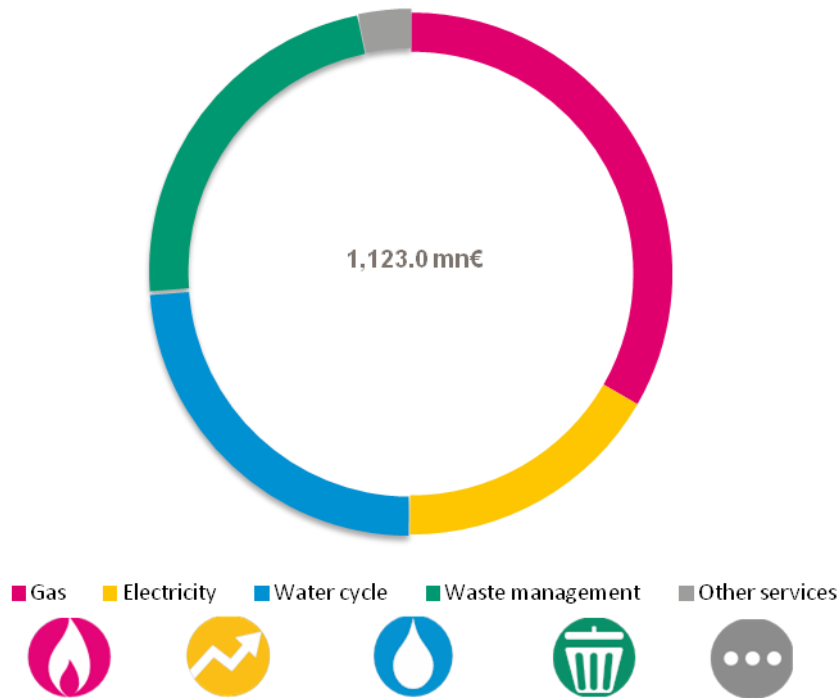


## 1.07 ANALYSIS BY BUSINESS AREA

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.

### EBITDA DECEMBER 2020

The contribution to Ebitda coming from the Group's various business areas shows a balanced mix, resilient and in line with a multi-business strategy



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

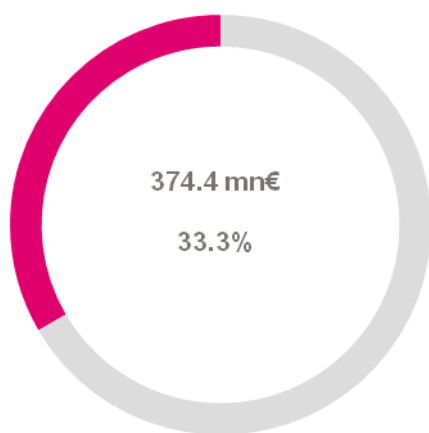
The following analyses of each single business area take into account all increased revenues and costs, having no impact on Ebitda, related to the application of Ifric 12. The business areas affected by this accounting standard are: natural gas distribution services, electricity distribution services,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

### 1.07.01 Gas

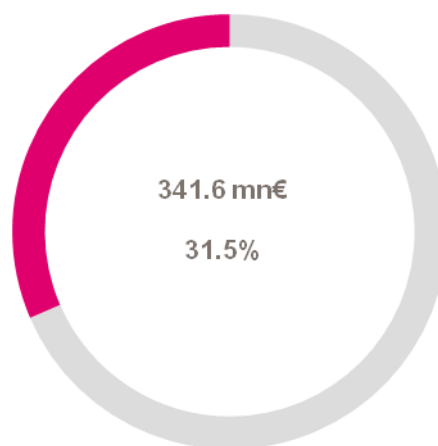
**Ebitda rises** Growth was seen in 2020 over the previous year, in terms of both Ebitda and volumes sold. This result was mainly achieved thanks to commercial development linked to the Ascopiave Group partnership transaction, which saw the Hera Group acquire the companies belonging to the EstEnergy Group and AmgasBlu Srl in exchange for a distribution branch in the Veneto region (concerning the Padua1, Padua2, Udine3 and Pordenone Atems) and was able to offset the negative effects of the Covid-19 pandemic. Lastly, in tenders for the period going from 1 October 2020 to 30 September 2021, Hera Comm Spa was awarded:

- eight of the nine portions of the last resort gas service (for customers providing public services or those without a supplier): Valle d'Aosta, Piedmont, Liguria, Lombardy, Trentino Alto Adige, Veneto, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata, Puglia, Lazio e Campania. In the previous tender, Hera Comm had been awarded four portions out of nine;
- five of the nine portions of the default gas distribution service (for customers in arrears): Valle d'Aosta, Piedmont, Liguria, Lombardy, Friuli-Venezia-Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata e Puglia. In the previous tender, Hera Comm had been awarded two portions out of nine.

GAS AREA EBITDA 2020



GAS AREA EBITDA 2019

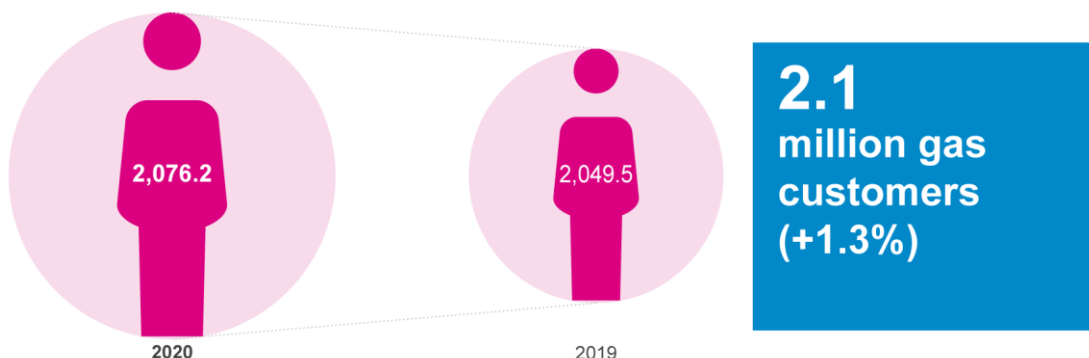


The following table shows the changes occurred in terms of Ebitda:

**+3.5% increase in Ebitda**

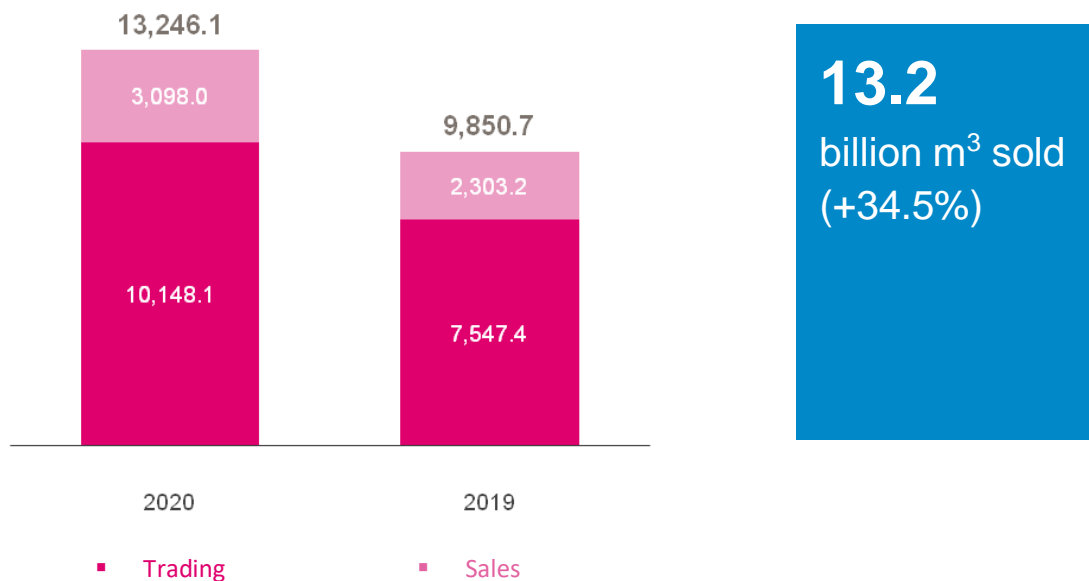
(mn€)	Dec 20	Dec 19	Abs. change	% change
Area Ebitda	374.4	341.6	32.8	+9.6%
Group Ebitda	1,123.0	1,085.1	37.9	+3.5%
Percentage weight	33.3%	31.5%	+1.8 p.p.	

#### CUSTOMERS (k)



The number of gas customers rose by 26.8 thousand, up 1.3% over the previous year. The new portions awarded through tenders accounted for 62 thousand new customers, which more than offset the drop in the free market customer base, coming to roughly 35 thousand customers.

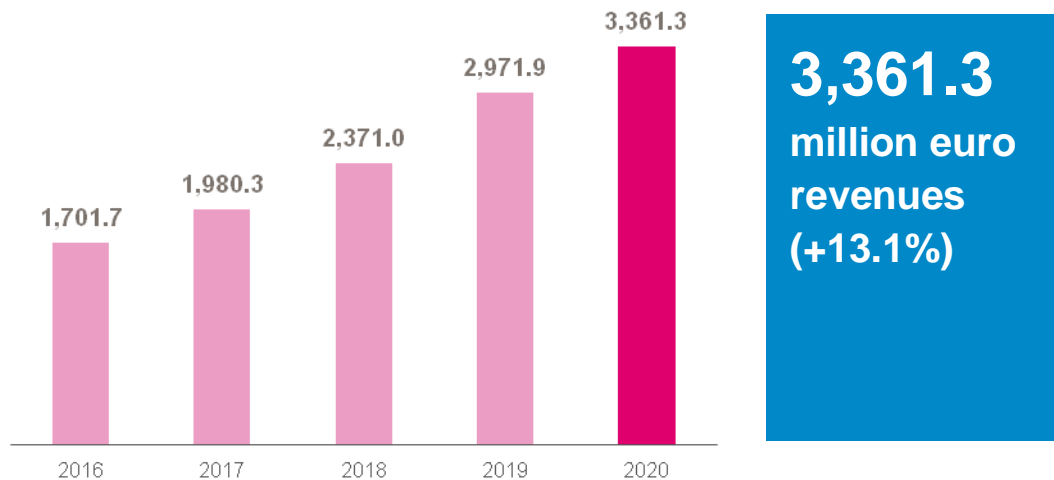
#### VOLUMES SOLD (mn m<sup>3</sup>)



The overall volume of gas sold increased by 3,395.4 million m<sup>3</sup> or 34.5%. Trading volumes showed growth coming to 2,600.7 million m<sup>3</sup> or 34.5% due to higher foreign trading. Volumes sold to end customers rose by 34.5% or 794.8 million m<sup>3</sup> compared to 2019, thanks to the contribution coming from the EstEnergy Group companies and AmgasBlu Srl, which amounted to 812.6 million m<sup>3</sup>. This growth was partially offset by a 17.9 million m<sup>3</sup> drop in traditional and last resort markets, mainly due to the mild winter, with average temperatures 3% higher than in 2019, and the negative effects of the Covid-19 emergency.

The following table summarises operating results for the gas area:

Income statement (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Revenues	3,361.3		2,971.9		389.4	+13.1%
Operating costs	(2,883.4)	(85.8)%	(2,529.2)	(85.1)%	354.2	+14.0%
Personnel costs	(116.5)	(3.5)%	(114.1)	(3.8)%	2.4	+2.1%
Capitalised costs	13.0	+0.4%	13.0	0.4%	-	+0.0%
<b>Ebitda</b>	<b>374.4</b>	<b>11.1%</b>	<b>341.6</b>	<b>11.5%</b>	<b>32.8</b>	<b>+9.6%</b>

**REVENUES** (mn€)

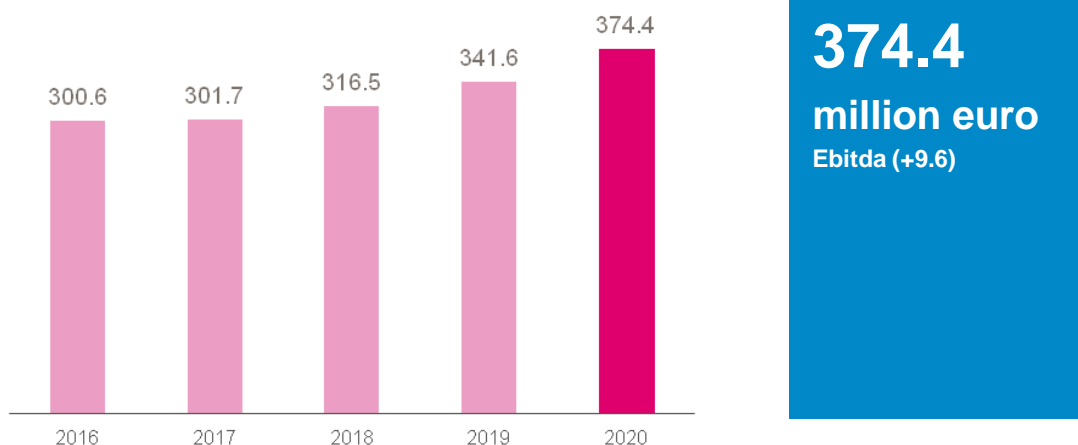
Revenues showed growth coming to 389.4 million euro, up 13.1% over the previous year. The reasons for this mainly lie in higher revenues due to the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu Srl, coming to 450.3 million euro, a higher amount of trading amounting to roughly 20.0 million euro and higher revenues from the heat management business involving incentives for insulation coming to roughly 45 million euro.

This growth was limited by lower revenues caused by the lower price of gas as a raw material, coming to roughly 73.6 million euro, in line with the annual average trend of the Cmem tariff component, which fell by 34% compared to 2019, and the lower volumes of gas sold and district heating, coming to roughly 23 million euro, due to the negative effects involving temperatures and the Covid-19 emergency, as mentioned above.

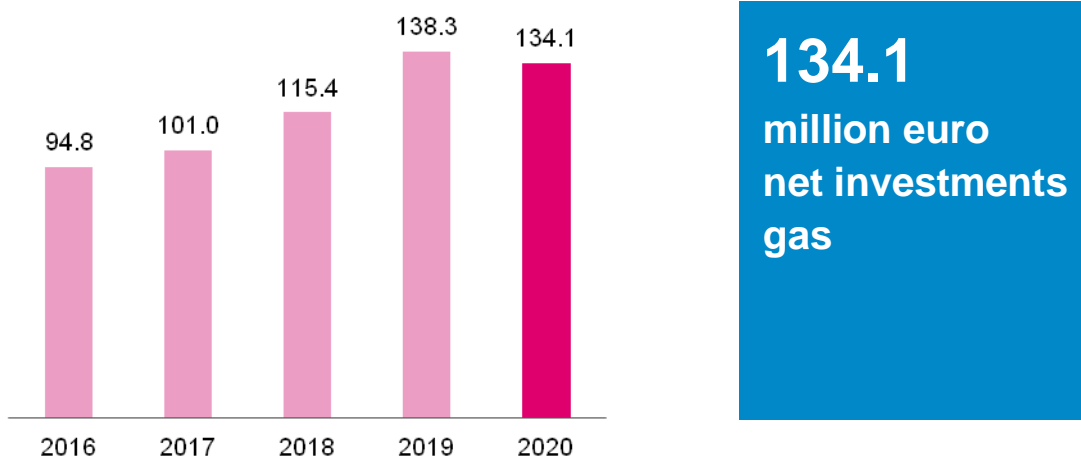
Energy efficiency certificates fell by roughly 10.0 million euro, as did regulated revenues for distribution, coming to 23.9 million euro, on account of the PD1, PD2, UD3 and PN ATEMs, transferred to Ascopiave.

Excluding changes in the scope of operations, regulated revenues rose by 0.7 million euro. From a regulatory point of view, indeed, note that 2020 was the first year of the 5<sup>th</sup> regulatory period (approved with resolution 570/2019/R/Gas), which calls for a significant reduction in recognition for operating costs, in addition to a reduction in Wacc for measurement (brought in line with the one for distribution), which were however more than offset by updates in the RAB for new investments, sums owed pertaining to previous periods and other minor regulatory effects.

The increased revenues were proportionally reflected by growth in operating costs, which rose by 354.2 million euro overall. This trend is mainly due to changes in the scope of operations, as mentioned above, higher activities in heat management and in trading.

**EBITDA (MN€)**

Ebitda rose by 32.8 million euro or 9.6%, thanks to the entry of the companies belonging to the EstEnergy Group and AmgasBlu Srl and the heat management business for insulation incentives, which offset the lower volumes of gas sold and lower earnings in district heating, due to the mild temperatures and the negative effects of the Covid-19 emergency; the latter were responsible for a 15.7 million euro reduction in Ebitda.

**NET INVESTMENTS GAS (mn€)**

In 2020, net investments in the gas area amounted to 134.1 million euro, down 4.2 million euro compared to the previous year. In gas distribution, an overall reduction coming to 3.2 million euro was seen, mainly due to lower investments in the AcegasApsAmga Spa gas distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone ATEMs, transferred as of 31 December 2019 as part of the Ascopiave transaction, and lower interventions in the areas served by Marche Multiservizi Spa. Investments by Inrete Distribuzione Energia Spa increased, mainly due to higher interventions for the large-scale meter substitution (resolution 554). In gas sales, investments coming to 9.0 million euro were linked to acquiring new customers, up 0.7 million euro over the previous year. Investments fell by 0.6 million euro in district heating and heat management services, with a reduction in Hera Spa's district heating and an increase in the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Requests for new connections were lower than in the previous year in gas distribution, mainly due to the transfer of the AcegasApsAmga Spa branch and in district heating.

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

Gas (mn€)	Dec 20	Dec 19	Abs. change	% change
Networks and plants	99.9	103.1	(3.2)	(3.1)%
Acquisition gas customers	9.0	8.3	0.7	+8.4%
DH/heat management	26.3	26.9	(0.6)	(2.2)%
<b>Total gas gross</b>	<b>135.3</b>	<b>138.3</b>	<b>(3.0)</b>	<b>(2.2)%</b>
Capital grants	1.2	0.0	1.2	+100.0%
<b>Total gas net</b>	<b>134.1</b>	<b>138.3</b>	<b>(4.2)</b>	<b>(3.0)%</b>

The Regulatory asset base (RAB) for assets owned, which defines the value of the assets recognised by the Authority as regards return on invested capital, fell compared to 2019, due to the Group's loss of networks as part of the Ascopiave partnership. In the other areas served, RAB rose, owing to higher investments, mainly involving the rollout of electronic meters.

RAB (bn€)

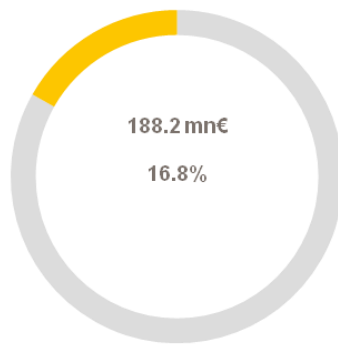


**1.01**  
billion euro  
2020 RAB

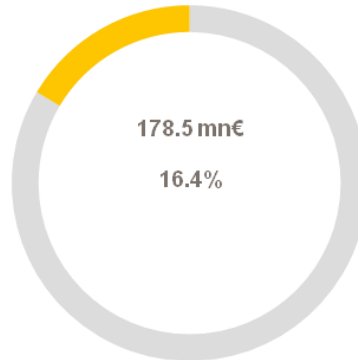
## 1.07.02 Electricity

At the end of 2020, Ebitda for the electricity area rose compared to the previous year, thanks to the Ascopiave Group partnership and the acquisition of companies belonging to the EstEnergy Group and AmgasBlu Srl and earnings coming from electricity generation, despite the negative effects caused by the Covid-19 pandemic.

EBITDA ELECTRICITY AREA 2020



EBITDA ELECTRICITY AREA 2019

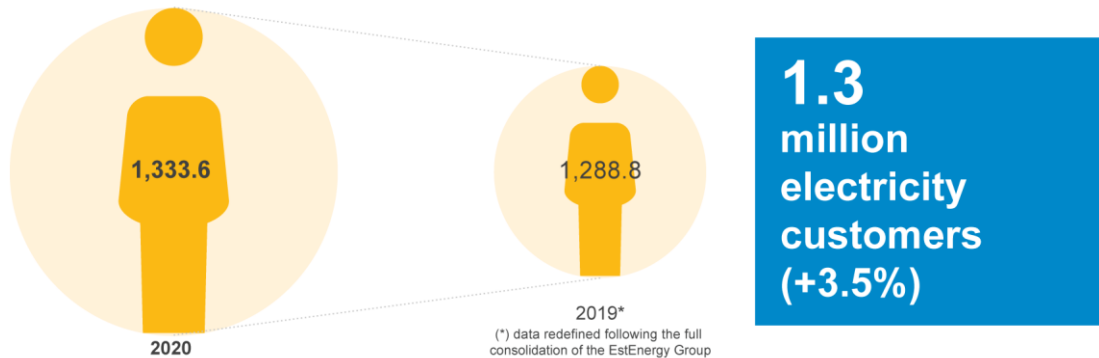


The following table shows the changes occurred in terms of Ebitda:

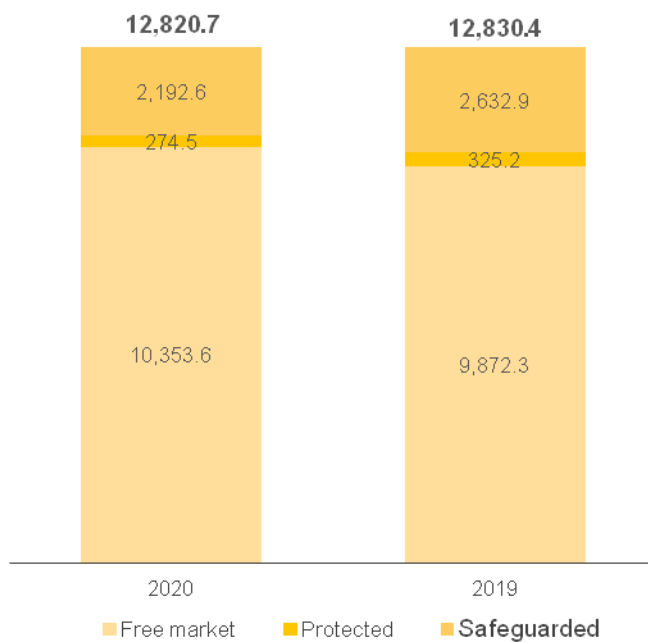


(mn€)	Dec 20	Dec 19	Abs. change	% change
Area Ebitda	188.2	178.5	9.7	+5.5%
Group Ebitda	1,123.0	1,085.1	37.9	+3.5%
Percentage weight	16.8%	16.4%	+0.4 p.p.	

CUSTOMERS (k)



The number of electricity customers increased by 3.5% (44.8 thousand customers) compared to 2019. This growth came about on the free market, coming to 5.4%, owing to the reinforced marketing initiatives introduced, and succeeded in offsetting the drop in protected customers, while safeguarded customers remained in line with the previous year.

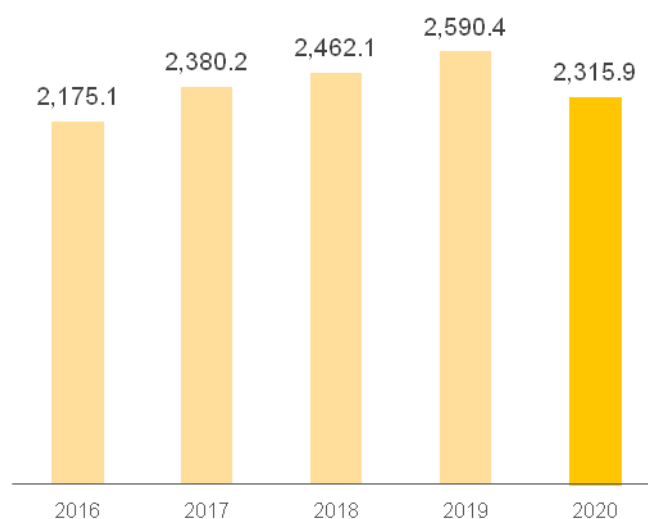
**VOLUMES SOLD (GWH)****12.8**

TWh sold (-0.1%)

Results for volumes of electricity sold were essentially in line with the previous year. This trend is mainly due to a fall in safeguarded volumes coming to 440.3 GWh, equivalent to 3.4% of total volumes sold, mainly due to the Covid-19 emergency, and in traditional markets, amounting to 205.9 GWh or 1.6%, entirely offset by the corporate acquisitions mentioned above, which contributed with 636.7 GWh, equivalent to 5.0%.

The following table summarises operating results for the area:

Income statement (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Revenues	2,315.9		2,590.4		(274.5)	(10.6)%
Operating costs	(2,090.3)	(90.3)%	(2,376.1)	(91.7)%	(285.8)	(12.0)%
Personnel costs	(48.7)	(2.1)%	(45.0)	(1.7)%	3.7	8.2%
Capitalised costs	11.3	0.5%	9.1	0.4%	2.2	24.2%
<b>Ebitda</b>	<b>188.2</b>	<b>8.1%</b>	<b>178.5</b>	<b>6.9%</b>	<b>9.7</b>	<b>5.5%</b>

**REVENUES (MNE)****2.3**  
billion euro  
revenues  
(-10.6%)



Revenues decreased by 234.3 million euro, or 12.1%, compared to 2020. The main reasons for this include lower revenues from trading coming to 85 million euro, the lower price of raw materials coming to roughly 60 million euro and lower revenues from generation amounting to roughly 33.0 million euro. All these effects are partly linked to the average annual trend in the PUN, which fell by 24% compared to the previous year.

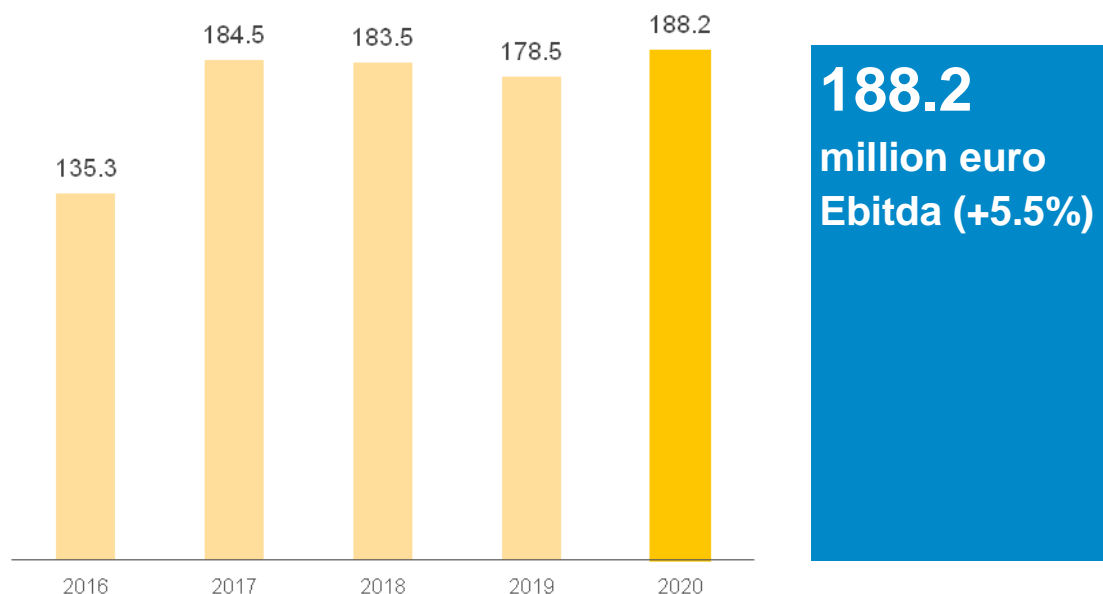
Moreover, the negative effects of the Covid-19 emergency confirmed the reduction in volumes sold, as mentioned above, which generated lower revenues coming to approximately 56 million euro and lower revenues from off-grid transmission and system charges amounting to 154 million euro, with an equal effect on costs. This decrease was only partly offset by higher revenues coming from the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu Srl, coming to approximately 116 million euros.

Regulated revenues increased by 1.5 million euro compared to 2019. This increase was made possible by changes in tariffs related to Capex updates, the recognition of prior accruals and other minor regulatory effects. These positive effects were only partially offset by the lower operating costs recognized in the 2020-2023 regulatory semi-period defined by resolution 568/2019.

Lastly, contributions for energy efficiency certificates were down by approximately 3.0 million, as mentioned in the previous chapters.

The decrease in revenues was proportionally reflected in operating costs, which showed a decrease coming to 285.8 million euro. This trend is mainly due to the lower price of raw materials and lower volumes, despite the growth due to changes in the scope of operations.

#### EBITDA (MNE)

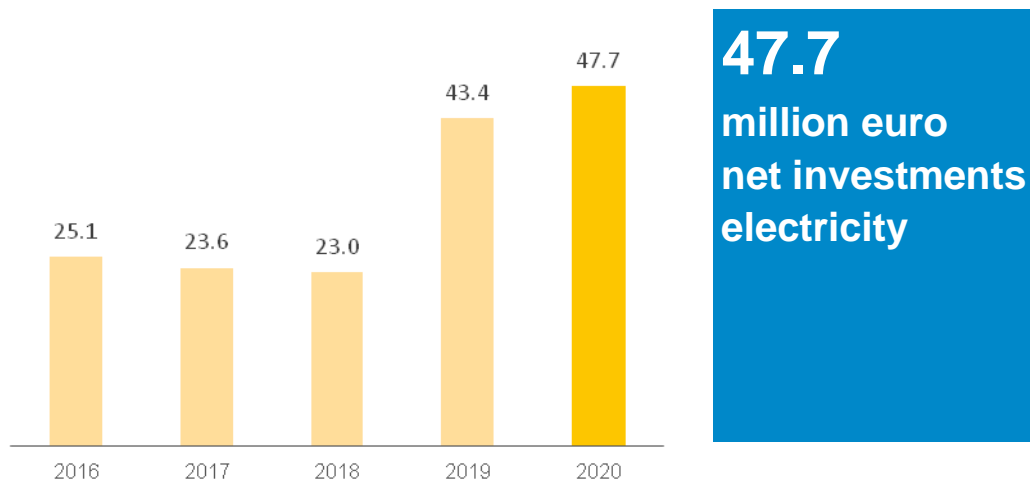


Ebitda for the year rose by 9.7 million euro or 5.5%, due to higher earnings coming from the entry of the companies belonging to the EstEnergy Group and AmgasBlu Srl and electricity generation activities in the dispatching service market, which offset the lower volumes and earnings due to the Covid-19 emergency, with an overall impact in lower earnings coming to 8.4 million euro.

In the electricity area, 2020 investments came to 47.7 million euro, up 4.3 million euro compared to the previous year.

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

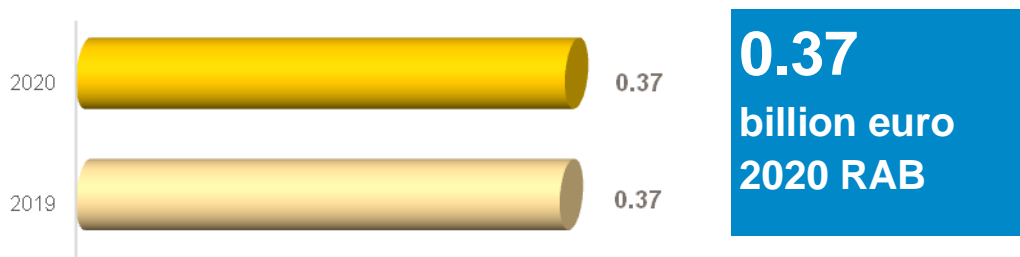
Compared to the previous year, a 3.5 million euro increase was seen in electricity distribution, and a 0.9 million euro increase in energy sales, for activities linked to acquiring new customers. Requests for new connections also increased compared to the previous year.

**NET INVESTMENTS ELECTRICITY (MN€)**

Operating investments in the electricity area were as follows:

Electricity (mn€)	Dec 20	Dec 19	Abs. change	% change
Networks and plants	31.4	27.9	3.5	+12.5%
Acquisition electricity customers	16.4	15.5	0.9	+5.8%
<b>Total electricity gross</b>	<b>47.7</b>	<b>43.4</b>	<b>4.3</b>	<b>+9.9%</b>
Capital grants	-	-	-	+0.0%
<b>Total electricity net</b>	<b>47.7</b>	<b>43.4</b>	<b>4.3</b>	<b>+9.9%</b>

RAB, which defines the value of the assets recognised by the Authority as regards return on invested capital, remained in line with the amount seen in 2019.

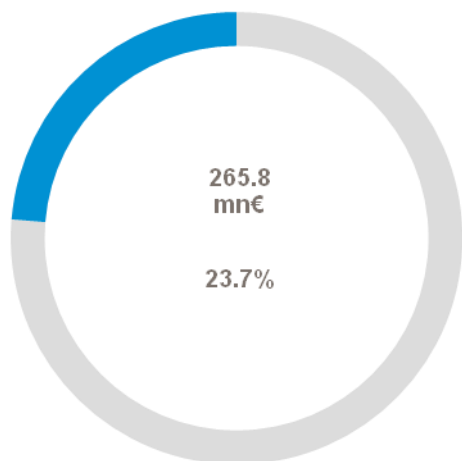
**RAB (BN€)**

### 1.07.03 Integrated water cycle

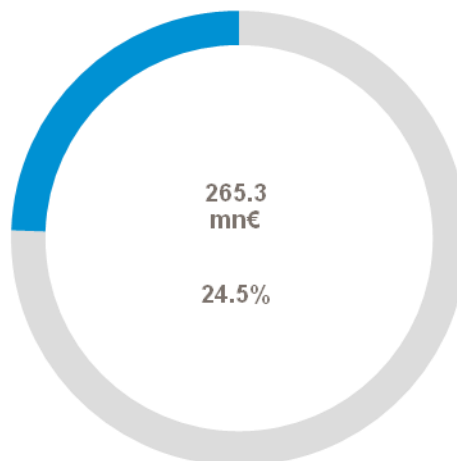
**Slight growth in results for 2020**

In 2020, the integrated water cycle area showed slight growth in results compared to the previous year, with an increase in Ebitda coming to 0.2%. As regards regulations, note that 2020 is the first year in which the tariff method defined by the Authority for the third regulatory period (Mti-3), 2020-2023 (resolution 580/2019), is applied. A revenue (VRG) is assigned to each operator, defined on the basis of operating costs and capital costs according to the investments made, with a view to increasing efficiency in costs, in addition to measures intended to promote and valorise interventions for sustainability and resilience.

EBITDA WATER CYCLE AREA 2020



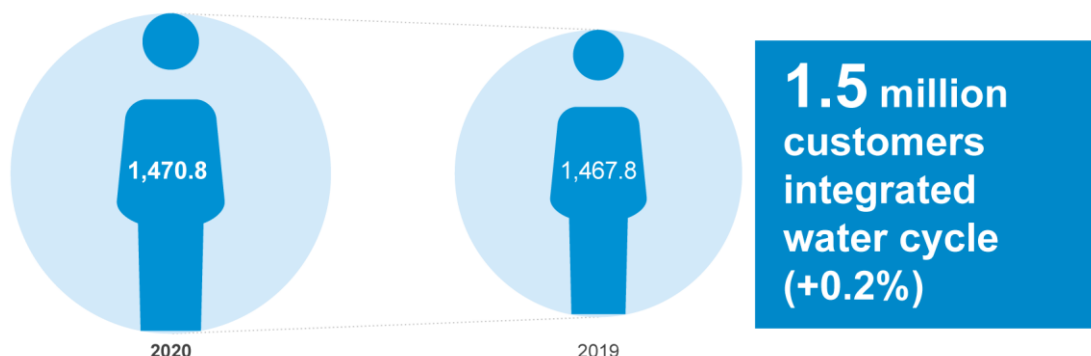
EBITDA WATER CYCLE AREA 2019



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

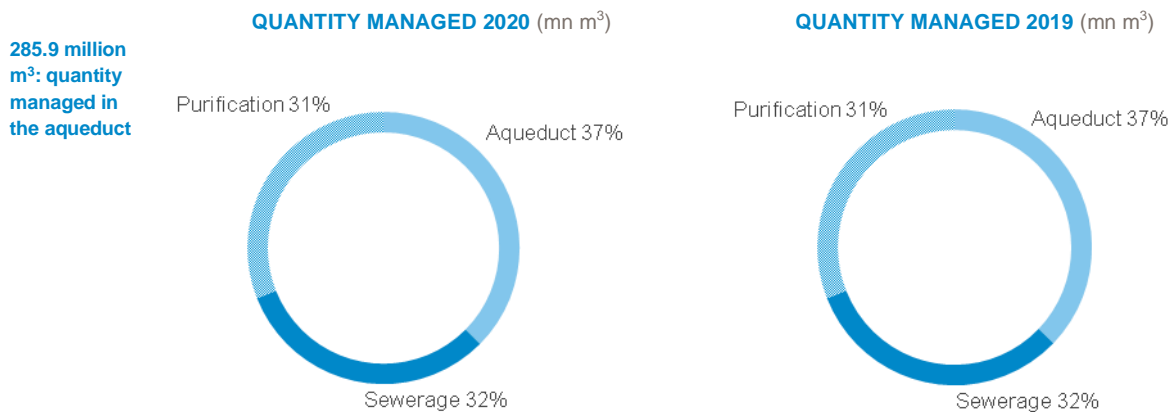
(mn€)	Dec 20	Dec 19	Abs. change	% change
Area Ebitda	265.8	265.3	0.5	+0.2%
Group Ebitda	1,123.0	1,085.1	37.9	+3.5%
Percentage weight	23.7%	24.5%	(0.8) p.p.	

#### CUSTOMERS (K)



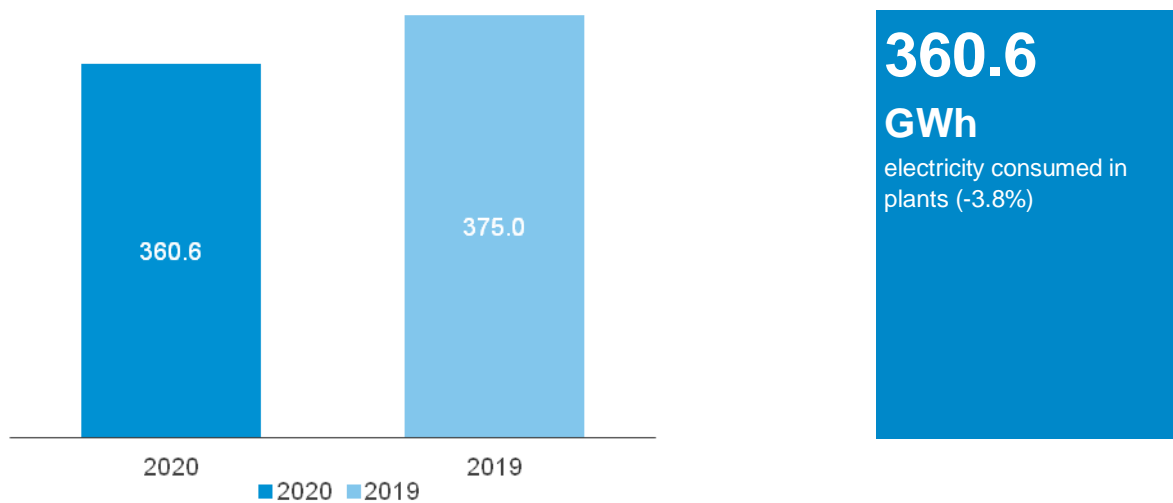
The number of customers rose compared to the previous year by 3.0 thousand or 0.2%, confirming the moderate trend towards internal growth seen in the Group's reference areas, mainly in the Emilia-Romagna region managed by Hera Spa.

The main indicators for the area are as follows:



The volumes supplied through the aqueduct settled at 285.9 million m<sup>3</sup> and showed a slight decrease coming to 1.2% compared to 2019, corresponding to 3.5 million m<sup>3</sup>. In December 2020, the quantity managed relating to sewerage came to 240.8 million m<sup>3</sup>, down 2.3% compared to the previous year, while purification stood at 236.7 million m<sup>3</sup>, with a slight decrease coming to 1.8% compared to 2019. The volumes supplied, following the Authority's resolution 580/2019, are an indicator of the activity of the areas in which the Group operates and are subject to equalisation, owing to legislation that call for a regulated revenue to be recognised independently from volumes distributed.

#### ELECTRICITY CONSUMED (GWh)

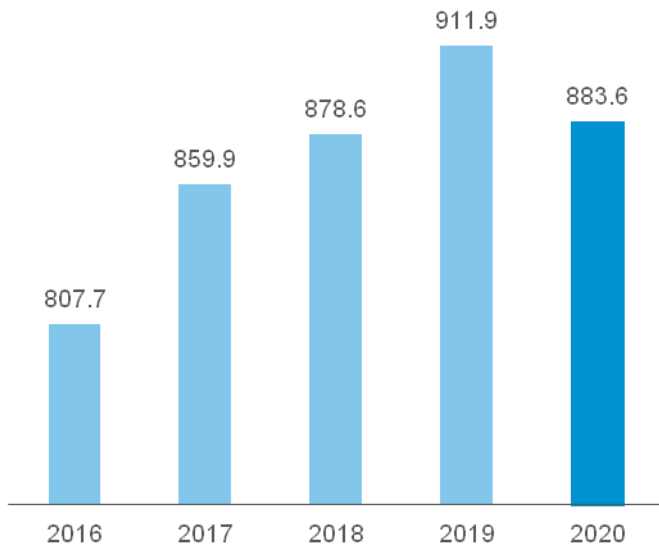


Electricity consumed in plants dropped by 14.4 GWh. This decrease is mainly linked to the lower volumes supplied in 2020, as described above.

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

Income statement (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Revenues	883.6		911.9		(28.3)	(3.1)%
Operating costs	(439.8)	(49.8)%	(471.8)	(51.7)%	(32.0)	(6.8)%
Personnel costs	(183.7)	(20.8)%	(179.9)	(19.7)%	3.8	+2.1%
Capitalised costs	5.8	0.7%	5.2	0.6%	0.6	+11.6%
<b>Ebitda</b>	<b>265.8</b>	<b>30.1%</b>	<b>265.3</b>	<b>29.1%</b>	<b>0.5</b>	<b>+0.2%</b>

**REVENUES** (mn€)

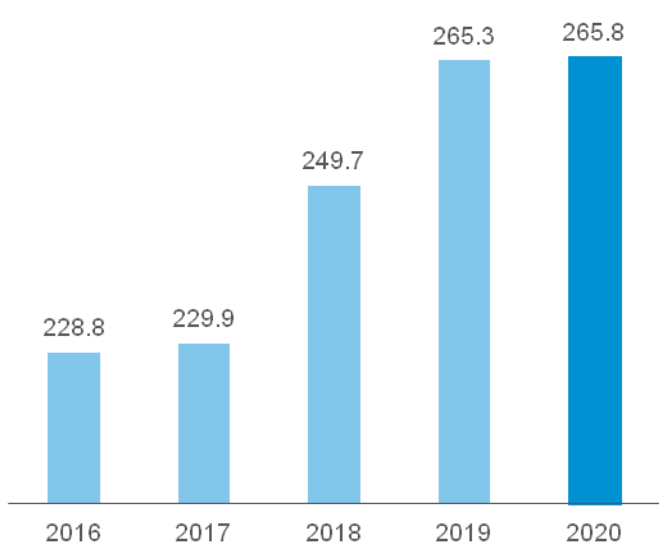


**883.6**  
**million euro**  
 revenues integrated water cycle (-3.1%)

Of this decrease in revenues, 17.0 million euro overall was due to lower revenues for subcontracts and works on behalf of third parties carried out in 2020. Also note the lower other revenues, coming to approximately 0.9 million euro, mainly related to contributions received to cover extraordinary costs for the 2017 water emergency, recognized in 2019. Revenues from supply showed a decrease coming to 11.1 million euro, mainly due to the reduction in the equalization costs for electricity and water as a raw material, partially offset by the tariff adjustment in the new method, Mti-3.

The reduction in operating costs in December 2020 is mainly due to lower costs related to the lesser works, described above under revenues, for a total of 17.0 million euro. Furthermore, lower costs were seen for water as a raw material and electricity, coming to approximately 13.5 million euro, while the remainder consisted in lower operating costs for network and plant management, coming to roughly 1.4 million euro.

**EBITDA** (mn€)



**265.8**  
**million euro**  
 Ebitda integrated water cycle (+0.2%)

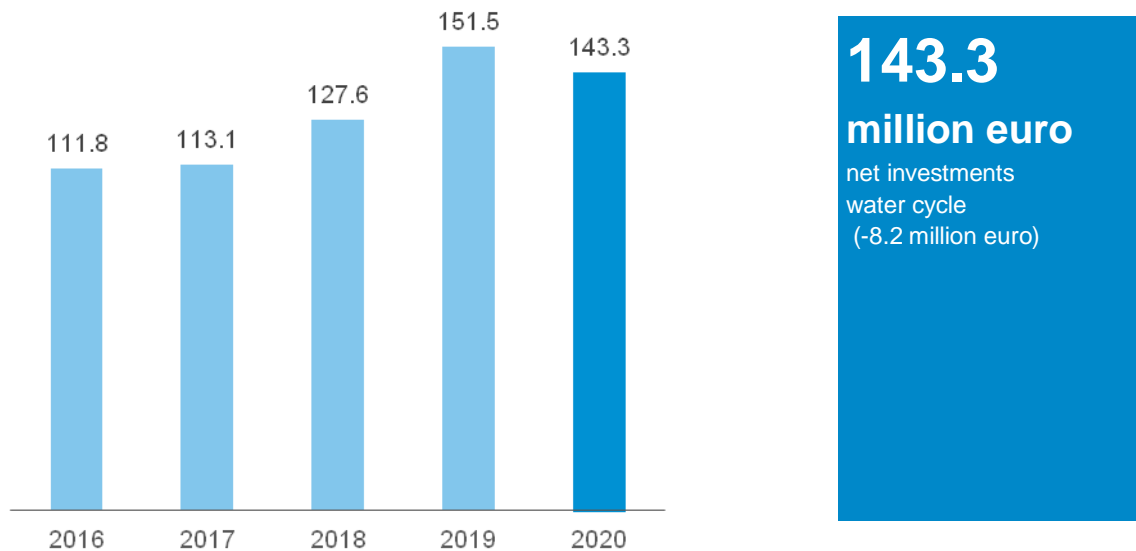
Ebitda grew slightly, by 0.2%. The negative effects on business caused by the Covid-19 emergency led on the whole to a 1.6 million euro drop in Ebitda, consisting in lower new connections, customer requests and subcontracted works, offset by the efficiency initiatives introduced by the Group.

In 2020, net investments in the integrated water cycle area amounted to 143.3 million euro, down 8.2 million euro compared to the previous year. Including the capital grants received, the investments made amounted to 166.2 million euro, down 9.6 million euro.

These investments mainly refer to extensions, reclamation and network and plant upgrading, as well as regulatory adjustments, especially in the purification and sewerage sectors.

Investment amounted to 98.8 million euro in the aqueduct, 39.1 million euro in sewerage and 28.2 million euro in purification treatment.

#### NET INVESTMENTS WATER CYCLE (mn€)



Among the main interventions, note: in the aqueduct, increased reclamation activities on networks and connections, partially linked to Arera resolution 917/2017 on regulating technical quality in the integrated water service; upgrading and renewal for abductors in two municipalities in the Bologna area; earthquake-proof upgrading and redevelopment of hanging tank areas; in sewerage, the progress on the important works for the seawater protection plan in Rimini continued, although in 2020 a lower impact of the interventions pertaining to Hera is expected than in the previous year. Maintenance interventions continued in sewerage network upgrading for other areas served, as did works for drain upgrading pursuant to Dgr 201/2016; in purification, note the upgrading on the Lido di Classe and Lugo purifiers, creating the rain line, and revamping the Ferrara purifier.

Requests for new water and sewer connections were up compared to the previous year.

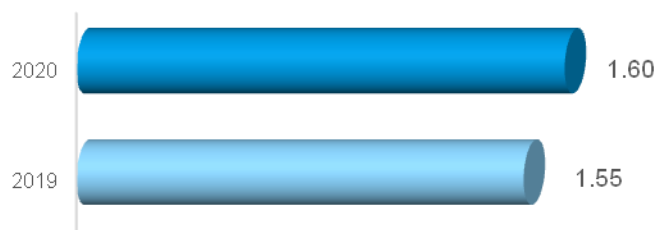
Capital grants amounted to 22.9 million euro, including 13.6 million euro linked to the tariff component of the tariff method for the New Investment Fund (FoNI), and were down 1.3 million euro compared to the previous year.

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

Integrated water cycle (mn€)	Dec 20	Dec 19	Abs. change	% change
Aqueduct	98.8	99.7	(0.9)	(0.9)%
Purification	28.2	27.7	0.5	+1.8%
Sewerage	39.1	48.3	(9.2)	(19.0)%
<b>Total integrated water cycle gross</b>	<b>166.2</b>	<b>175.8</b>	<b>(9.6)</b>	<b>(5.5)%</b>
Capital grants	22.9	24.2	(1.3)	(5.4)%
of which FoNI (New Investments Fund)	13.6	13.4	0.2	+1.5%
<b>Total integrated water cycle net</b>	<b>143.3</b>	<b>151.5</b>	<b>(8.2)</b>	<b>(5.4)%</b>

RAB, which defines the value of the assets recognised by the Authority as regards return on invested capital, increased compared to 2019.

**RAB** (bn€)



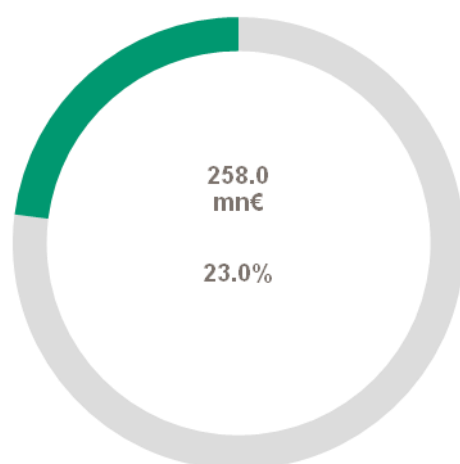
**1.60**  
**billion euro**  
2020 RAB

## 1.07.04 Waste management

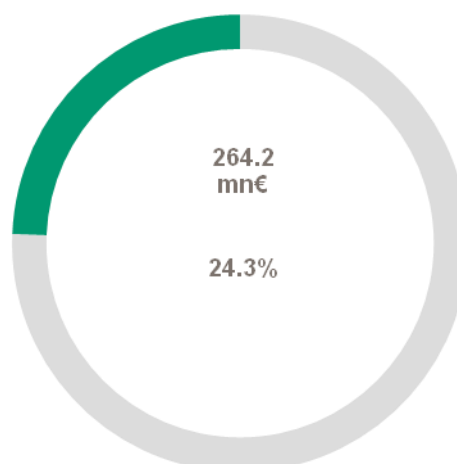
### Ebitda drops

In 2020, the waste management area accounted for 23.0% of the Hera Group's Ebitda, with its own Ebitda falling compared to 2019, since 2020 felt the negative effects of the Covid-19 epidemic. The ensuing and necessary restrictive measures concerning people, and the closure of most commercial and industrial activities during the lockdown, led to a decrease in waste production and, with regard to the plastic waste recovery and recycling market, a drop in demand for recycled plastic materials as well as a fall in the prices of recycled products. In this extraordinary context, the Hera Group was able to react promptly and make its professionalism available to the communities in the areas served, and to its customers, to overcome the emergency together. The size and variety of its customer portfolio, along with the finalisation of commercial partnerships, allowed all waste treatment plants to operate at full capacity. The protection of environmental resources was confirmed as a priority objective in 2020, as was the maximization of their reuse; this is demonstrated by the particular attention dedicated to increasing sorted waste collection, which was up by almost one percentage point compared to December 2019.

EBITDA WASTE MANAGEMENT AREA 2020



EBITDA WASTE MANAGEMENT AREA 2019



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

(mn€)	Dec 20	Dec 19	Abs. change	% change
Area Ebitda	258.0	264.2	(6.2)	(2.3)%
Group Ebitda	1,123.0	1,085.1	37.9	+3.5%
Percentage weight	23.0%	24.3%	(1.3) p.p.	

Volumes marketed and treated by the Group in 2020 are as follows:

Quantity (k tons)	Dec 20	Dec 19	Abs. change	% change
Municipal waste	2,219.1	2,347.8	(128.7)	(5.5)%
Market waste	2,187.6	2,211.1	(23.5)	(1.1)%
<b>Waste commercialised</b>	<b>4,406.7</b>	<b>4,558.9</b>	<b>(152.2)</b>	<b>(3.3)%</b>
Plant by-products	2,203.2	2,616.2	(413.0)	(15.8)%
<b>Waste treated by type</b>	<b>6,609.9</b>	<b>7,175.1</b>	<b>(565.2)</b>	<b>(7.9)%</b>

An analysis of this data shows a drop in waste commercialised, due to decreases in both municipal waste and market waste. As regards municipal waste, 2020 saw a drop coming to 5.5%, with sorted and sandy shore quantities falling in particular, along with unsorted waste.



Market volumes showed a slight decrease compared with the previous year, due to the lower activity caused by the Covid-19 health emergency.

Lastly, plant by-products fell compared to the previous year, due to both lower quantities processed and lower rainfall.

**SORTED WASTE (%)**

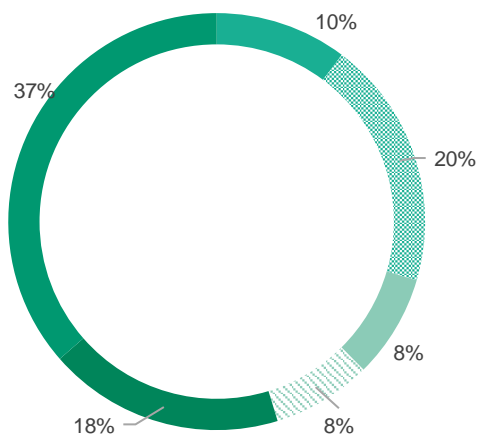


Further progress was made in sorted municipal waste, which increased by 0.7 percentage points compared to the previous year. At December 2020, sorted waste rose by 0.7 p.p. in Emilia-Romagna, in the Triveneto region growth settled at 0.7 p.p., while in the Marche region growth came to 0.9 p.p.

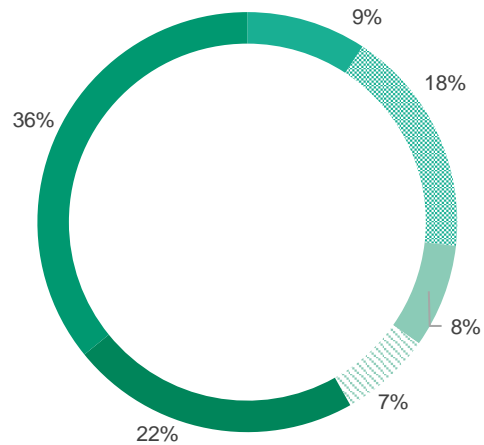
The Hera Group operates in the entire waste cycle, with 93 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: nine waste-to-energy plants, 12 composters/digesters and 14 selecting plants.

The care and attention given to the set of plants was a distinctive element of the Group's desire for excellence in 2020 as well: two new revamping projects for existing plants intended to produce biomethane were defined and the second cycle began in modernising three of the Group's waste-to-energy plants.

**WASTE TREATED BY TYPE OF PLANT 2020**



**WASTE TREATED BY TYPE OF PLANT 2019**



- Landfills
- Wte
- Selecting
- Compost.
- Inert.and che-fi
- Other plants

- Landfills
- Wte
- Selecting
- Compost.
- Inert.and che-fi
- Other plants

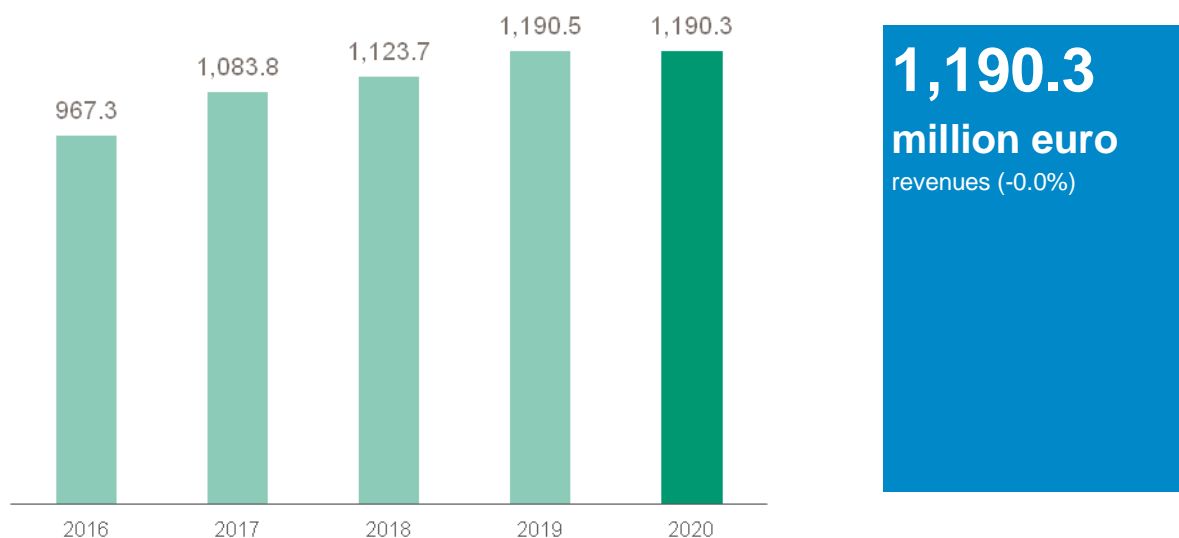
Quantity (k tons)	Dec 20	Dec 19	Abs. change	% change
Landfills	677.4	663.5	13.9	+2.1%
WTE	1,275.4	1,259.9	15.5	+1.2%
Selecting plants and other	530.7	572.8	(42.1)	(7.3)%
Composting and stabilisation plants	509.4	506.1	3.3	+0.7%
Inertisation and chemical-physical plants	1,208.4	1,600.2	(391.8)	(24.5)%
Other plants	2,408.7	2,572.7	(164.0)	(6.4)%
<b>Waste treated by plant</b>	<b>6,609.9</b>	<b>7,175.1</b>	<b>(565.2)</b>	<b>(7.9)%</b>

Waste treatment showed an overall decrease coming to 7.9% compared to December 2019. In this regard, note the higher quantities in landfills due to the full activity of the Loria and Serravalle Pistoiese landfills. In the set of the waste-to-energy plants, the trend was mainly due to a different scheduling of plant shutdowns and planned maintenance compared to the same period in 2019, along with an increase in waste delivered. The decreased quantities in sorting plants is due to the lower quantities processed, mainly in the Rimini and Bologna plants. In composting and stabilization plants, volumes remained essentially the same. The lower quantities in inertisation and chemical-physical plants sector are mainly due to a reduction in leachate from landfills, due to the lower rainfall, and the reduced activity related to the health emergency. Finally, the decrease in the other plants sector was mainly due to a reduction in by-products, mainly wastewater, treated in third-party plants.

The table below summarises the area's operating results:

Income statement (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Revenues	1,190.3		1,190.5		(0.2)	(0.0)%
<b>Ebitda falls</b> Operating costs	(740.2)	(62.2)%	(733.5)	(61.6)%	6.7	+0.9%
Personnel costs	(203.6)	(17.1)%	(201.2)	(16.9)%	2.4	+1.2%
Capitalised costs	11.4	1.0%	8.4	0.7%	3.0	+35.6%
<b>Ebitda</b>	<b>258.0</b>	<b>21.7%</b>	<b>264.2</b>	<b>22.2%</b>	<b>(6.2)</b>	<b>(2.3)%</b>

#### REVENUES (mn€)

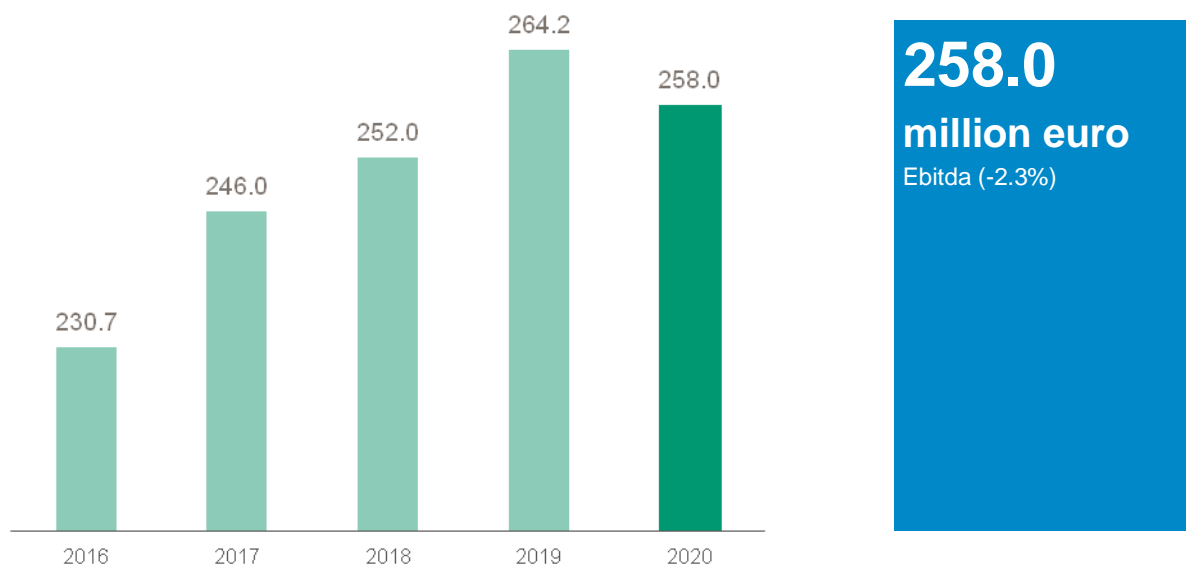


Revenues were essentially in line with the previous year. Revenues from electricity production were lower as a result of both the loss of energy incentives for one plant and a drop in market and thermal energy prices, despite higher production in WTE. Also note the lower contribution from Aliplast Spa,

resulting from both a decrease in products sold and the incentives received the previous year as an energy-intensive company. Finally, note the decrease in reclamation and the drop in volumes treated, despite the higher revenues linked to increasing commercial activities and trading. These negative effects were only partly offset by the positive trend in the prices of special waste and higher revenues from increased sorted waste in the municipal waste collection service.

Operating costs in December 2020 rose by 0.9%. Higher costs were seen for increasing commercial activities and treating by-products and, as regards municipal waste, higher costs were linked to the developing new sorted waste collection projects. This growth was offset by the lower costs of scheduled maintenance on the Group's plants, lower costs related to the lower volumes treated and a reduction in reclamation activities. In addition, a decrease was seen in the purchasing costs on the PET incurred by Aliplast Spa, related to the trend revenues mentioned above.

#### EBITDA (mn€)



The decrease in Ebitda is due to lower revenues from electricity generation, only partly offset by higher prices for special waste treatment. The overall impact of the Covid-19 epidemic, consisting in lower volumes treated, lower earnings from plastic recovery, despite the containment actions implemented by the Group during the national lockdown, amounted to a 4.4 million euro drop in Ebitda.

Net investment in the waste management area regarded maintenance and upgrading in waste treatment plants and amounted to 67.6 million euro, down 13.9 million euro compared to the previous year.

The composting/digesters sector showed a 3.6 million euro drop, due to the significant interventions carried out the previous year on the composting plant in Sant'Agata Bolognese for the construction of the biomethane plant that became fully operational in 2019, as well as other interventions including upgrading the mechanical biological treatment plant in Tre Monti.

Investments in landfills fell by 6.3 million euro, due to the interventions carried out in 2019 on Cordenons, the tenth sector of the Ravenna landfill and the plants belonging to Marche Multiservizi Spa, only partially offset by the works started in 2020 on the Il Pago plant.

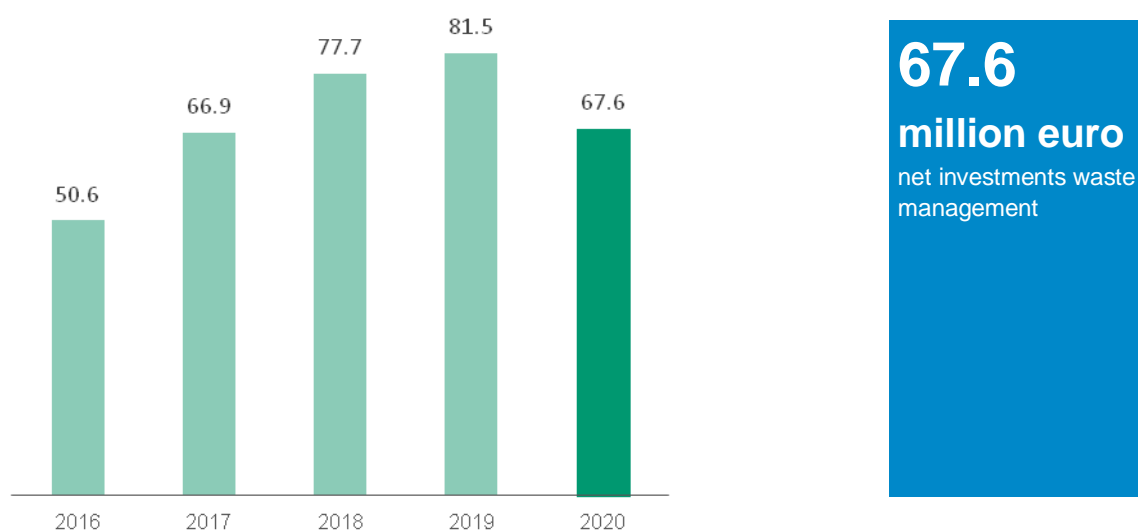
Investments in the WTE sector were in line with the previous year and concerned non-recurring maintenance on the main plants in this area.

Investments in the industrial waste plants sector increased by 2.1 million euro compared to the previous year and mainly concerned revamping on the F3 plant in Ravenna and work on the Tapo plant (organic production water treatment), once again in Ravenna.

The ecological areas and collection equipment sector saw investments fall by 2.6 million euro compared to the previous year, mainly in the areas served by AcegasApsAmga Spa, while the 3.0 million euro drop in the selection and recovery plants sector was mainly due to the higher investments

made in the previous year by Alplast Group and the completion in 2019 of the mobile soil washing plant in Chioggia.

#### NET INVESTMENTS WASTE MANAGEMENT (mn€)

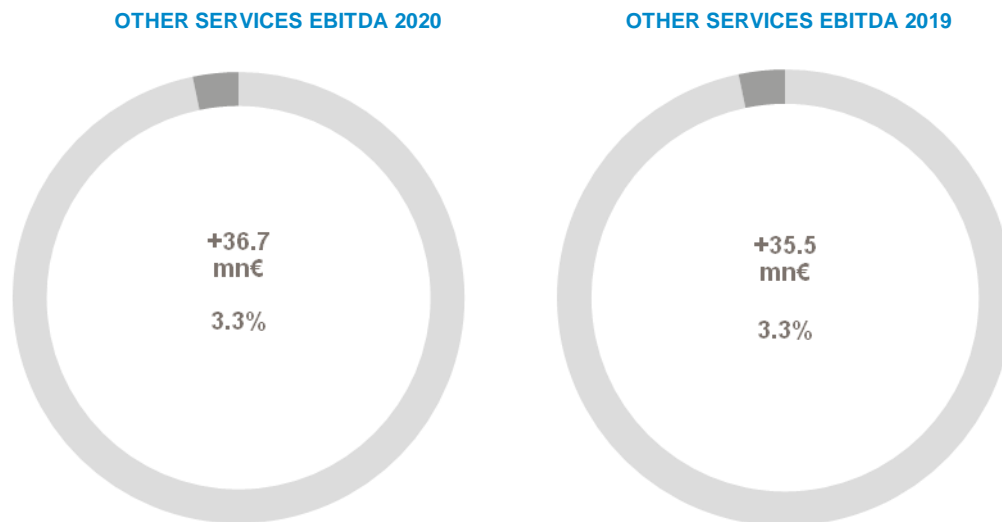


Details of operating investments in the waste management area are as follows:

Waste management (mn€)	Dec 20	Dec 19	Abs. change	% change
Composters/digesters	4.7	8.3	(3.6)	(43.4)%
Landfills	10.8	17.1	(6.3)	(36.8)%
WTE	14.0	14.0	-	+0.0%
RS plants	6.6	4.5	2.1	+46.7%
Ecological areas and collection equipment	14.4	17.0	(2.6)	(15.3)%
Transshipment, selecting and other plants	17.9	20.9	(3.0)	(14.4)%
<b>Total waste management gross</b>	<b>68.3</b>	<b>81.8</b>	<b>(13.5)</b>	<b>(16.5)%</b>
Capital grants	0.7	0.3	0.4	+133.3%
<b>Total waste management net</b>	<b>67.6</b>	<b>81.5</b>	<b>(13.9)</b>	<b>(17.1)%</b>

## 1.07.05 Other services

**Ebitda rises** 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 through its own digital company, and lastly cemetery services. In 2020, results in this area were up by 3.4%, corresponding to 1.2 million euro.



The changes occurred in terms of Ebitda are as follows:

(mn€)	Dec 20	Dec 19	Abs. change	% change
<b>Area Ebitda</b>	<b>36.7</b>	<b>35.5</b>	<b>+1.2</b>	<b>+3.4%</b>
Group Ebitda	1,123.0	1,085.1	+37.9	+3.5%
Percentage weight	3.3%	3.3%	-	

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

Quantity	Dec 20	Dec 19	Abs. change	% change
<b>Public lighting</b>				
Lighting points (k)	571.3	548.7	+22.6	+4.1%
of which LED	35.1%	27.5%	+7.6	+0.0%
Municipalities served	188.0	181.0	+7.0	+3.9%

**571.3  
thousand  
lighting  
points**

During 2020, the Hera Group acquired approximately 24.3 thousand lighting points in 10 new municipalities. The most significant acquisitions were: roughly 8.3 thousand lighting points in Lombardy, roughly 9.1 thousand lighting points Friuli-Venezia Giulia, roughly 1.1 thousand lighting points Sardinia and roughly 3.4 thousand lighting points in regions of central Italy. Lastly, more lighting points were managed in municipalities already served coming to roughly 2.4 thousand lighting points. The increases seen during the year fully offset the loss of approximately 1.7 thousand lighting points and 3 municipalities managed in Friuli-Venezia Giulia.

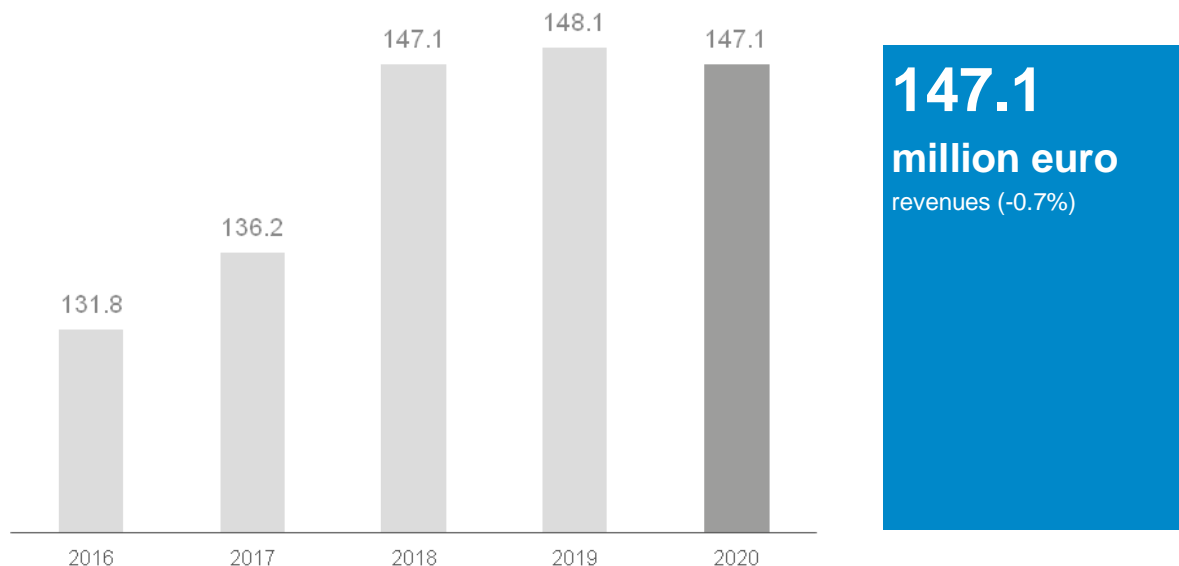
The percentage of lighting points using LED bulbs also rose, settling at 35.1%, up 7.6 percentage points. This performance highlights the Group's constant focus on an increasingly efficient and sustainable management of public lighting.

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

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

Income statement (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Revenues	147.1		148.1		(1.0)	(0.7)%
Operating costs	(92.0)	(62.5)%	(94.3)	(63.7)%	(2.3)	(2.4)%
Personnel costs	(20.3)	(13.8)%	(20.2)	(13.7)%	0.1	+0.5%
Capitalised costs	1.8	1.2%	2.0	1.4%	(0.2)	(10.0)%
<b>Ebitda</b>	<b>36.7</b>	<b>24.9%</b>	<b>35.5</b>	<b>24.0%</b>	<b>1.2</b>	<b>+3.4%</b>

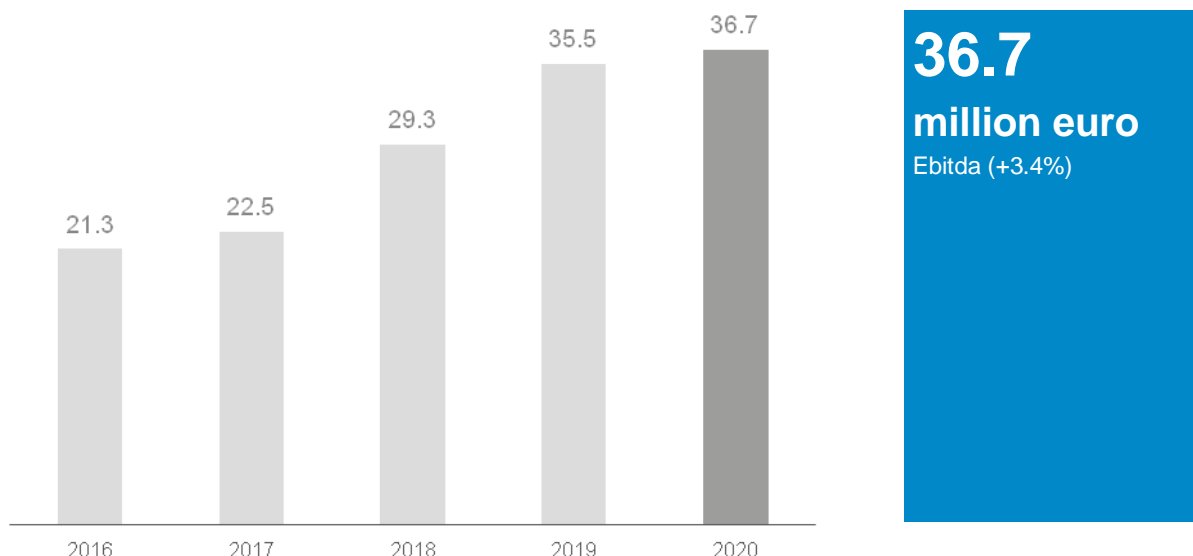
#### REVENUES (mn€)



The slight fall in revenues is mainly due to public lighting and largely involves the changed price of electricity in management fees (with a pass-through effect on costs) and balances for sums dating to the previous year, partially offset by recovery in the works carried out by Hera Luce. This decrease was only partially offset by higher revenues in the telecommunications business, due to increased requests for IT security services, connectivity, IT support and smart devices, partially due to an increase in remote working in client companies.

The contained operating costs were primarily due to the changed price of electricity, as mentioned above, only partly offset by increased progress on public lighting works.

**EBITDA** (mn€)

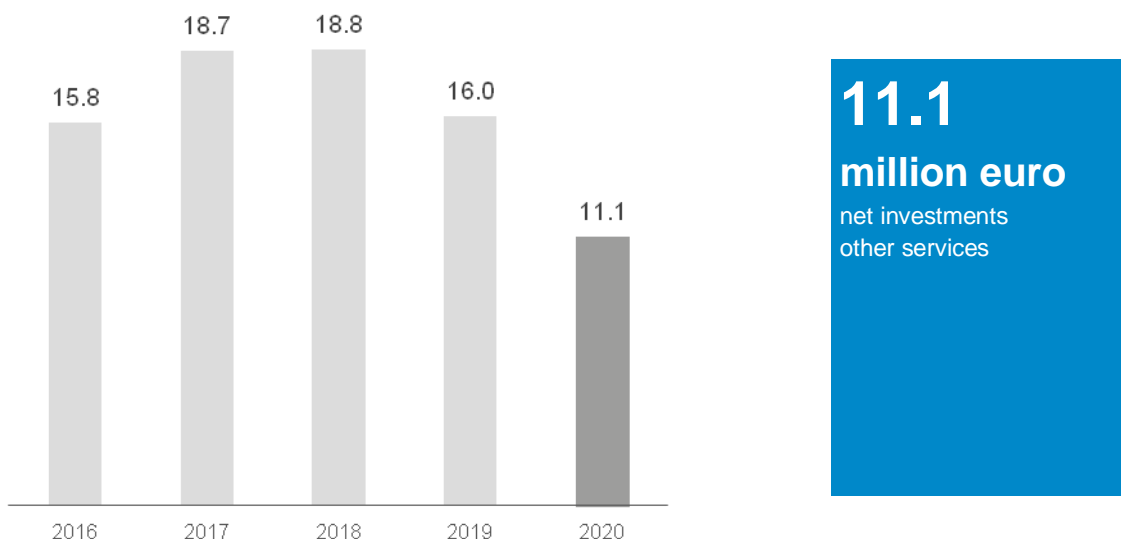


The growth in Ebitda was due to higher earnings in telecommunications services, which fully offset the lower contribution from lighting and the negative effects of the Covid-19 pandemic, which led to a decrease in earnings coming to 1.3 million euro.

In 2020, investments in the other services area totalled 11.1 million euro, down 4.9 million euro compared to the previous year.

In telecommunications, 8.1 million euro were invested in the network and in TLC and IDC (Internet data centre) services, down 2.0 million euro compared to the previous year. In the public lighting service, investments totalling 3.0 million euro involved maintenance, upgrading and modernization works on lighting systems in the areas served, falling compared to the previous year, mainly due to the different accounting of public lighting contracts under IFRIC 12.

**NET INVESTMENTS OTHER SERVICES** (mn€)



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

Other services (mn€)	Dec 20	Dec 19	Abs. change	% change
TLC	8.1	10.1	(2.0)	(19.8)%
Public lighting and traffic lights	3.0	5.9	(2.9)	(49.2)%
<b>Total other services gross</b>	<b>11.1</b>	<b>16.0</b>	<b>(4.9)</b>	<b>(30.6)%</b>
Capital grants	-	-	-	+0.0%
<b>Total other services net</b>	<b>11.1</b>	<b>16.0</b>	<b>(4.9)</b>	<b>(30.6)%</b>