occurred in terms of Ebitda:

(mn€)	March 21	March 20	Abs. change	% change
Area Ebitda	47.2	52.5	(5.3)	(10.1)%
Group Ebitda	362.0	349.2	12.8	+3.7%
Percentage weight	13.0%	15.0%	(2.0) pp	

CUSTOMERS (k)



MARCH 2021

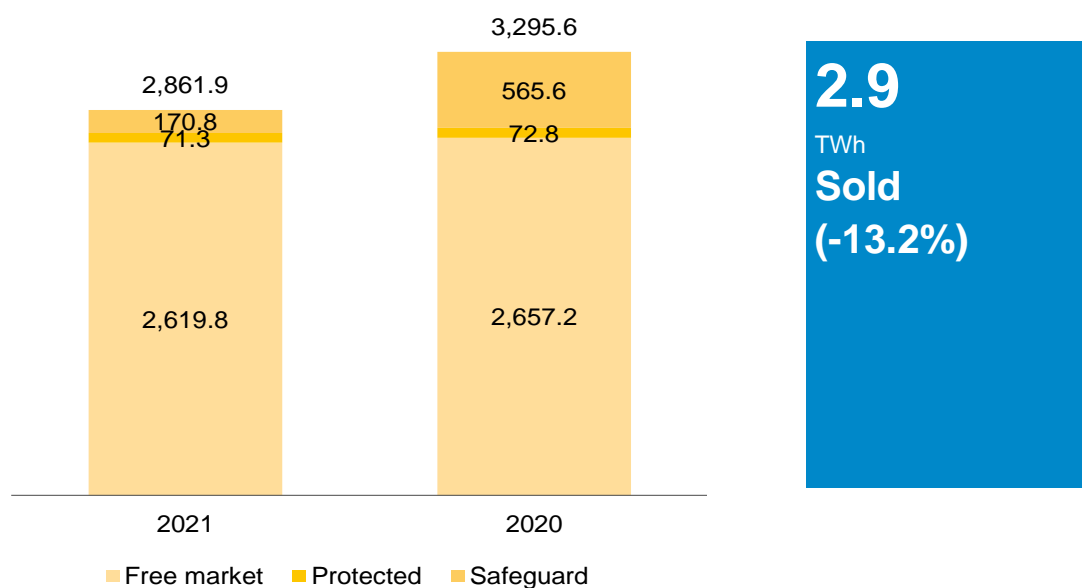


MARCH 2020

1.3
million
**electricity
customers
(+0.9%)**

The number of electricity customers increased by 0.9% (11.9 thousand customers) compared to 2020. This growth occurred on the free market, accounting for 4.5% of the total, due to the strengthening of the commercial action implemented. This growth was able to mitigate both the decline in both protected and safeguarded customers, due to the different scope of the portions managed.

VOLUMES SOLD (GWh)

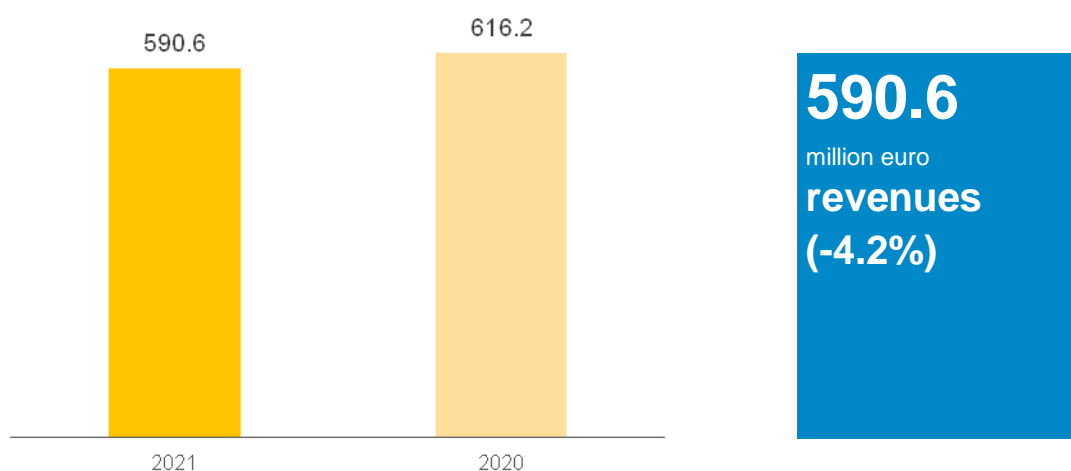


Volumes of electricity sold decreased compared to the previous year. This trend is mainly due to the drop in volumes in safeguarded services, coming to 394.8 GWh, equivalent to 12.0% of total volumes, due to the aspects mentioned above, and on traditional markets, coming to 38.9 GWh, equivalent to 1.2%.

The following table summarises operating results for the electricity area:

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	590.6		616.2		(25.6)	(4.2)%
Operating costs	(534.0)	(90.4)%	(553.4)	(89.8)%	(19.4)	(3.5)%
Personnel costs	(12.1)	(2.0)%	(12.1)	(2.0)%	-	0.0%
Capitalised costs	2.7	0.5%	1.8	0.3%	0.9	48.8%
Ebitda	47.2	8.0%	52.5	8.5%	(5.3)	(10.1)%

REVENUES (mn€)

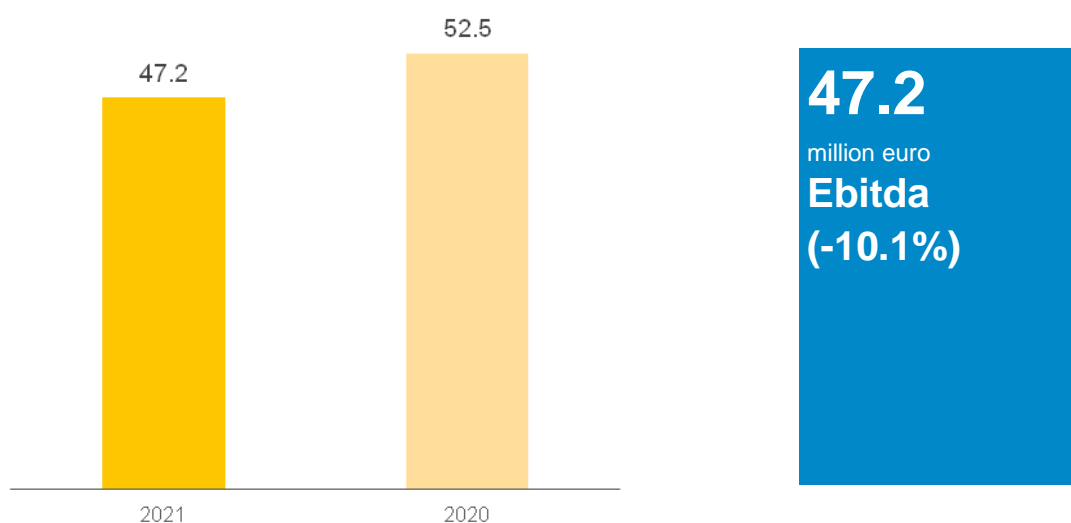


Revenues fell by 25.6 million euro, or 4.2%, compared to the same period in 2020. The main reasons for this are a decrease in volumes sold, which caused lower revenues coming to approximately 34 million euro, and lower off-network transmission revenues and system charges amounting to 40 million euro, with an equal effect on costs. This decrease was only partly offset by higher revenues from trading, coming to 13 million euro, higher raw material prices, amounting to roughly 29 million euro, higher revenues from generation coming to roughly 1 million euro and higher revenues from value-added services for customers amounting to approximately 3 million euro. These effects were partially related to the average annual performance of the PUN, which increased by 90% compared to the previous year. On an annual basis, this trend was mainly driven by electricity consumption returning to the amounts seen prior to the pandemic.

Regulated revenues were in line with the same period in the previous year. 2021 is the second year of the current regulatory period, and the changes, while limited, were therefore due to the natural updating of restrictions, which saw a weak inflation adjustment, a slight decrease in recognised operating costs and a limited tariff increase linked to Capex updates.

The fall in revenues was proportionally reflected by operating costs, which decreased by 19.4 million euro. This trend was mainly due to lower volumes, despite the sharp increase in raw material prices and growth in trading activities.

EBITDA (mn€)



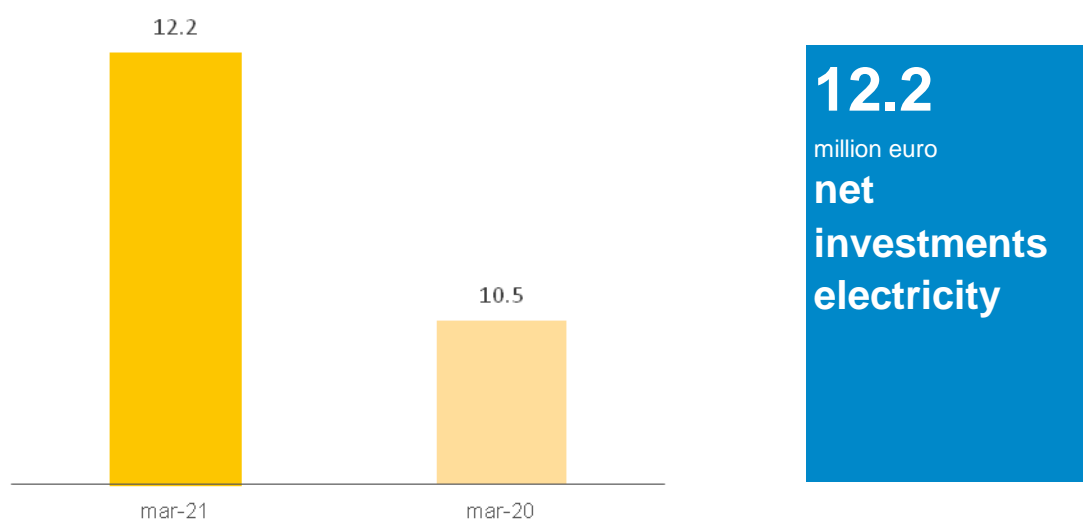
Ebitda for the year dropped by 5.3 million euro, or 10.1%, mainly due to lower generation, affected by the benefit seen during the previous year in the dispatching market during the Covid-19 lockdown. In addition, lower margins were recorded in the safeguarded market due to the different scope of the portions managed. These trends were partially contained by the positive contribution coming from trading activities and commercial expansion on traditional markets.

In the electricity area, investments in the first quarter of 2021 amounted to 12.2 million euro, up 1.7 million euro compared to the previous year.

The interventions carried out mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.

Compared to the previous year, an increase was seen in the electricity distribution sector involving non-recurring maintenance on networks and plants and for meter replacement. Requests for new connections were also up compared to the previous year, while investments in energy sales, with activities related to the acquisition of new customers, were stable.

NET INVESTMENTS ELECTRICITY (mn€)



Details of operating investments in the electricity area are as follows:

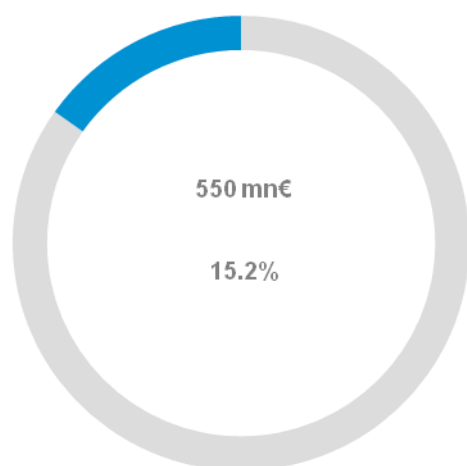
Electricity (mn€)	March 21	March 20	Abs. change	% change
Networks and plants	7.8	6.2	1.6	+25.8%
Acquisition electricity customers	4.3	4.3	-	+0.0%
Total electricity gross	12.2	10.5	1.7	+16.2%
Capital grants	-	-	-	+0.0%
Total electricity net	12.2	10.5	1.7	+16.2%

1.04.03 Integrated water cycle

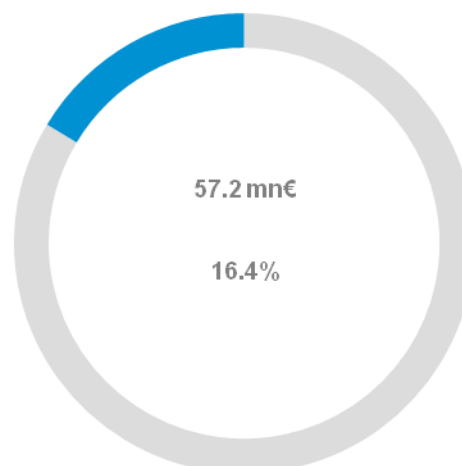
In the first quarter of 2021, the integrated water cycle area showed results that decreased slightly compared to the previous year, with a fall in Ebitda coming to 3.7%. From a regulatory point of view, note that 2021 is the second year of application of the tariff method defined by the Authority for the third regulatory period (MTI-3), 2020-2023 (Resolution 580/2019). Each operator is granted a revenue (VRG) determined on the basis of operating and capital costs, according to the investments made, with a view to increasing cost efficiency, as well as measures to promote and enhance sustainability and resilience.

Slight drop in results for 1Q 2021

WATER CYCLE AREA EBITDA 2021



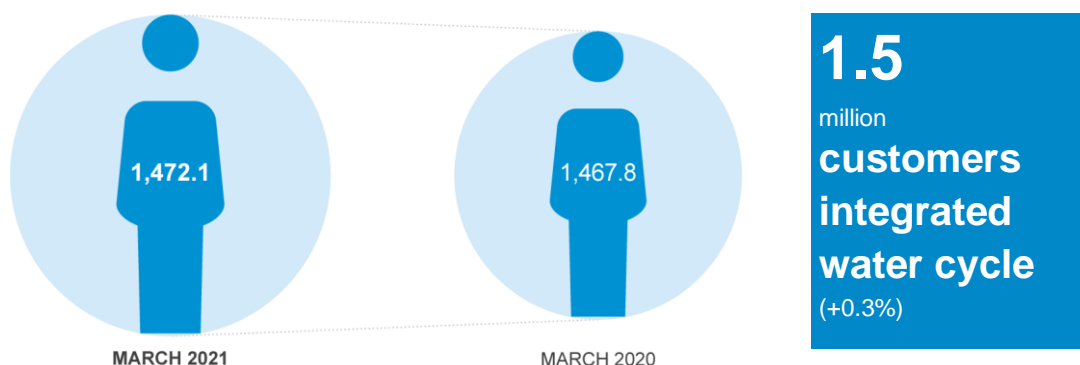
WATER CYCLE AREA EBITDA 2020



The following table shows the changes occurred in terms of Ebitda:

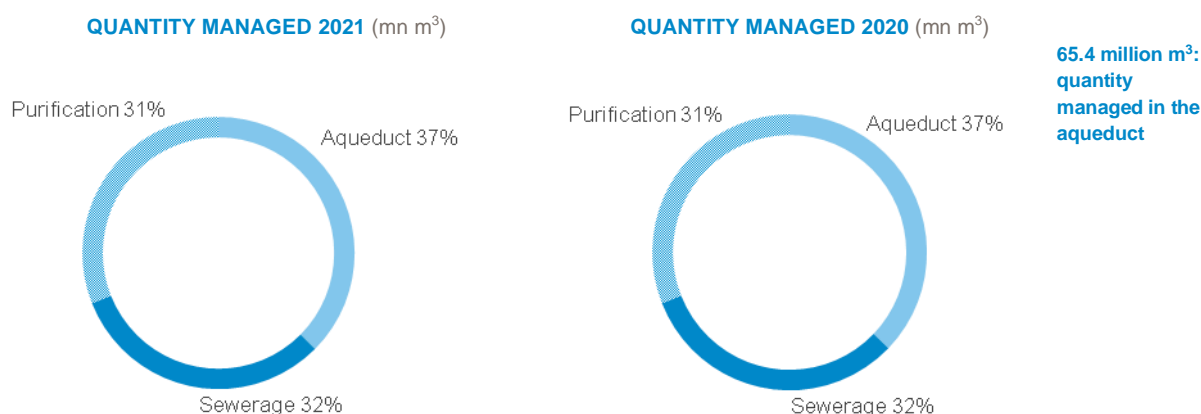
(mn€)	March 21	March 20	Abs. change	% change
Area Ebitda	55.0	57.2	(2.2)	(3.7)%
Group Ebitda	362.0	349.2	12.8	+3.7%
Percentage weight	15.2%	16.4%	(1.2) pp	

CUSTOMERS (k)



The number of water customers increased compared to the previous year by 4.2 thousand, or 0.3%, confirming the moderate trend of internal growth seen in the Group's reference areas, mainly in the Emilia-Romagna region, managed by Hera Spa.

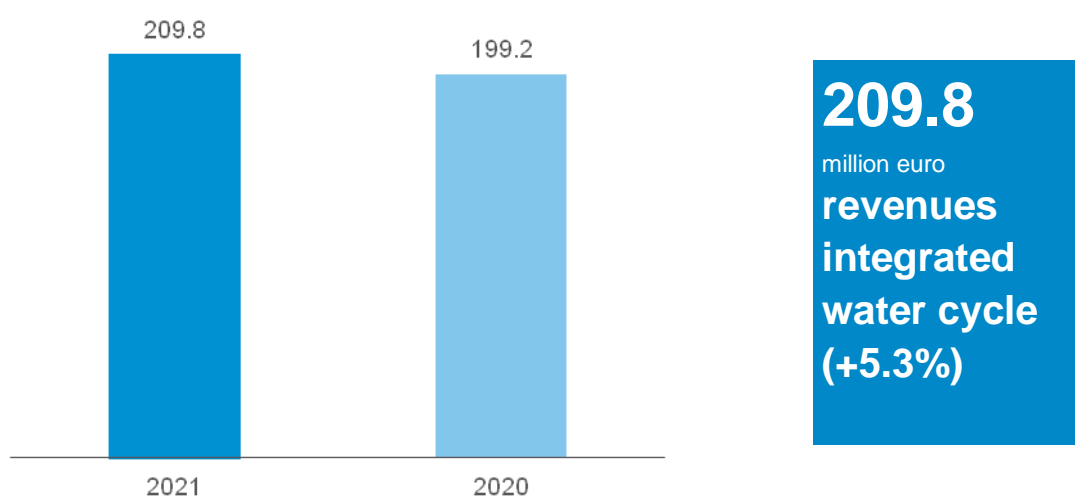
The main indicators for the area are as follows:



Volumes provided through the aqueduct amounted to 65.4 million m³, with a slight decrease coming to 1.0% compared to March 2020, corresponding to 0.6 million m³. In March 2021, the quantities managed in sewerage came to 55.5 million m³, a 1.5% decrease compared with the previous year, while purification volumes amounted to 54.5 million m³, a slight 1.8% decrease of compared to March 2020. The volumes provided, following the Authority's Resolution 580/2019, are an indicator of activity in the areas in which the Group operates and are subject to equalisation as a result of the legislation that provides for the recognition of a regulated revenue independently of the volumes distributed.

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	209.8		199.2		10.6	+5.3%
Operating costs	(110.7)	(52.8)%	(98.7)	(49.6)%	12.0	+12.2%
Personnel costs	(45.2)	(21.6)%	(44.1)	(22.1)%	1.1	+2.5%
Capitalised costs	1.2	0.6%	0.8	0.4%	0.4	+49.7%
Ebitda	55.0	26.2%	57.2	28.7%	(2.2)	(3.7)%

REVENUES (mn€)

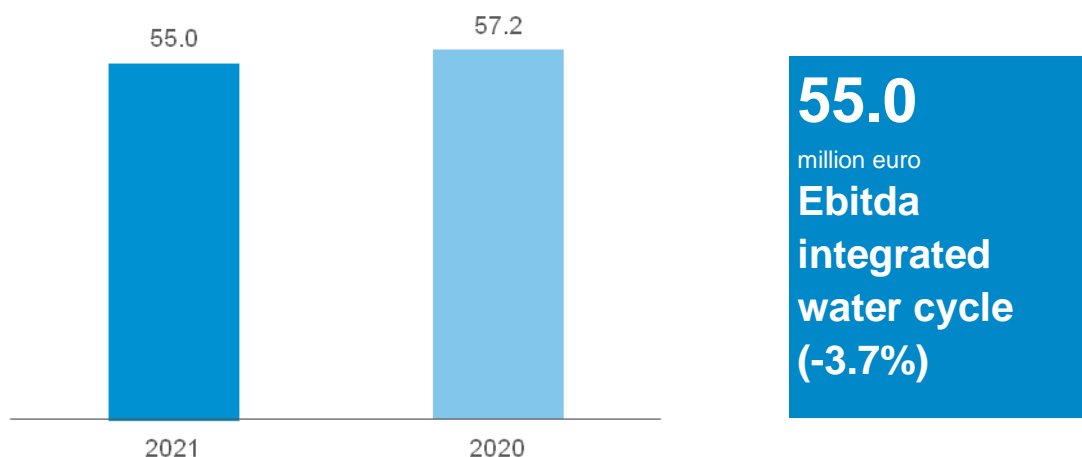


The increase in revenues was due to higher revenue from contracts and works on behalf of third parties carried out in the first quarter of 2021, coming to 7.0 million euro overall. Revenues from connections increased by 0.6 million euro and other revenues by approximately 0.6 million euro, mainly due to grants received. Revenues from dispensing increased by 1.8 million euro, mainly due to the

increase in the equalisable costs of electricity and the raw material water, and the tariff adjustment of the new method, MTI-3.

The increase in operating costs in March 2021 is mainly due to the higher costs related to the works carried out, previously described under revenues, coming to a total of 7.0 million euro, as well as higher costs for raw materials including water and electricity, amounting to approximately 2.5 million euro. Lastly, higher operating costs and costs for managing networks and plants were seen, the latter being related to the different progress of works compared to March 2020 due to the Covid-19 outbreak.

EBITDA (mn€)



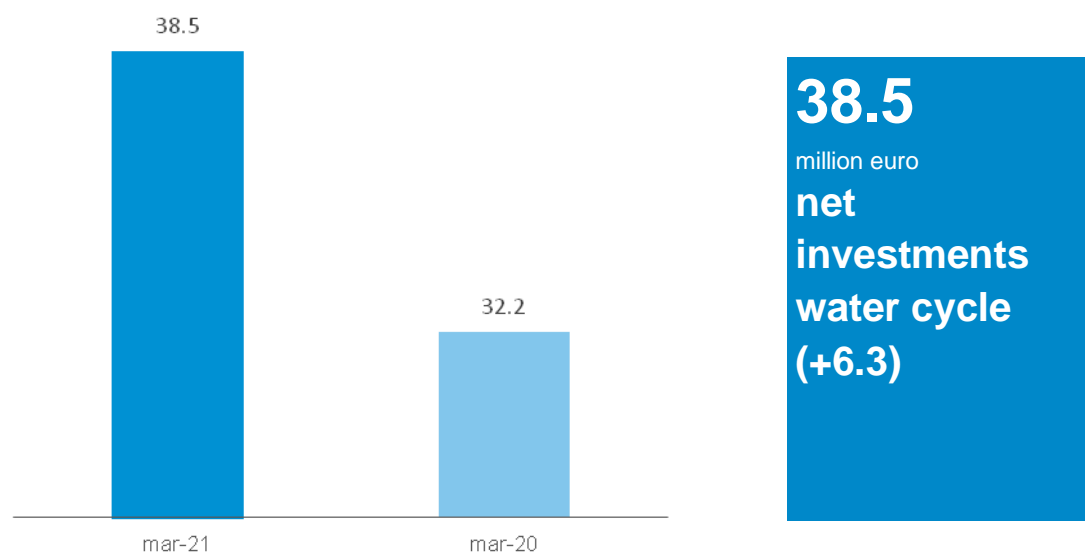
Ebitda fell slightly, by 3.7%, mainly due to higher operating and network and plant management costs, despite higher revenues from connections.

In the first quarter of 2021, net investments in the integrated water cycle area amounted to 38.5 million euro, a 6.3 million euro increase compared with the previous year. Including capital grants received, investments amounted to 42.2 million euro, up 6.8 million euro.

Investments were mainly related to extensions, reclamations and upgrading of networks and plants, as well as regulatory adjustments, especially in the water and sewerage area.

Investments amounted to 25.7 million euro in the aqueduct, 9.8 million euro in sewerage and 6.8 million euro in purification.

NET INVESTMENTS WATER CYCLE (mn€)



The main interventions include: in the aqueduct, an ongoing increase in upgrading on networks and connections, linked to Arera resolution 917/2017 on the regulation of the technical quality of the integrated water service, seismic upgrading and redevelopment of the hanging tanks areas, as well as important maintenance of the intake works on the Setta river, serving the Sasso Marconi drinking water plant; in sewerage, progress continued on the Rimini safe seawater area plan, even though in 2021 it is expected that Hera will be responsible for less work than in the previous year. Maintenance on upgrading the sewerage network in other areas also continued, as did works to adapt drains to Dgr 201/2016, which are expected to increase in 2021; in the purification sector, note the upgrades of the Lido di Classe purification plant, the revamping of the sand collectors at the IDAR purification plant in Bologna and the Gramicia purification plant in Ferrara.

Requests for new water and sewerage connections increased compared to the previous year.

Capital grants amounting to 3.7 million euro included 3.4 million euro involved in the tariff component of the tariff method for the New Investments Fund (FoNi) and were up by 0.5 million euro compared to the previous year.

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

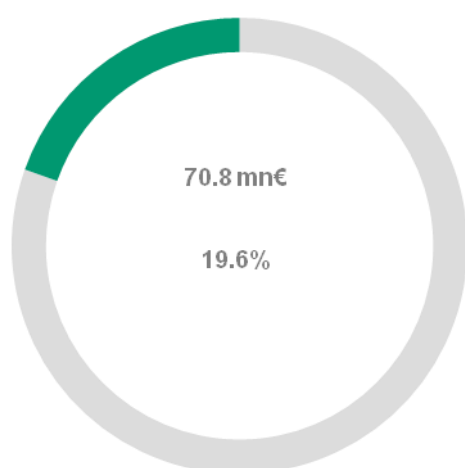
Integrated water cycle (mn€)	March 21	March 20	Abs. change	% change
Aqueduct	25.7	22.4	3.3	+14.7%
Purification	6.8	4.5	2.3	+51.1%
Sewerage	9.8	8.5	1.3	+15.3%
Total integrated water cycle gross	42.2	35.4	6.8	+19.2%
Capital grants	3.7	3.2	0.5	+15.6%
of which FoNI (New Investments Fund)	3.4	2.7	0.7	+25.9%
Total integrated water cycle net	38.5	32.2	6.3	+19.6%

1.04.04 Waste management

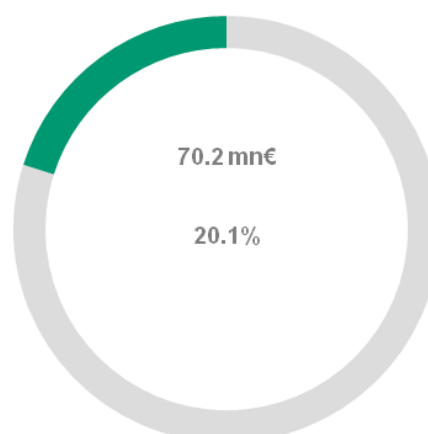
In 2021, the waste management area accounted for 19.6% of the Hera Group's overall Ebitda, with area Ebitda rising compared to 2020. The first quarter of 2021 confirmed the Group's considerable ability to react with resilience to the current market context. The breadth and variety of the customer portfolio, and the consolidation of commercial partnerships, allowed all waste treatment plants to operate at full capacity. In the recovery market, 2021 began with a upturn in the prices of virgin raw materials and a significant demand for recycled material, partially due to the growing focus on sustainable materials. Environmental sustainability was confirmed as a driver of commercial growth; in the first quarter of 2021, in fact, all the main initiatives in terms of circular economy launched in previous years continued, from the recovery of materials (such as the production of recycled polymers), to the production of renewable energy (such as biomethane) and green services offered to companies. Environmental resource protection remains a priority objective in 2021, as does the maximisation of reuse; this is demonstrated by the particular attention dedicated to increasing sorted waste collection, which was up by almost one percentage point compared to March 2020.

Ebitda
rises

EBITDA WASTE MANAGEMENT AREA 2021



EBITDA WASTE MANAGEMENT AREA 2020



The following table shows the changes occurred in terms of Ebitda:

(mn€)	March 21	March 20	Abs. change	% change
Area Ebitda	70.8	70.2	0.6	+0.9%
Group Ebitda	362.0	349.2	12.8	+3.7%
Percentage weight	19.6%	20.1%	(0.5) pp	

Volumes marketed and treated by the Group in the first quarter of 2021 are as follows:

Quantity (k tons)	March 21	March 20	Abs. change	% change
Municipal waste	522.3	513.4	8.9	+1.7%
Market waste	626.2	579.2	47.0	+8.1%
Waste commercialised	1,148.4	1,092.7	55.7	+5.1%
Plant by-products	586.8	614.1	(27.3)	(4.4)%
Waste treated by type	1,735.2	1,706.7	28.5	+1.7%

An analysis of this data shows an increase in waste commercialised coming from a rise in both municipal waste and market waste. With regard to municipal waste, the first quarter of 2021 showed growth coming to 1.7%; in particular, the quantities of sorted and unsorted waste increased, while the quantities of unsorted waste remained essentially the same.

Market volumes rose by 8.1% compared to 2020, thanks to the consolidation of existing commercial relationships and growth in the customer portfolio.

Finally, plant by-products decreased compared to the previous year, mainly due to lower rainfall.

SORTED WASTE (%)

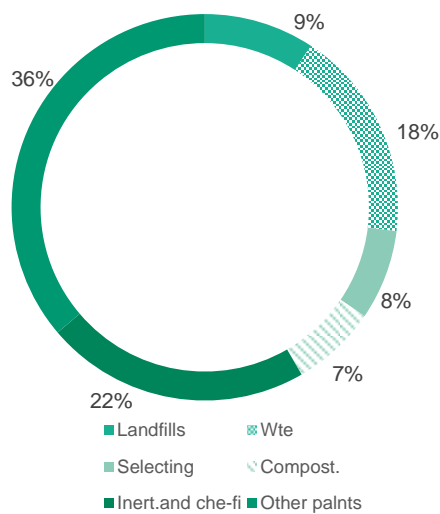


Sorted municipal waste collection in showed further progress March 2021, increasing by 0.9 percentage points compared to the previous year in all areas served by the Group.

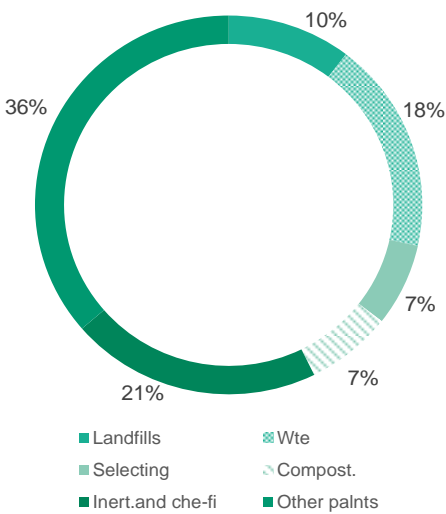
The Hera Group operates in the complete waste cycle, with 93 plants for municipal and special waste treatment and plastic material regeneration. The main plants include: 9 waste-to-energy plants, 12 composting/digesters and 14 sorting plants.

In the first quarter of 2021 as well, the care and attention given to these plants was a distinctive element of the Group's inclination towards excellence: in fact, work continued to make the plants safe and bring them into line with the best available technologies.

WASTE TREATED BY TYPE OF PLANT 2021



WASTE TREATED BY TYPE OF PLANT 2020



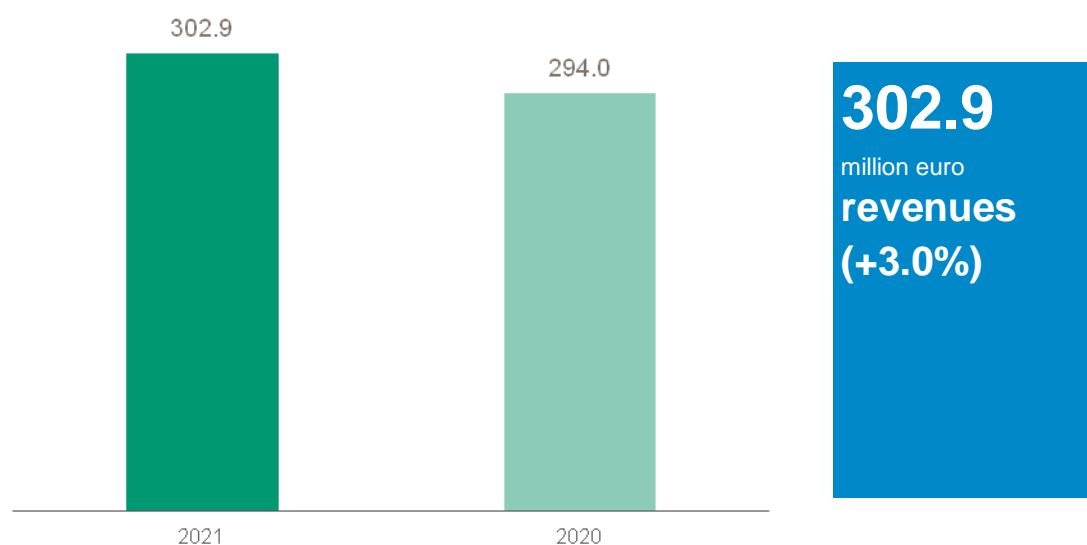
Quantity (k tons)	March 21	March 20	Abs. change	% change
Landfills	160.5	176.7	(16.2)	(9.2)%
WTE	307.6	309.4	(1.8)	(0.6)%
Selecting plants and other	130.9	120.1	10.8	+9.0%
Composting and stabilisation plants	123.8	123.1	0.7	+0.6%
Inertisation and chemical-physical plants	384.0	357.6	26.4	+7.4%
Other plants	628.5	620.0	8.5	+1.4%
Waste treated by plant	1,735.2	1,706.7	28.5	+1.7%

Waste treatment showed overall growth coming to 1.7% compared to March 2020. In this regard, note the lower quantities in landfills, particularly at the Loria, Ravenna and Cordenons plants, and due to the depletion of Sommacampagna and ASA. With regard to waste-to-energy plants, the slight decrease was mainly due to the different scheduling of plant shutdowns for scheduled maintenance compared to the same period in 2020, despite the increase in waste delivered to some plants. The increased quantities in sorting plants was due to the larger quantities processed, mainly in the Castiglione and Valtana plants. In the composting and stabilisation plants, volumes increased slightly, mainly due to increased conferral to Sant'Agata and Cesena. The greater quantities in the inertisation and chemical-physical plants were mainly due to the increase in volumes at the Pozzilli purification plant, which was not operational at the beginning of 2020. Lastly, a slight increase was seen in the other plants sector.

The following table summarises operating results for the waste management area:

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	302.9		294.0		8.9	+3.0%
Operating costs	(183.1)	(60.4)%	(172.1)	(58.5)%	11.0	+6.4%
Personnel costs	(53.6)	(17.7)%	(53.3)	(18.1)%	0.3	+0.6%
Capitalised costs	4.6	1.5%	1.6	0.5%	3.0	+190.0%
Ebitda	70.8	23.4%	70.2	23.9%	0.6	+0.9%

REVENUES (mn€)



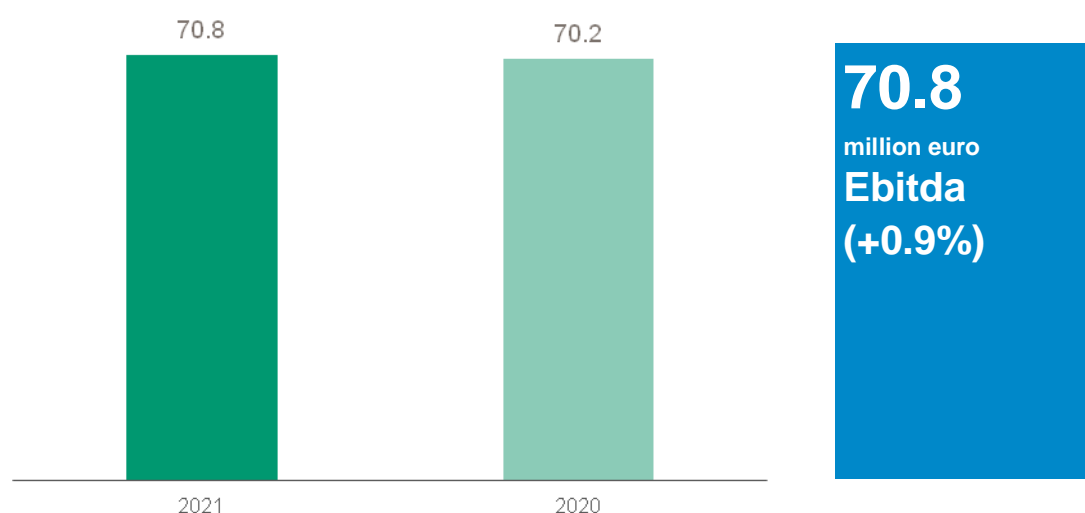
Revenues increased by 3.0% compared to the previous year. The increase in revenues from energy production was mainly due to an increase in market prices, Grin, thermal and Biomethane, despite a reduction in volumes in WTE. A higher contribution also came from Aliplast Spa, as a result of higher amount of products sold.

An increase in revenues was also related to the development of commercial and trading activities, higher revenues from municipal waste and the sale of recovered material.

Lastly, note the higher revenues coming from increased sorted waste collection in the municipal sanitisation service.

Operating costs rose by 6.4% in March 2021. In the waste treatment market, a rise in costs was due to higher volumes treated, increased commercial activities, the treatment of by-products and scheduled maintenance on Group plants. This growth was offset by lower costs due to the reduction in reclamation activities and efficiencies in operating costs. In the recovery market, the increase in PET purchase costs sustained by Aliplast Spa was linked to the trend in revenues mentioned above. With regard to municipal sanitisation, the higher costs were related to developing new sorted collection projects.

EBITDA (mn€)



The increase in Ebitda was due to higher revenues from electricity generation, growth in volumes treated and higher margins in plastic recovery. These positive effects were only partially offset by higher costs in municipal sanitisation and maintenance costs for Group plants.

Net investments in the waste management area were related to the maintenance and upgrading of waste treatment plants and amounted to 12.7 million euro, with a 2.9 million euro increase compared to the previous year.

Investments in the composting/digestion plants decreased by 0.2 million euro, due to fewer interventions carried out during the period at the Voltana and Sant'Agata Bolognese plants compared to the previous year.

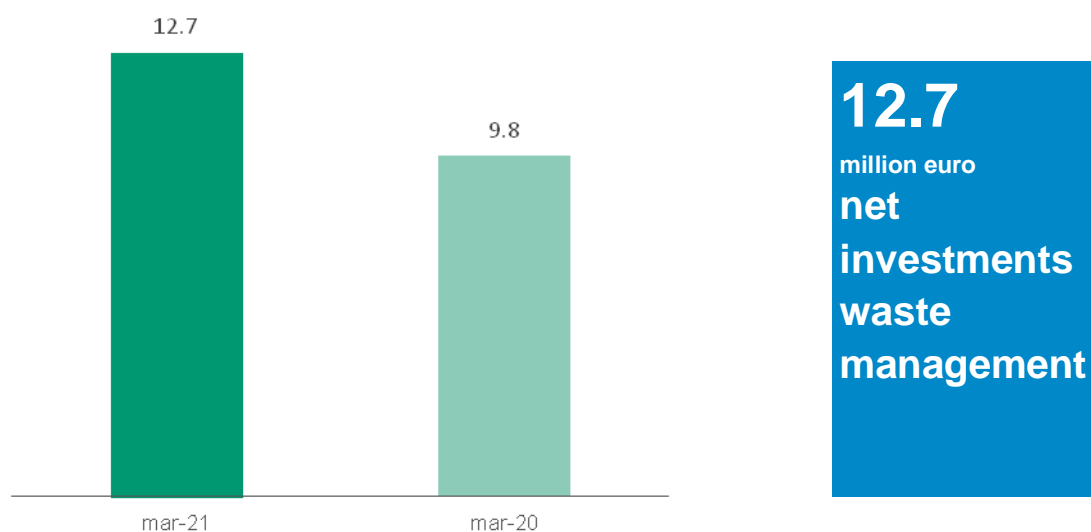
Investments in landfills dropped by 1.0 million euro due to work carried out in the previous year on the 5th lot of the Pago plant, Cordenons and the Ravenna landfill, only partially offset by work started in 2021 on the Serravalle Pistoiese plant.

Investments in the WTE sector increased by 0.7 million euro, mainly due to increased non-recurring maintenance at the Modena plant and work on line two in Trieste.

Investments in the industrial waste plants sector increased by 0.7 million euro compared to the previous year and mainly involved revamping at the F3 plant in Ravenna.

Investments in the ecological islands and collection equipment sector increased by 0.3 million euro compared to the previous year, while the 2.3 million euro increase in the sorting and recovery plants sector was mainly due to higher investments for revamping the Castiglione sorting plant, work on doubling the flammable storage tanks at Ragghianti and the osmosis plant at the Malpasso purifier.

NET INVESTMENTS WASTE MANAGEMENT (mn€)



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

Waste management (mn€)	March 21	March 20	Abs. change	% change
Composters/digesters	0.2	0.4	(0.2)	(50.0)%
Landfills	0.7	1.7	(1.0)	(58.8)%
WTE	3.0	2.3	0.7	+30.4%
RS plants	1.9	1.2	0.7	+58.3%
Ecological areas and collection equipment	2.7	2.4	0.3	+12.5%
Transshipment, selecting and other plants	4.1	1.8	2.3	+127.8%
Total waste management gross	12.7	9.8	2.9	+29.6%
Capital grants	-	-	-	+0.0%
Total waste management net	12.7	9.8	2.9	+29.6%

1.04.05 Other services

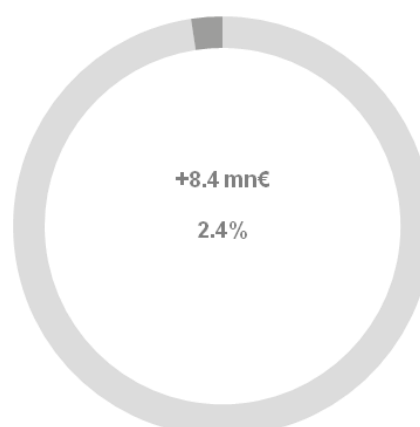
The other services area covers all minor businesses managed by the Group, including public lighting, in which the Hera Group's efforts go towards planning, constructing and maintaining lighting structures, leading to safety across the areas served through avant-garde technologies and constant attention towards the circular economy and sustainability; telecommunications, in which the Group offers connectivity for private customers and companies, telephone and Data Centre services; and cemetery services. In March 2021, results in this area were up by 23.8%, corresponding to 2.0 million euro.

Ebitda
rises

EBITDA OTHER SERVICES 2021



EBITDA OTHER SERVICES 2020



The following table shows the changes occurred in terms of Ebitda:

(mn€)	March 21	March 20	Abs. change	% change
Area Ebitda	10.4	8.4	2.0	+23.8%
Group Ebitda	362.0	349.2	12.8	+3.7%
Percentage weight	2.9%	2.4%	+0.5 p.p.	

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

Quantity	March 21	March 20	Abs. change	% change
Public lighting				
Lighting points (k)	569.4	562.6	+6.8	+1.2%
of which LED	35.2%	26.9%	+8.3	+0.0%
Municipalities served	186.0	186.0	-	+0.0%

During the first quarter of 2021, the Hera Group gained approximately 12.1 thousand lighting points in 5 new municipalities. The most significant acquisitions were: approximately 5.9 thousand lighting points in Lombardy, approximately 2.3 thousand lighting points in Lazio, approximately 0.7 thousand lighting points in Sardinia, approximately 0.9 thousand lighting points in the regions of central Italy and, finally, more lighting points managed in municipalities already served coming to approximately 2.2 thousand lighting points. These increases fully offset the loss of roughly 5.2 thousand lighting points and 5 municipalities served, mainly in Friuli-Venezia Giulia.

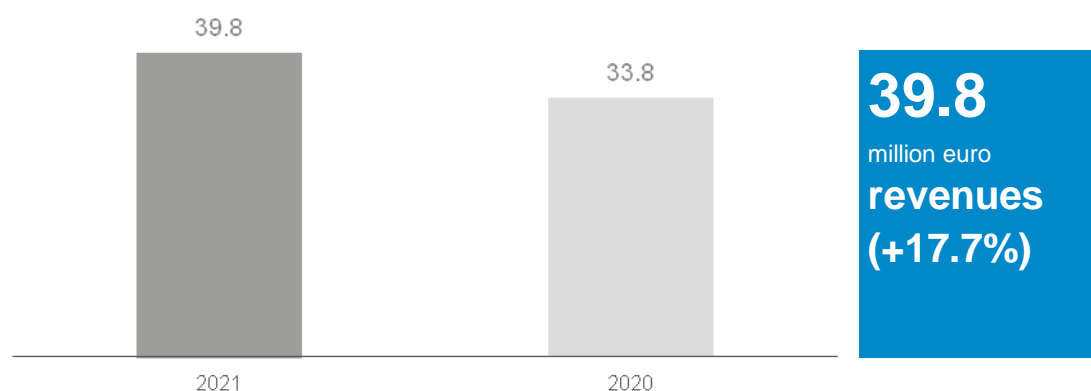
The percentage of lighting points that use LED bulbs rose to 35.2%, up 8.3 percentage points. This trend highlights the Group's constant attention to an increasingly efficient and sustainable management of public lighting.

Quantitative indicators in the Other services area also include the 4,362 km of ultra-wideband fibre optic network that the Hera Group owns through its digital company, Acantho Spa. This network serves the main cities in Emilia-Romagna, Padua and Trieste and provides companies and individuals with high-performance connectivity, high reliability and maximum security for systems, data and service continuity.

The following table summarises operating results for the other services area:

Income statement (mn€)	March 21	% inc.	March 20	% inc.	Abs. change	% change
Revenues	39.8		33.8		6.0	+17.7%
Operating costs	(24.3)	(61.2)%	(20.7)	(61.2)%	3.6	+17.4%
Personnel costs	(5.4)	(13.7)%	(5.2)	(15.3)%	0.2	+3.9%
Capitalised costs	0.4	1.0%	0.4	1.3%	-	+0.0%
Ebitda	10.4	26.2%	8.4	24.9%	2.0	+23.8%

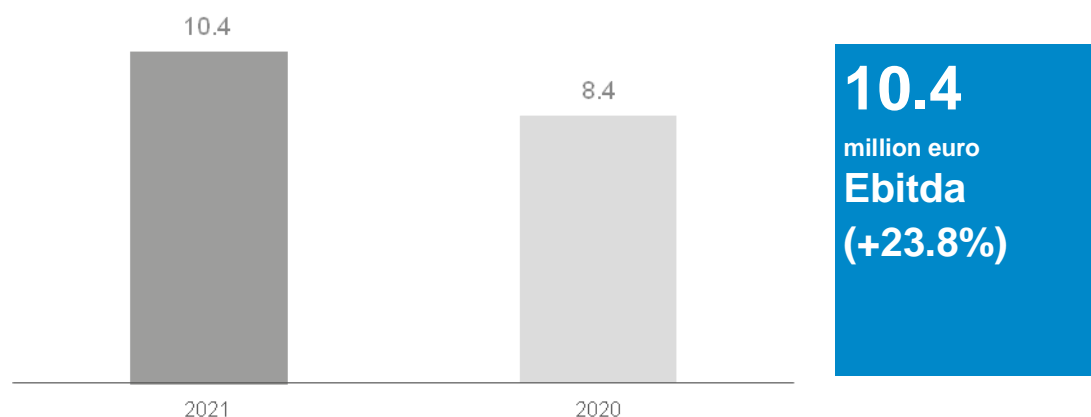
REVENUES (mn€)



The growth in revenues was mainly due to public lighting and to the effect of greater progress in the energy requalification works carried out by Hera Luce. Revenues from the telecommunications business also increased.

The higher operating costs were mainly related to the positive trend in the price of electricity and the higher costs resulting from the progress of works.

EBITDA (mn€)

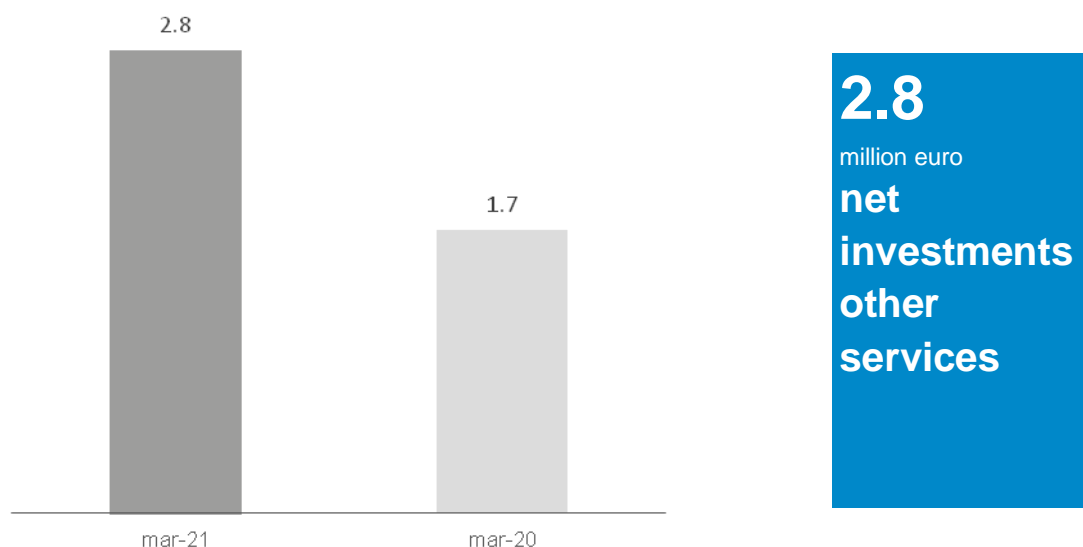


The growth in Ebitda was due to the contribution coming from all businesses in the other services area, especially public lighting and telecommunications.

In the first quarter of 2021, investments in the other services area amounted to 2.8 million euro, up 1.1 million euro compared to the same period in the previous year.

In telecommunications, investments in the network and TLC services amounted to 1.7 million euro, a 0.7 million euro increase compared to the previous year. In the public lighting service, investments involved the maintenance, upgrading and modernisation of lighting systems in the areas managed and amounted to 1.1 million euro, which does not include public lighting contracts subject to different accounting under Ifric 12.

NET INVESTMENTS OTHER SERVICES (mn€)



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

Other services (mn€)	March 21	March 20	Abs. change	% change
TLC	1.7	1.0	0.7	+70.0%
Public lighting and traffic lights	1.1	0.7	0.4	+57.1%
Total other services gross	2.8	1.7	1.1	+64.7%
Capital grants	-	-	-	+0.0%
Total other services net	2.8	1.7	1.1	+64.7%

1.05 SHARE PERFORMANCE AND INVESTOR RELATIONS

Market confidence returns, supported by vaccines and fiscal and monetary policies

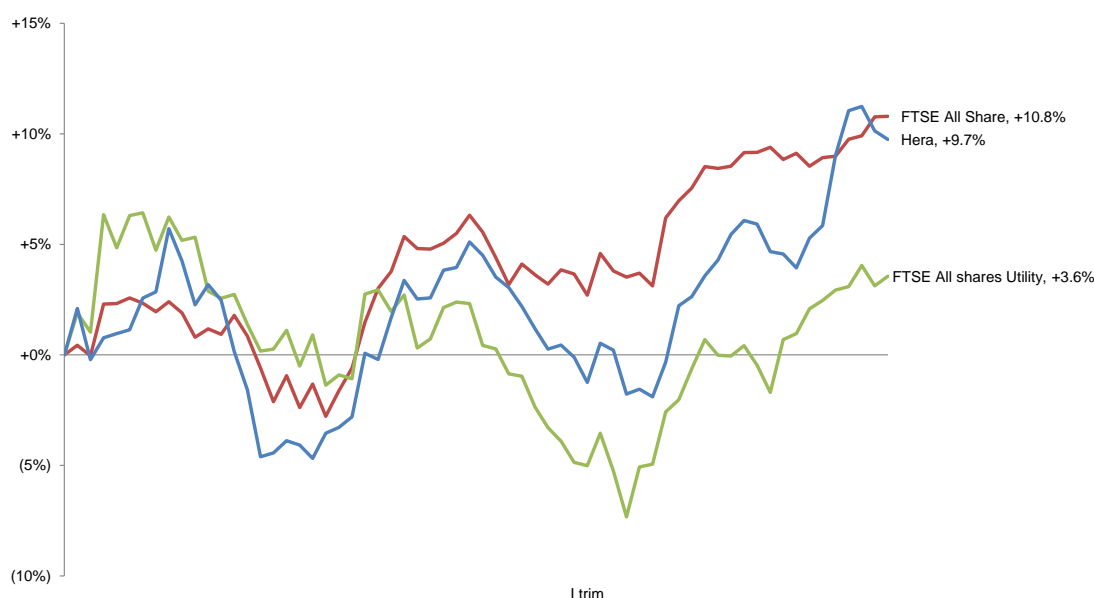
In the first quarter of 2021, all main global stock markets showed a positive performance, based on expectations that economic activity would return to full strength as of the second half of the year, thanks to the introduction of vaccination plans and expansionary fiscal policies both in the United States, as promised in the election campaign by the new Administration, and in Europe with the Next Generation EU. Expectations for growth were also fostered by central banks, which insisted on the need to maintain expansionary monetary policies for a prolonged period of time, even after the end of the health emergency.

Italy's FTSE All Share index rose 10.8% during the quarter, the best performance among western stock exchanges, partially thanks to the formation of a new executive branch of government, which ensured greater stability in view of the presentation and subsequent implementation of the National Recovery and Resilience Plan (PNRR).

Hera stock rises +10% over the quarter

Hera shares closed the period with an official price of 3.281 euro, up +9.7%, better than the performance shown by the Italian utilities sector. This increase was supported by the positive reception of the Business Plan (presented in January) and the publication of its year-end results for 2020, which showed solid fundamentals, confirmed by the results in the first quarter, which grew for the eighteenth consecutive year.

1Q 2021 HERA STOCK, LOCAL UTILITY SECTOR AND ITALIAN MARKET PERFORMANCE COMPARISON



Dividend rises to 11 cents per share, higher than expectations

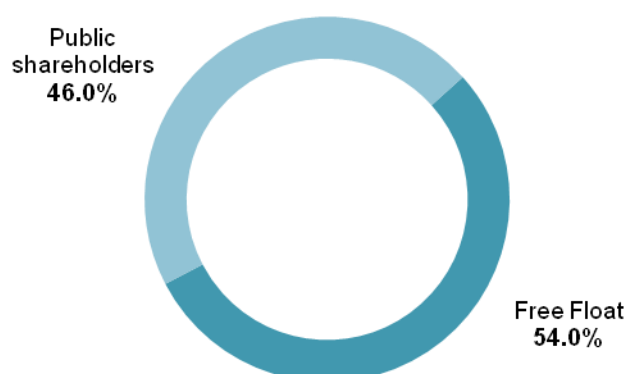
Hera's Board of Directors, which met on 24 March 2021 to approve the 2020 year-end results, decided to submit to the Shareholders Meeting the proposal for an 11 cent dividend per share, up +10% and higher than the indications contained in the Business Plan, in light of the results achieved, higher than expectations. This increase was made possible thanks to the strong cash flow seen in 2020, which also allowed the further dividend increases prospected by the Business Plan to be fully financed. After being approved by shareholders during the Meeting held on 28 April 2021, the ex-dividend date was scheduled for 5 July, with payment on 7 July. Hera thus confirmed its ability to remunerate shareholders thanks to the resilience of its activity portfolio, which has allowed it to pay constant and increasing dividends since being listed.

+277%:
total
shareholders
return since
the IPO

The joint effect of continuously remunerating shareholders through dividends and a rise 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 +276.7%.

The financial analysts covering the company (Banca Akros, Equita Sim, Intermonte, Intesa Sanpaolo, Kepler Cheuvreux, Mediobanca and Stifel) all expressed positive opinions, with no negative opinion. The consensus target price was set at 3.96 euro, equivalent to a potential increase in value coming to +20.7%.

SHAREHOLDER BREAKDOWN AT 31 MARCH 2021



46.0%
share capital
pertaining to
the public
stockholders
agreement

At 31 March 2021, the shareholder breakdown showed its usual stability and balance, with 46% 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 54% free float. The shareholding structure is highly fragmentary, with a large number 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.

**Treasury
share
purchase
plan
approved**

Since 2006, Hera has adopted a share buyback program, renewed by the Shareholders Meeting held on 28 April 2021 for 18 further months, for an overall maximum amount of 240 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 of 2021, Hera Spa held 32.4 million treasury shares.

**Constant
communication
with the
market in
2021 as well**

The Group continued to engage in intense communications with investors in 2021. After presenting the 2020-2024 Business Plan, the Executive Chairman and the CEO took part in virtual meetings with investors in the main financial centres, in order to provide updates in the trends seen in its activities and future prospects. Further similar occasions have already been scheduled for the remainder of the year, with participation in the sector conferences organised by Borsa Italiana and by the brokers covering Hera stock. The intense dedication shown by the Group towards dialoguing with investors contributed to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

2.01 FINANCIAL STATEMENT FORMATS

2.01.01 Income statement

mn€	31-Mar-21 (3 months)	31-Mar-20 (3 months)
Revenues	2,271.8	2,055.8
Other operating revenues	100.7	109.0
Raw materials and stocks	(1,209.7)	(1,035.4)
Service costs	(646.9)	(627.2)
Personnel costs	(150.1)	(147.3)
Other operating costs	(17.1)	(12.5)
Capitalised costs	13.3	6.8
Amortisation, depreciation and provisions	(138.9)	(137.5)
Operating revenues	223.1	211.7
Share of profits (losses) pertaining to associated companies	3.2	3.0
Financial income	21.0	15.5
Financial expense	(53.0)	(47.2)
Financial operations	(28.8)	(28.7)
Earnings before taxes	194.3	183.0
Taxes	(54.0)	(52.7)
Net profit for the period	140.3	130.3
Attributable to:		
parent company shareholders	132.2	124.4
minority shareholders	8.1	5.9
Earnings per share		
basic	0.091	0.084
diluted	0.091	0.084

2.01.02 Statement of financial position

mn€	31-Mar-21	31-Dec-20
ASSETS		
Non-current assets		
Property, plant and equipment	1,914.0	1,926.5
Rights of use	92.5	95.9
Intangible assets	3,950.0	3,924.4
Goodwill	812.8	812.8
Equity investments	189.5	187.9
Current and non-current financial assets	140.3	140.8
Deferred tax assets	157.7	156.6
Derivative financial instruments	7.8	14.4
Total non-current assets	7,264.6	7,259.3
Current assets		
Inventories	125.0	171.7
Trade receivables	2,188.5	1,971.6
Current financial assets	25.2	32.8
Current tax assets	9.9	11.7
Other current assets	456.4	487.5
Derivative financial instruments	169.2	113.1
Cash and cash equivalents	1,203.1	987.1
Total current assets	4,177.3	3,775.5
Assets earmarked for sale	-	-
TOTAL ASSETS	11,441.9	11,034.8

mn€

31-Mar-21

31-Dec-20

SHAREHOLDERS' EQUITY AND LIABILITIES**Share capital and reserves**

Share capital	1,456.4	1,460.0
Reserves	1,511.7	1,198.1
Profit (loss) for the period	132.2	302.7
Group net equity	3,100.3	2,960.8
Non-controlling interests	202.5	194.5
Total net equity	3,302.8	3,155.3

Non-current liabilities

Non-current financial liabilities	3,635.0	3,678.7
Non-current lease liabilities	71.1	73.5
Post-employment and other benefits	114.2	116.7
Provisions for risks and charges	543.3	538.2
Deferred tax liabilities	123.2	120.5
Derivative financial instruments	18.5	20.1
Total non-current liabilities	4,505.3	4,547.7

Current liabilities

Current financial liabilities	718.1	616.9
Current lease liabilities	18.5	20.1
Trade payables	1,464.3	1,497.5
Current tax liabilities	75.7	25.4
Other current liabilities	1,216.4	1,056.2
Derivative financial instruments	140.8	115.7
Total current liabilities	3,633.8	3,331.8
TOTAL LIABILITIES	8,139.1	7,879.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,441.9	11,034.8

2.01.03 Cash flow statement

mn€	31-Mar-21	31-mar-20
Earnings before taxes	194.3	183.0
Adjustments to reconcile net profit to the cashflow from operating activities		
Amortisation and impairment of assets	108.4	106.8
Allocation to provisions	30.5	30.7
Effects from valuation using the equity method	(3.2)	(3.0)
Financial (income) expenses	32.0	31.7
(Capital gains) losses and other non-monetary elements	(5.6)	(6.6)
Change in provision for risks and charges	(12.4)	(11.0)
Change in provision for employee benefits	(3.0)	(3.0)
Total cash flow before changes in net working capital	341.0	328.6
(Increase) decrease in inventories	46.7	39.7
(Increase) decrease in trade receivables	(236.7)	(142.1)
Increase (decrease) in trade payables	(33.2)	(163.8)
Increase/decrease in other current assets/liabilities	195.2	149.1
Changes in working capital	(28.0)	(117.1)
Interest income and other financial income collected	7.2	5.8
Interest expenses, net charges on derivatives and other paid financial charges	(40.9)	(39.6)
Taxes paid	(7.4)	(6.9)
Cash flow from operating activities (a)	271.9	170.8
Investments in property, plant and equipment	(27.7)	(20.9)
Investments in intangible assets	(88.6)	(74.1)
Investments in companies and business units net of cash and cash equivalents		(27.2)
Other equity investments	(0.3)	
Sale price of property, plant and equipment	0.2	
(Increase) decrease in other investment activities	8.8	(9.9)
Cash flow from (for) investing activities (b)	(107.6)	(132.1)
Repayments of non-current financial liabilities	(0.1)	
Repayments and other net changes in financial payables	68.9	114.3
Lease payments	(6.5)	(5.3)
Acquisition of interests in consolidated companies		(1.2)
Changes in treasury share	(10.6)	(7.9)
Cash flow from (for) financing activities (c)	51.7	99.9
Increase (decrease) in cash and cash equivalents (a+b+c)	216.0	138.6
Cash and cash equivalents at the beginning of the period	987.1	364.0
Cash and cash equivalents at the end of the period	1,203.1	502.6

2.01.04 Statement of changes in net equity

mn€	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 at 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 shares, 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
Allocation of revenues:									
allocation to reserves		385.7				(385.7)	-		-
Balance at 31-Mar-20	1,471.9	1,401.7	(71.1)	(33.8)	(5.1)	124.4	2,888.0	206.2	3,094.2
Balance at 31-Dec-20	1,460.0	1,230.8	5.9	(35.1)	(3.5)	302.7	2,960.8	194.5	3,155.3
Revenues for the period						132.2	132.2	8.1	140.3
Other components of comprehensive income:									
fair value of derivatives, change for the period			18.7				18.7	(0.1)	18.6
fair value of shares, change for the period					(0.8)		(0.8)		(0.8)
Overall revenues for the period	-	-	18.7	-	(0.8)	132.2	150.1	8.0	158.1
changes in treasury share	(3.6)	(7.0)					(10.6)		(10.6)
Allocation of revenues:									
allocation to reserves		302.7				(302.7)	-		-
Balance at 31-Mar-21	1,456.4	1,526.5	24.6	(35.1)	(4.3)	132.2	3,100.3	202.5	3,302.8

2.02 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 2021.

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 2020.

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 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 is also 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 2020. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents company 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, as allowed by IAS 7.

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 euro through a decimal, unless otherwise indicated.

Scope of consolidation

The consolidated financial statements as of 31 March 2021 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.

Other corporate operations

On 3 March 2021, HEA Spa was established. Of its share capital, 50% was subscribed by Herambiente Servizi Industriali Srl and 50% by ENI Rewind Spa by virtue of the strengthened partnership between the two groups, signed to promote and concretely implement a circular economy model for waste disposal production activities. The company is not yet operational.

Earnings per share

	31-Mar-21 (3 months)	31-Mar-20 (3 months)
Profit or loss for the period attributable to holders of ordinary shares of the parent entity (A)	132.2	124.4
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,457,123,974	1,472,618,745
diluted (C)	1,457,123,974	1,472,618,745
Earnings (loss) per share (in euro)		
basic (A/B)	0.091	0.084
diluted (A/C)	0.091	0.084

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share are equal to the base as there are no classes of shares other than ordinary shares and there are no instruments that can be converted into shares.

At the date of preparation of this three-month report, the share capital of the parent company, Hera Spa, consisted of 1,489,538,745 ordinary shares, unchanged from 31 December 2020, which were used in determining basic and diluted earnings per share.

Additional information

This three-month consolidated financial statement at 31 March 2021 was drawn up by the Board of Directors and approved by the same at the meeting held on 12 May 2021.

2.03 LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euro) (*)	Percentage held		Total interest
			direct	indirect	
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)	1,025,000		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%
EstEnergy Spa	Trieste	299,925,761		100.00%	100.00%
Etra Energia Srl	Cittadella (PD)	100,000		51.00%	51.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
Frunlo 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	2,748,472		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	Forli	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%
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%
Wolman Spa	Bologna	400,000	100.00%		100.00%

(*) unless otherwise specified

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%

Associated 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 share capital of these companies consists of 67,577,681 euro of ordinary shares and 10,450,000 euro of related shares.

Hera Spa

Sede legale: Viale C. Berti Pichat 2/4 - 40127 Bologna
tel.: +39.051.28.71.11 fax: +39.051.28.75.25

www.gruppohera.it

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