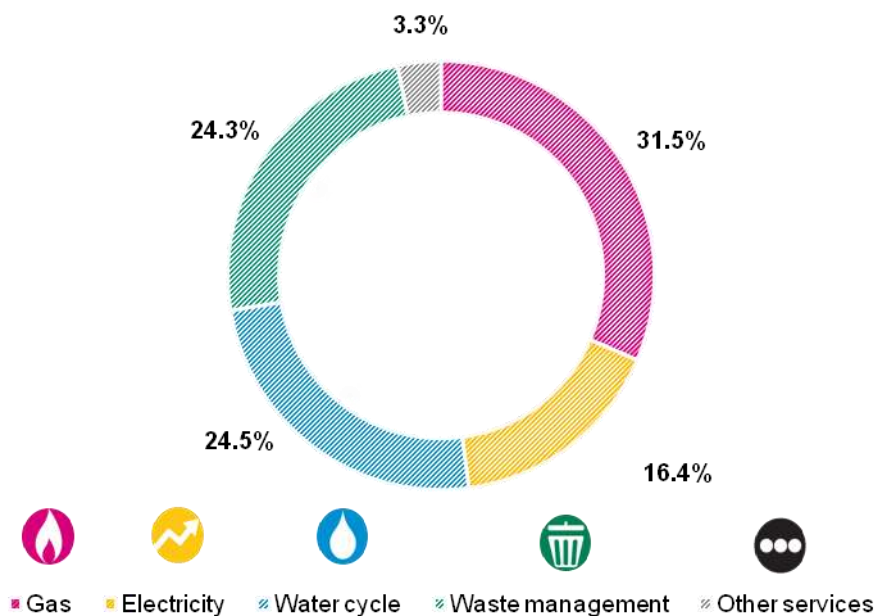


1.06 Analysis by business area

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 electricity generation, distribution and sales; the integrated water cycle area, which covers aqueduct, purification and sewerage services; the waste management area, which covers services in waste collection, treatment and recovery; the other services area, which covers services in public lighting and telecommunications, as well as other minor services.

A multi-business strategy

2019 Ebitda



The contribution coming from the Group's various areas to overall Ebitda shows a balanced mix, in line with its 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.

In all business areas, as in the income statements, accounting standard Ifrs 16 on operating leases has been applied.

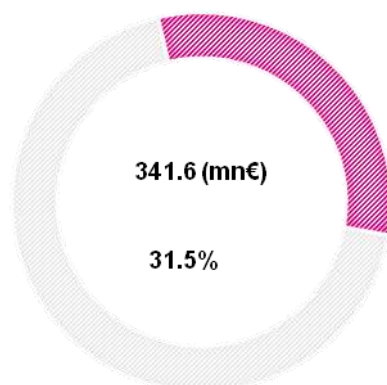
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Gas

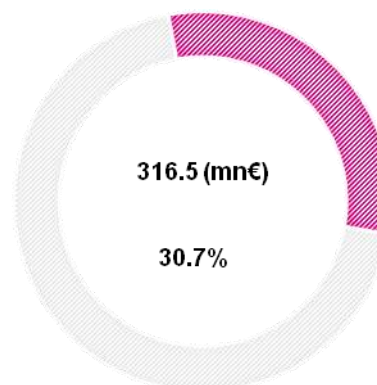
At 31 December 2019, the gas area showed substantial growth over the previous year, in terms of both Ebitda and volumes sold. The result was achieved mainly due to a higher amount of sales and trading.

Ebitda rises

Ebitda gas area 2019



Ebitda gas area 2018



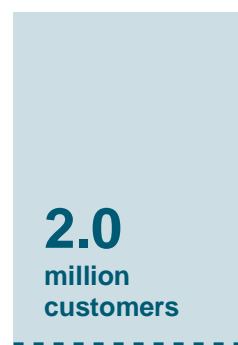
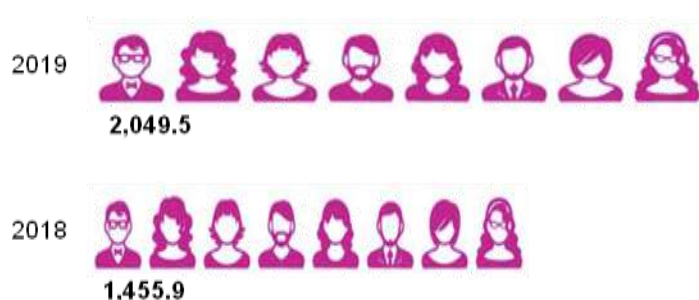
The following table shows the changes occurred in terms of Ebitda:

Growth in Ebitda:
+7.9%

(mn€)	Dec 19	Dec 18	Abs. change	% change
Area Ebitda	341.6	316.5	+25.1	+7.9%
Group Ebitda	1,085.1	1,031.1	+54.0	+5.2%
Percentage weight	31.5%	30.7%	+0.8 p.p.	

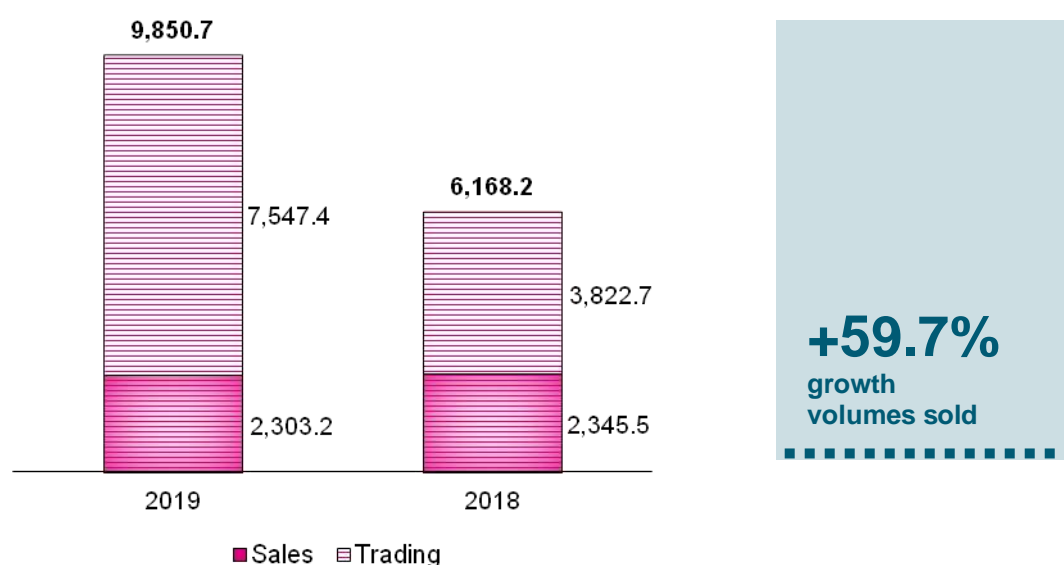
The number of gas customers increased by 593.6 thousand, up 40.8% over 31 December 2018. The entry of the companies belonging to the EstEnergy Group and AmgasBlue within the Group's consolidated scope contributed with 611.0 thousand customers, while the expanded scope due to the acquisitions of CMV Energia e Impianti Srl and Sangroservizi Srl contributed with 27.9 thousand customers. Participation in tenders led to a decrease coming to 43.6 thousand customer, but with higher margins. The remainder of customers, excluding the churn rate and acquisitions, dropped slightly, by 1.7 thousand customers.

Customers ^(k)



Overall volumes of gas sold increased by 3,682.5 million m³, or 59.7%, going from 6,168.2 million m³ at the end of 2018 to 9,850.7 million m³ at 31 December 2019. Trading volumes showed growth coming to 3,724.8 million m³, or 60.4% of total volumes, due to a higher amount of foreign trading. Volumes sold to end customers decreased slightly, by 42.3 million m³ or 1.8% of total volumes sold, which in any case is lower than the effect of a very mild winter, whose average temperatures were 6% higher than in 2018.

Volumes sold (mn m³)



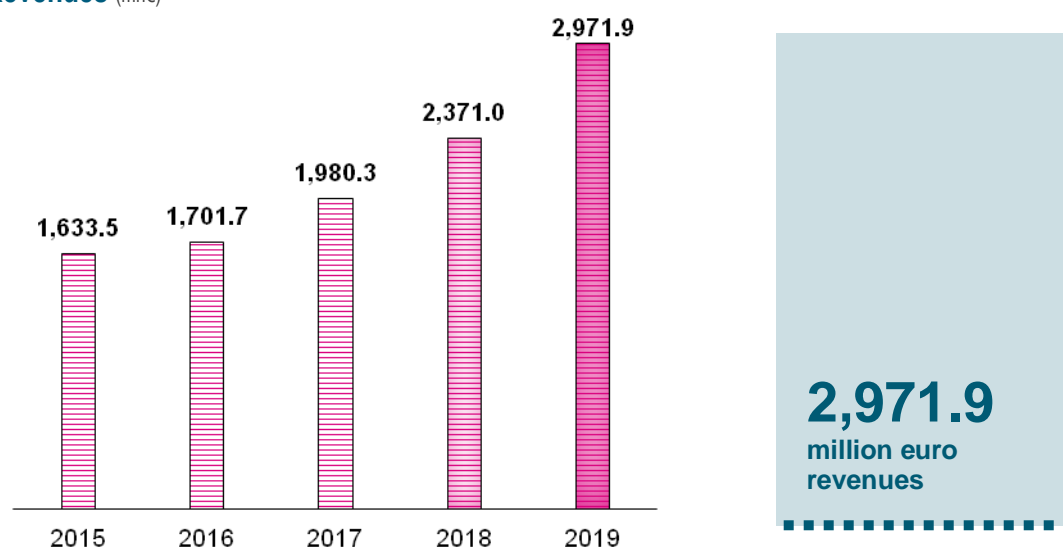
The following table summarises operating results for the gas area:

Income statement (mn€)	Dec 19	% change	Dec 18	% change	Abs. change	% change
Revenues	2,971.9		2,371.0		+600.9	+25.3%
Operating costs	(2,529.2)	-85.1%	(1,958.2)	-82.6%	+571.0	+29.2%
Personnel costs	(114.1)	-3.8%	(111.2)	-4.7%	+2.9	+2.6%
Capitalised costs	13.0	0.4%	14.8	0.6%	-1.8	-12.1%
Ebitda	341.6	11.5%	316.5	13.3%	+25.1	+7.9%

Revenues went from 2,371.0 million euro at the end of 2018 to 2,971.9 million euro at 31 December 2019, with growth coming to 600.9 million euro or 25.3%. The main reasons for this growth lie in the higher volumes involved in intensified trading activities, amounting to roughly 553 million euro, the higher price of gas as a raw material, coming to roughly 30 million euro, and higher revenues from transmission and system charges, amounting to roughly 28 million euro, in spite of the lower revenues for volumes of gas sold, coming to roughly 28 million euro.

Revenues for companies operating abroad, in Bulgaria, rose thanks to developments in marketing by 5.4 million euro, as did regulated revenues from gas distribution, by 5.2 million euro, and revenues from long-term commissions and subcontracts, by 10.3 million euro, with an equivalent effect on operating costs. This growth was contained by revenues for energy efficiency certificates, which dropped by roughly 8 million euro.

Revenues (mn€)



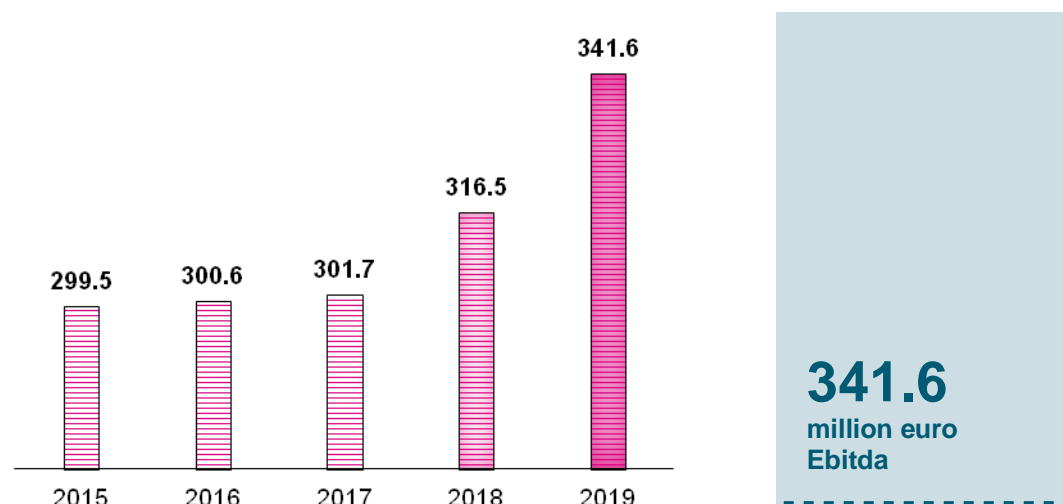
This growth in revenues was reflected by an increase in operating costs, which went from 1,958.2 million euro at the end of 2018 to 2,529.2 million euro at 31 December 2019, thus showing an overall growth coming to 571.0 million euro. This trend is largely due to a higher amount of trading and the higher cost of raw materials. Lastly, the application of accounting standard IFRS 16 reduced costs by roughly 1.6 million euro.

Ebitda increased by 25.1 million euro or 7.9%, going from 316.5 million euro at the end of 2018 to 341.6 million euro at 31 December 2019, thanks to the higher amount of trading, higher margins in sales both to end customers and in last resort and default services. Note that, for the latter two services, the concessions awarded for 1 October 2019 – 30 September 2020 include a different mix than the services provided until 30 September 2019, with a lower number of customers than in the previous year but more advantageous margins.

Regulated revenues rose by 5.0 million euro, up 2.1% over 2018. This increase is due to a higher Wacc rate of return, +0.2%, as well as periodic updates concerning return on investments, concerning meters in particular.

Further positive effects were due to the introduction of accounting standard IFRS 16, amounting to 1.6 million euro, and lower costs for acquiring energy customers, which no longer appear in the income statement, as mentioned in paragraph 1.03.01, but under investments.

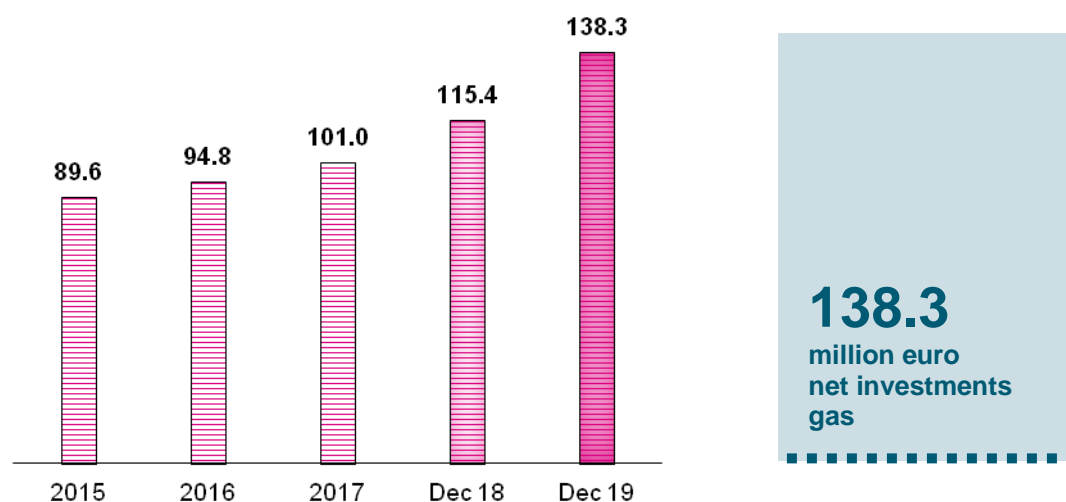
Ebitda (mn€)



In 2019, net investments in the gas area amounted to 138.3 million euro, up 22.9 million euro over the previous year. A 10.7 million euro increase was seen in gas distribution, mainly due to higher non-recurring maintenance on networks and plants, a large-scale metre substitution (deliberation 554) and ongoing work in cathodic protection upgrading in the areas served by AcegasApsAmga. Requests for new connections also increased over the previous year. Investments totalling 8.3 million euro were seen in gas sales, for activities involved in acquiring new customers.

Investments also increased in district heating, and remained essentially in line with the previous year in heat management, with the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. New connections in district heating dropped slightly compared to the previous year.

Net investments gas (mn€)



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

Gas (mn€)	Dec 19	Dec 18	Abs. change	% change
Networks and plants	103.1	92.4	+10.7	+11.6%
Acquisition gas customers	8.3	0.3	+8.0	2,666.7%
DH/heat management	26.9	22.8	+4.1	+18.0%
Total gas gross	138.3	115.4	+22.9	+19.8%
Capital grants	0.0	0.0	+0.0	+0.0%
Total gas net	138.3	115.4	+22.9	+19.8%

The Regulatory asset base (Rab) for assets owned, which defines the value of assets recognised by the Authority for return on invested capital, rose compared to 2018, owing to the entry of Atr Srl within the Group's scope of operations and increased investments for the roll-out of electronic meters.

Rab (bn€)



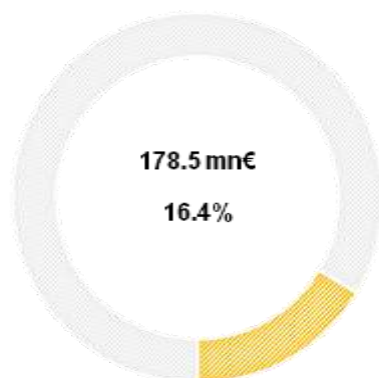
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Electricity

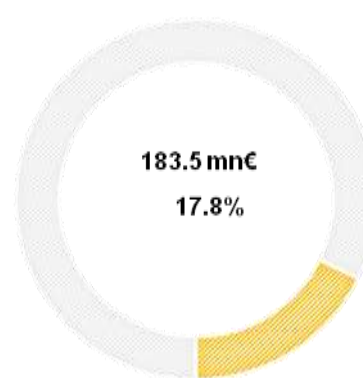
At the end of 2019, the electricity area dropped by 2.7% compared to the previous year. The positive contribution coming from generation and a strong drive in marketing almost entirely offset the negative effects of the new tender for safeguarded services, for the 2019-2020 two-year period, in which a high degree of competitiveness led to lower prices compared to the previous tender.

Ebitda rises

Ebitda electricity area 2019



Ebitda electricity area 2018



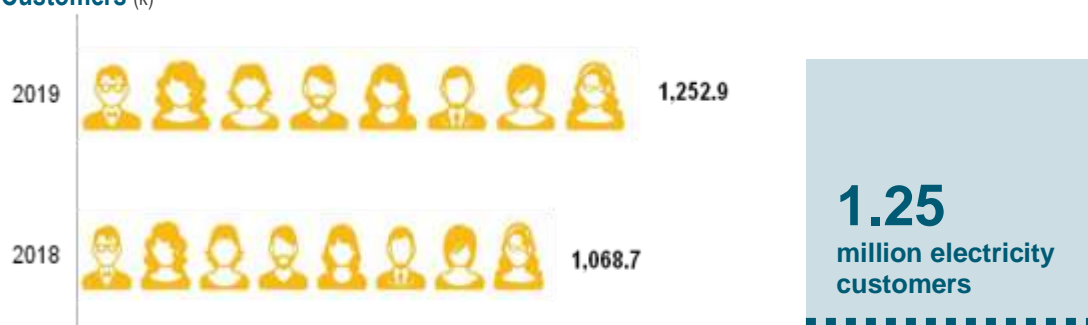
The following table shows the changes occurred in terms of Ebitda:

(mn€)	Dec 19	Dec 18	Abs. change	% change
Area Ebitda	178.5	183.5	-5.0	-2.7%
Group Ebitda	1,085.1	1,031.1	+54.0	+5.2%
Percentage weight	16.4%	17.8%	-1.4 p.p.	

-2.7%
fall in Ebitda

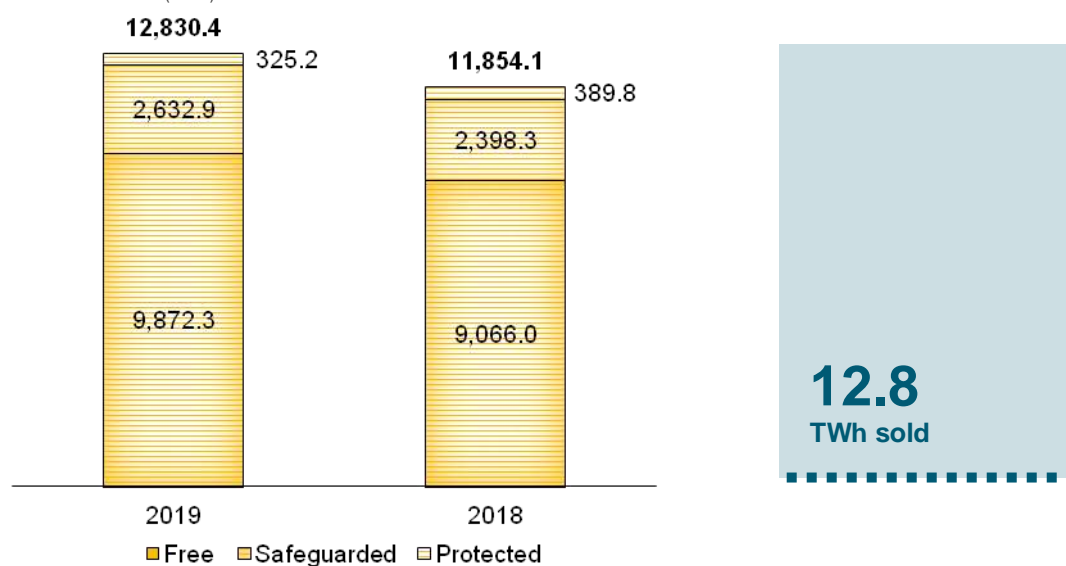
The number of electricity customers settled at 1.3 million supply points, up 17.2% or 184.2 thousand customers, compared to 31 December 2018. The entry within the Group's consolidated scope of the companies belonging to the EstEnergy Group and AmgasBlu contributed with 102.6 thousand customers, while the remaining growth of 81.6 thousand customers, equivalent to 7.6%, was created by the reinforced marketing initiatives introduced, above all in the Marche, Tuscany, Veneto and Friuli regions. This growth, along with the 3.5 thousand customers brought by the entry of CMV Energia e Impianti Srl, mitigated the fall in protected customers.

Customers ^(k)



Volumes of electricity sold went from 11,854.1 GWh at the end of 2018 to 12,830.4 GWh at 31 dicembre 2019, with an increase coming to 8.2% or 976,2 GWh overall. Volumes sold on the free market grew by 6.8% of the total, while safeguarded volumes increased by 2.0% of the total, thanks to the new portions obtained.

Volumes sold (GWh)



The following table summarises operating results for the area:

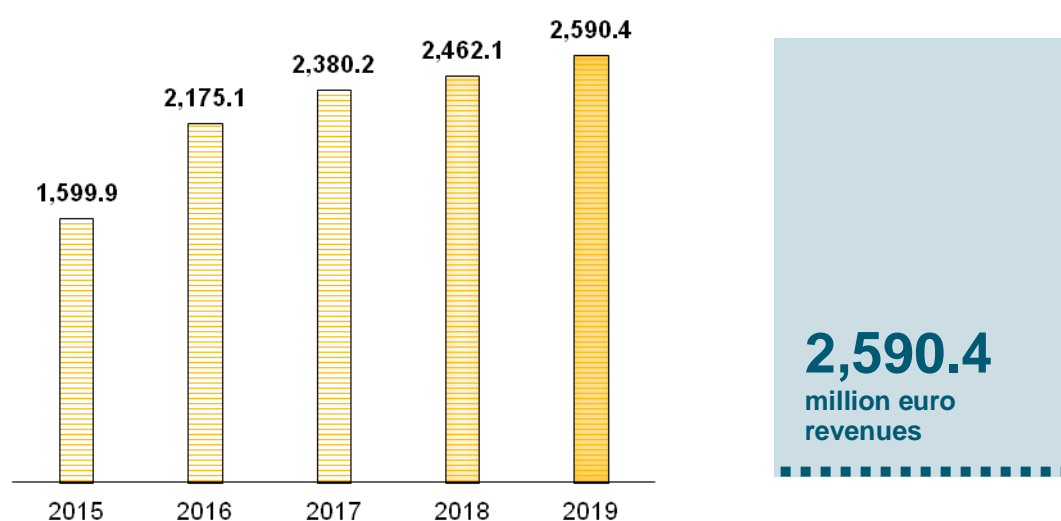
Income statement (mn€)	Dec 19	% inc.	Dec 18	% change	Abs. change	% change
Revenues	2,590.4		2,462.1		+128.3	+5.2%
Operating costs	(2,376.1)	-91.7%	(2,244.9)	-91.2%	+131.2	+5.8%
Personnel costs	(45.0)	-1.7%	(44.9)	-1.8%	+0.1	+0.2%
Capitalised costs	9.1	0.4%	11.1	0.5%	-2.0	-18.0%
Ebitda	178.5	6.9%	183.5	7.5%	-5.0	-2.7%

Ebitda drops by 5.0 million euro

Revenues rose by 5.2%, going from 2,462.1 million euro at the end of 2018 to 2,590.4 million euro in 2019, with growth amounting to 128.3 million euro. The main reasons for this increase lie in the higher amount of volumes sold, which created roughly 87 million euro in higher revenues, higher revenues from electricity generation amounting to roughly 14.0 million euro, and transmission outside the grid coming to roughly 182 million euro, with no change in costs. Countering these trends, note the lower revenues for trading totalling 118.0 million euro and the lower price of raw materials coming to roughly 43 million euro.

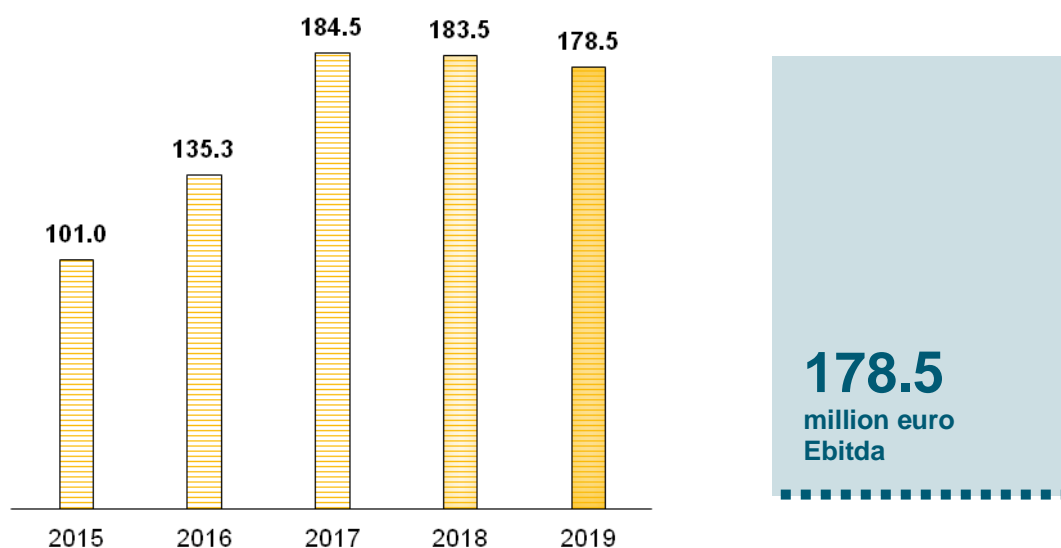
Regulated revenues increased by 1.6 million euro, up 1.8% over 2018. This rise is due to a higher Wacc rate of return, up 0.3%, as well as the naturally occurring updates in recognition for investments and accruals.

Revenues for long-term commissions and subcontracted works increased by 3.5 million euro, with an equal effect on operating costs, while revenues from energy efficiency certificates fell by roughly 1.2 million euro.

Revenues (mn€)

The increase in revenues was reflected to an equal degree by a rise in operating costs, which went from 2,244.9 million euro at the end of 2018 to 2,376.1 million euro in 2019, thus showing an overall increase of 131.2 million euro. This trend is mainly due to higher volumes sold and a higher amount of electricity generation. Lastly, the application of accounting standard IFRS 16 reduced costs by roughly 0.4 million euro.

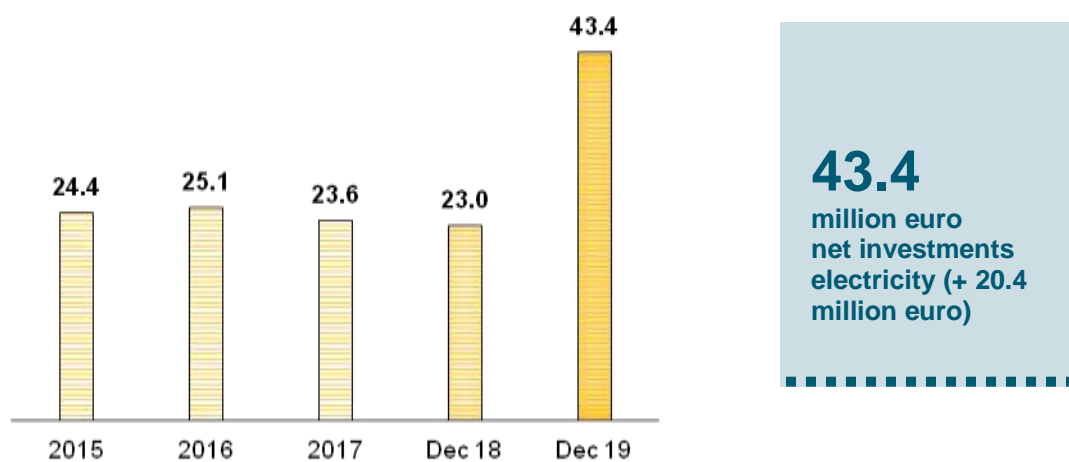
At 31 December 2019, Ebitda dropped by 5.0 million euro or 2.7%, going from 183.5 million euro in 2018 to 178.5 million euro in 2019, due to lower earnings coming from both higher competition on the safeguarded market and the different mix of portions managed. Offsetting this effect, note the higher margins in electricity generation on the dispatching market, higher volumes sold and lower costs for acquiring energy customers, that no longer appear in the income statement, as mentioned in paragraph 1.03.02, but under investments.

Ebitda (mn€)

Investments in the electricity area came to 43.4 million euro in 2019, up 20.4 million euro compared to the previous year, of which 15.5 million euro were involved in energy sales, for activities linked to acquiring new customers.

Interventions mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas, which led to growth in investments for electricity distribution coming to 4.9 million euro over the previous year, mainly involving interventions on networks and plants in the Trieste area and the new Modena Est primary substation. Requests for new connections also rose with respect to the previous year.

Net investments electricity (mn€)

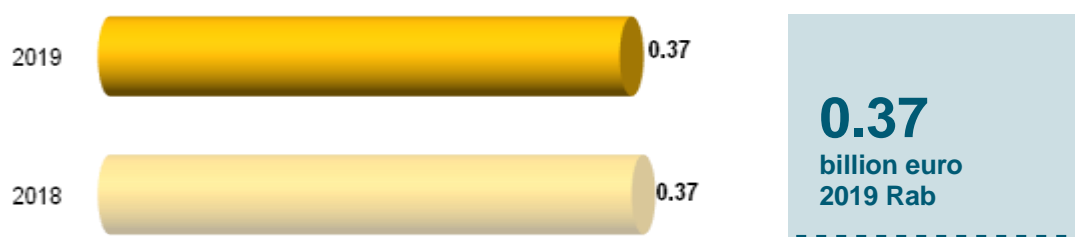


Details of operating investments in the electricity area are as follows:

Electricity (mn€)	Dec 19	Dec 18	Abs. change	% change
Networks and plants	27.9	23.0	+4.9	+21.3%
Acquisition electricity customers	15.5	0.0	+15.5	+100.0%
Total electricity gross	43.4	23.0	+20.4	+88.7%
Capital grants	0.0	0.0	+0.0	+0.0%
Total electricity net	43.4	23.0	+20.4	+88.7%

Rab, which defines the value of assets recognised by the Authority for return on invested capital, was in line with the figure seen in 2018.

Rab (bn€)



1.06.03

Integrated water cycle

In 2019, the integrated water cycle area showed growth in operating margins amounting to 6.2%. 2019 is the last year in which the tariff method defined by the Authority for the 2016-2019 period (resolution 664/2015) 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.

Growing results

Ebitda integrated water cycle 2019 Ebitda integrated water cycle 2018



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

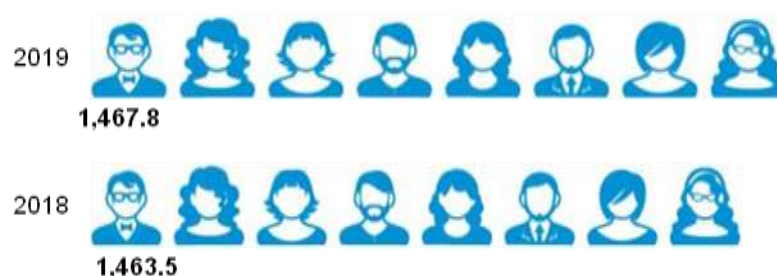
(mn€)	Dec 19	Dec 18	Abs. Change	% change
Area Ebitda	265.3	249.7	+15.6	+6.2%
Group Ebitda	1,085.1	1,031.1	+54.0	+5.2%
Percentage weight	24.5%	24.2%	+0.3 p.p.	

+6.2%
Ebitda increases

The Hera Group covers all areas of the water cycle, from sourcing and treatment, with over 400 plants, to drinking water distribution, with over 35 thousand km of pipelines, sewerage management, with over 18 thousand km of pipelines managed, and purification and environmental restoration, with over one thousand plants and purification systems.

The number of water customers settled at 1.5 million, increasing by 4.3 thousand or 0.3% compared to 2018, confirming the moderate trend towards internal growth seen in the Group's reference areas, mainly in the Emilia-Romagna region managed by Hera Spa.

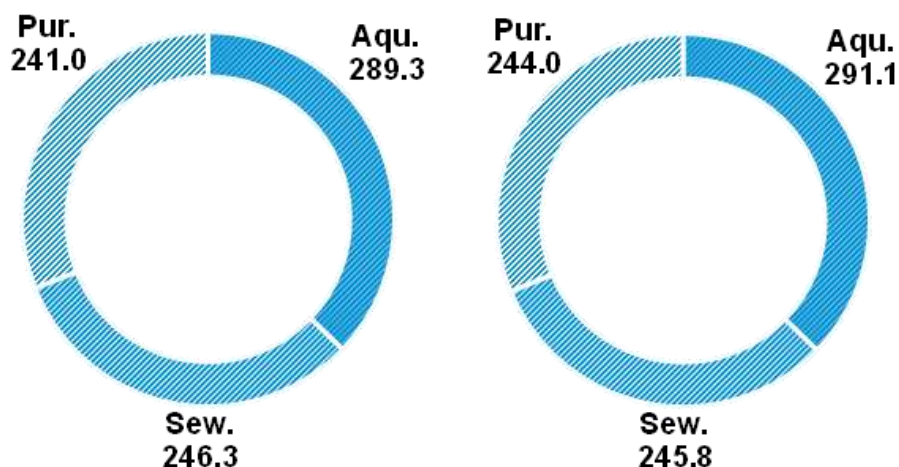
Customers ^(k)



1.5
million customers
integrated water
cycle

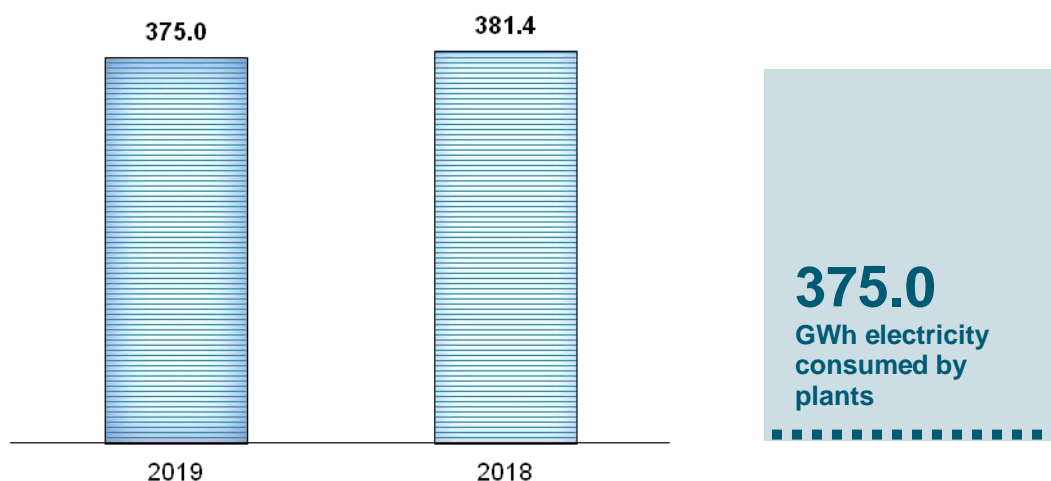
Quantity managed 2019 (mn m³) Quantity managed 2018 (mn m³)

289.3 million m³:
quantity managed in
the aqueduct



Volumes dispensed through the aqueduct showed a slight drop, down 1.8 million m³ or 0.6% compared to the previous year. Furthermore, compared to 2018, a slight decrease was seen in the quantity managed in purification (coming to roughly 1.2%), while the quantity managed in sewerage was essentially in line with the previous year. The volumes dispensed, following the Authority's resolution 664/2015, are an indicator of activity in the areas in which the Group operates and are subject to equalisation owing to legislation that calls for a regulated revenue to be recognised independently from volumes distributed. Network efficiency maintenance showed clear improvement, and the amount of breakage per km of pipeline went from 7.0 breaks per km in 2018 to 6.2 breaks per km in 2019. This figure expresses the relation between the total number of breaks repaired and the length of the pipeline, and the decrease is due to careful management of reparations and investments intended to guarantee an increasingly performing aqueduct.

The electricity consumed in plants fell by 6.4 GWh, going from 381.4 GWh at the end of 2018 to 375.0 GWh in 2019. This decrease is linked to both the lower volumes dispensed in 2019 and the Group's commitment towards increasing efficiency and prudence in energy resource management, which is achieved through innovative interventions on plants.

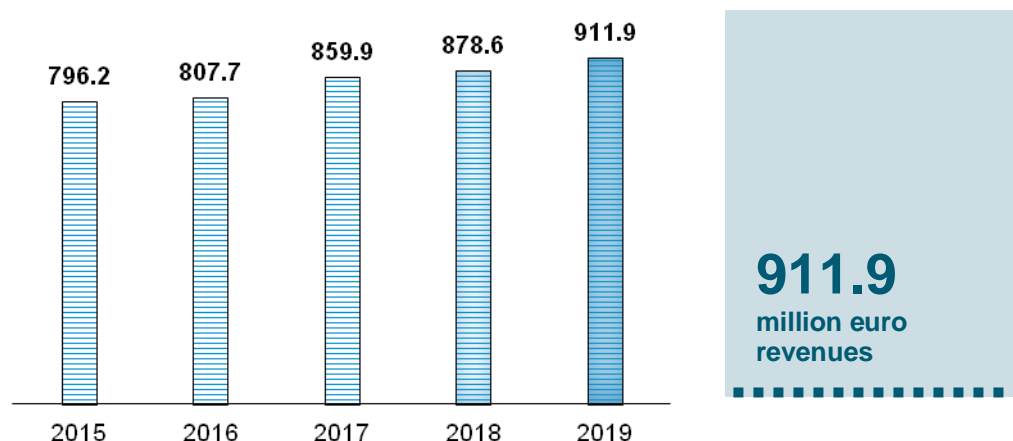


An overview of operating results for the water area is provided in the table below:

Income statement (mn€)	Dec 19	% inc.	Dec 18	% inc.	Abs. change	% change
Revenues	911.9		878.6		+33.3	+3.8%
Operating costs	(471.8)	-51.7%	(455.7)	-51.9%	+16.1	+3.5%
Personnel costs	(179.9)	-19.7%	(179.3)	-20.4%	+0.6	+0.3%
Capitalised costs	5.2	0.6%	6.1	0.7%	(0.9)	(14.8%)
Ebitda	265.3	29.1%	249.7	28.4%	+15.6	+6.2%

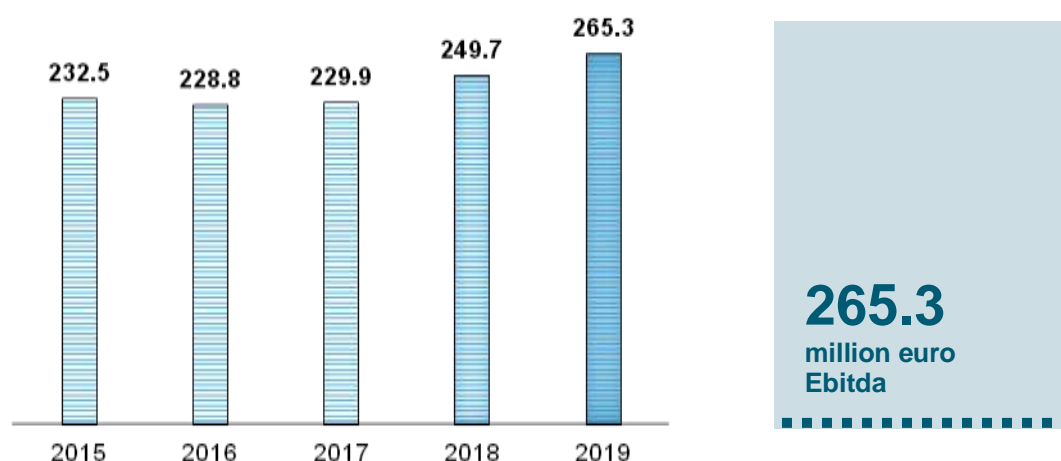
Revenues at the end of 2019 grew by 33.3 million euro or 3.8%, going from 878.6 million euro in 2018 to 911.9 million euro in 2019. This trend is due to higher revenues involving subcontracted works and those commissioned by third parties carried out in 2019 amounting to roughly 19.0 million euro, and higher revenues from new connections coming to roughly 1.4 million euro. Revenues from dispensing reflected the overall result of the tariffs introduced by the Authority for 2016-2019 and the recognition of premiums for contract quality in 2019, which increased by 13.3 million euro.

Revenues (mn€)

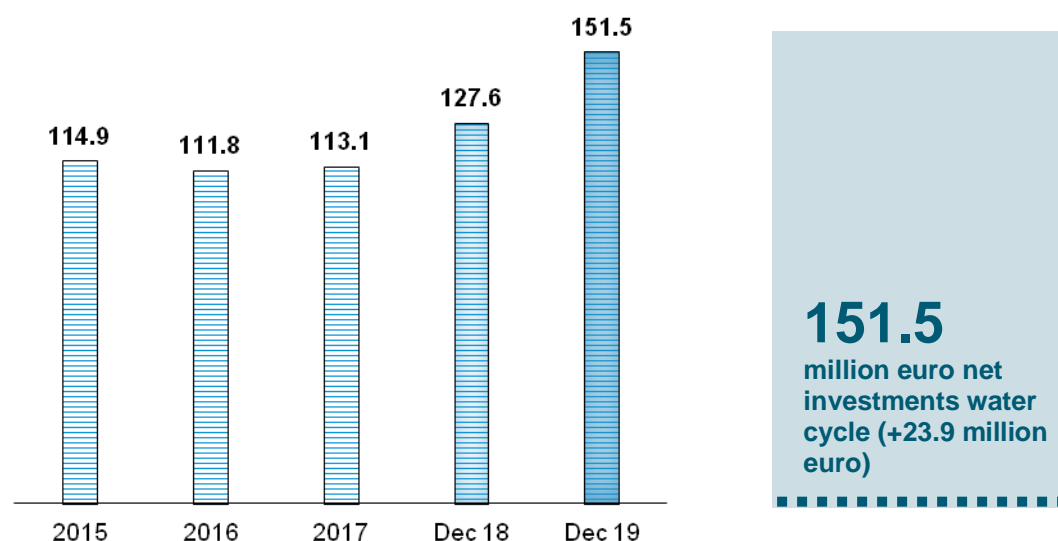


Operating costs saw an increase coming to 16.1 million euro or 3.5%, going from 455.7 million euro in 2018 to 471.8 million euro at the end of 2019. This trend is due to the higher costs involved in the works carried out, as described under revenues, coming to 19.0 million euro overall, and higher operating costs for network and plant management amounting to 3.0 million euro. This growth was partially offset by the lower cost ensuing from the application of Ifrs 16, amounting to roughly 4.0 million euro, and lower costs for electricity consumed by plants, coming to roughly 2.0 million euro (due to both the lower price of electricity and the lower volumes consumed).

Ebitda grew by 15.6 million euro or 6.2%, going from 249.7 million euro at the end of 2018 to 265.3 million euro in 2019, largely thanks to higher revenues from dispensing, higher revenues from new connections and, lastly, the effects of the application of Ifrs 16, coming to 4.0 million euro.

Ebitda (mn€)

In 2019, net investments in the integrated water cycle area amounted to 151.5 million euro, up 23.9 million euro over the previous year. Including the capital grants received, which fell by 6.0 million euro, the investments made increased by 17.9 million euro and reached 175.8 million euro, compared to the 157.9 million euro seen one year earlier. These investments mainly involved extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage. Investments were made coming to 99.7 million euro in the aqueduct, 48.3 million euro in sewerage and 27.7 million euro in purification.

Net investments water cycle (mn€)

The more significant works include: in the aqueduct, the increased activity in network improvement linked to Arera resolution 917/2017 on the regulation of the technical quality of the integrated water system, upgrading interconnections in the Modena area water system, and interventions aimed at introducing district-based networks; in sewerage, continued progress was made in the important works for the Rimini seawater protection plan, in addition to redevelopment of the sewerage network in other areas, including Budrio, Argenta, East Modena and, in the areas served by AcegasApsAmga, Padua and Trieste; in purification, creating the second line and first rainwater reservoir in the Sasso Marconi purifier and revamping the water line in the Ravenna purifier, in addition to work on plants in the area served by the AcegasApsAmga Group. Requests for new water and sewerage connections increased over the previous year. Capital grants amounting to 24.2 million euro included 13.4 million euro deriving from the tariff component called for by the New Investments Fund (FoNI) tariff method and fell by 6.0 million euro compared to the previous year.

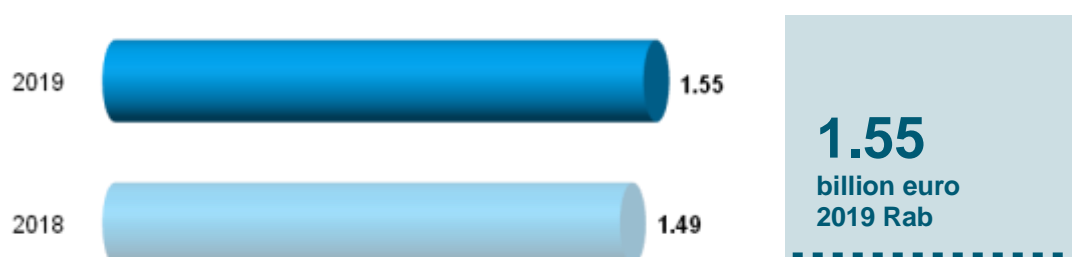
Details of operating investments in the integrated water cycle area are as follows:

Integrated water cycle (mn€)	Dec 19	Dec 18	Abs. change	% change
Aqueduct	99.7	81.5	+18.2	+22.3%
Purification	27.7	26.9	+0.8	+3.0%
Sewerage	48.3	49.5	-1.2	-2.4%
Total integrated water cycle gross	175.8	157.9	+17.9	+11.3%
Capital grants	24.2	30.2	-6.0	-19.9%
of which FoNI (Nre investment fund)	13.4	12.5	+0.9	+7.2%
Total integrated water cycle net	151.5	127.6	+23.9	+18.7%

Significant operating investments in aqueduct, sewerage and purification

Rab, which defines the value of assets recognised by the Authority for return on invested capital, rose compared to the figure seen in 2018, thanks to growth in all Group companies.

Rab (bn€)



1.06.04

Waste management

At the end of 2019, the waste management area accounted for 24.3% of the Hera Group's overall Ebitda, showing a 4.8% growth in Ebitda over the previous year. In waste treatment and recovery, consolidated its national leadership in 2019 by deploying complete and integrated marketing offers, shaping marketing partnerships with main sector players and remaining constantly present in calls for tenders, in addition to maintaining a complete and avant-garde set of plants able to offer effective and sustainable solutions that support a circular economy.

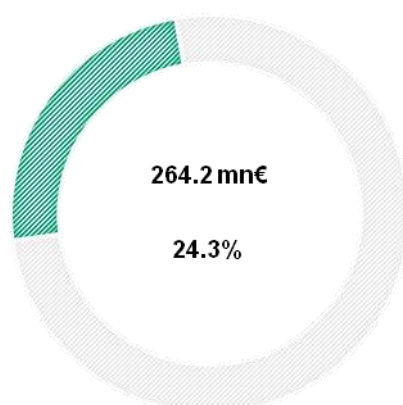
Ebitda increases

As examples of the latter point, note the further reinforcement of Aliplast Spa's outstanding activity in plastic recycling and the contribution coming from the Sant'Agata Bolognese biomethane production plant. This new asset creates a virtuous cycle that begins with households, through the sorted collection of organic waste, and goes back to the area served, since the gas produced is injected into the network, to fuel private vehicles or public transportation, or again for household use, with an immediate benefit on air quality. Note furthermore that, in the third quarter of 2019, strategies in simplification and overall operating efficiency improvement led Waste Recycling Spa to be merged into Herambiente Servizi Industriali Srl, which thus became Italy's largest company dedicated to industrial waste management.

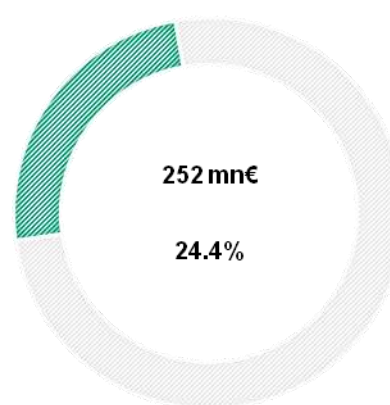
As regards municipal waste management services, the Hera Group offers this service to 189 municipalities; compared to December 2018, mention must go to the entry within the Group's consolidated scope of Cosea Ambiente, a company that manages waste collection and street sweeping services mainly within the province of Bologna.

Environmental resource protection was confirmed as a priority goal in 2019 as well, along with optimising reuse, as is demonstrated by the Group's special focus on promoting sorted waste in all areas served.

**Waste management area
Ebitda 2019**



**Waste management area
Ebitda 2018**



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

(mn€)	Dec 19	Dec 18	Abs. change	% change
Area Ebitda	264.2	252.0	+12.2	+4.8%
Group Ebitda	1,085.1	1,031.1	+54.0	+5.2%
Percentage weight	24.3%	24.4%	-0.1 p.p.	

**Growth in Ebitda:
+4.8%**

Volumes marketed and treated by the Group in 2019 are as follows:

Quantity (k tons)	Dec 19	Dec 18	Abs. change	% change
Municipal waste	2,347.8	2,348.0	-0.2	-0.0%
Market waste	2,211.1	2,142.8	+68.3	+3.2%
Commercialized waste	4,558.9	4,490.8	+68.1	+1.5%
Plant by-products	2,616.2	2,802.2	-186.0	-6.6%
Waste treated by type	7,175.1	7,293.0	-117.9	-1.6%

Market waste:
+3.2%

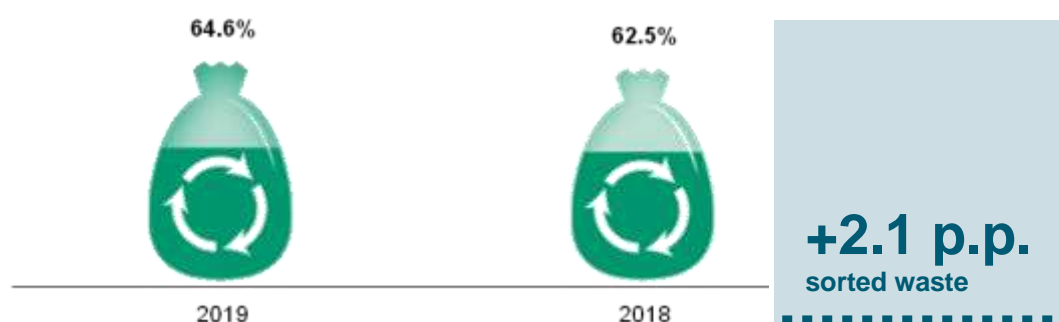
An analysis of this data shows a rise in commercial waste due to market waste, which rose by 3.2%, with municipal waste remaining essentially stable. The growth in market volumes is a result of the fully operational status of the Sant'Agata biomethane plant and the new line in Ostellato, as well as the additions to the scope of operations discussed below. Lastly, market volumes benefitted from an increase in intermediated flows.

While municipal waste was virtually unchanged, sorted and sandy shore waste increased by 6.9% and unsorted waste showed a 6.9% drop.

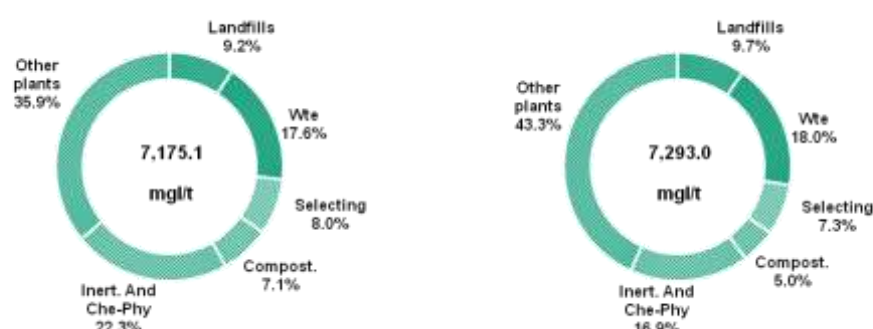
Plant by-products decreased, owing to a lower production of leachate in landfills, caused by the lower amount of rainfall seen in 2019.

Further progress was made in sorted municipal waste, which went from 62.5% at the end of 2018 to 64.6% in 2019. At the end of 2019, sorted waste increased by 2.1% in the areas served by Hera Spa and by 0.8% in the areas served by Marche Multiservizi Spa, while growth settled at 2.4% in the Triveneto region.

Sorted waste (%)



Waste treated by type of plant 2019 Waste treated by type of plant 2018



Lesser use of landfills

Quantity (k tons)	Dec 19	Dec 18	Abs. change	% change
Landfills	663.5	704.3	-40.8	-5.8%
Wte	1,259.9	1,309.8	-49.9	-3.8%
Selecting plants and other	572.8	531.2	+41.6	+7.8%
Composting and stabilisation plants	506.1	361.5	+144.6	+40.0%
Inertisation and chemical-physical plants	1,600.2	1,231.7	+368.5	+29.9%
Other plants	2,572.7	3,154.6	-581.9	-18.4%
Waste treated by plant	7,175.1	7,293.0	-117.9	-1.6%

The Hera Group operates in the entire waste cycle, with 95 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 10 waste-to-energy plants, 12 composters/digesters and 15 selecting plants.

The Group's path of growth in the industrial waste treatment and environmental services for businesses sector continued in 2019, due to reasons including the acquisition of Pistoia Ambiente Srl, which manages the Serravalle Pistoiese landfill. Lastly, the second half of the year saw a new non-dangerous waste treatment plant inaugurated in Cordenons, in the province of Pordenone, and municipal and non-dangerous special waste treatment plant managed in Gaggio Montano.

Waste treatment showed a 1.6% decrease compared to 2018. Note in particular the lower quantity in landfills, while in the chain of waste-to-energy plants the drop in waste treated compared to 2018 is mainly due to changes in scheduled shut-downs and planned maintenance. The higher amount treated in selecting plants is mainly due to a different classification of some plants in the subcontracted/other plants area. The higher amount treated in composters and stabilisers is mainly due to the higher volumes treated in the Sant'Agata plants and the new line in Ostellato. The higher amount treated in stabilisation and chemical-physical plants is due to a different classification of some plants in the subcontracted/other plants area, despite the decrease in landfill leachate due to lesser rainfall. Lastly, the decrease in subcontracted/other plants is mainly due to a lower amount of by-products, mainly waste water, treated in subcontracted plants, and the representation of a few plants in other categories (as mentioned above), in spite of the higher volumes created by the entry of Cosea Ambiente Spa.

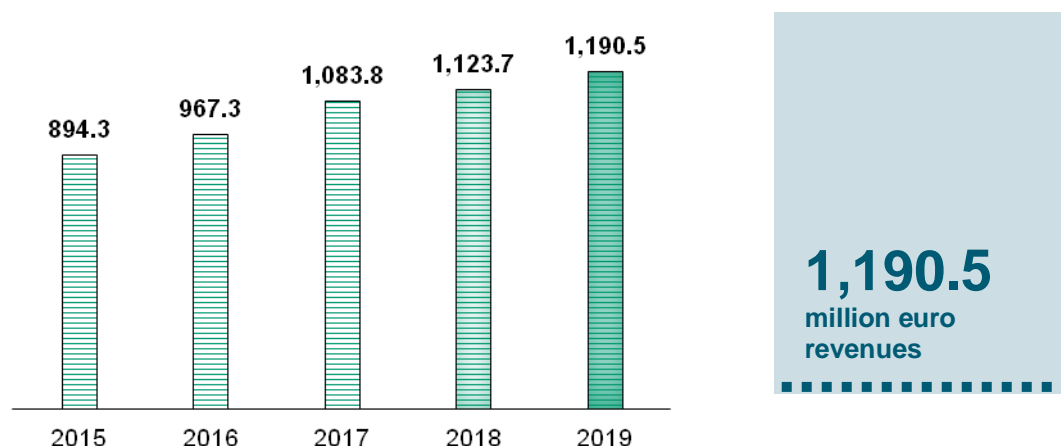
The table below summarises the area's operating results:

Income statement (mn€)	Dec 19	% inc.	Dec 18	% inc.	Abs. change	% change
Revenues	1,190.5		1,123.7		+66.8	+5.9%
Operating costs	(733.5)	-61.6%	(684.3)	-60.9%	+49.2	+7.2%
Personnel costs	(201.2)	-16.9%	(196.1)	-17.4%	+5.1	+2.6%
Capitalised costs	8.4	0.7%	8.8	0.8%	-0.4	-4.6%
Ebitda	264.2	22.2%	252.0	22.4%	+12.2	+4.8%

Ebitda increases

Revenues rose by 5.9% or 66.8 million euro, going from 1,123.7 million euro at 31 December 2018 to 1,190.5 million euro in 2019. Excluding the change in scope of operations due to the entry of Cosea Ambiente Spa, Pistoia Ambiente Srl and the Gaggio Montano plant (hereafter, changes in scope of operations), which contributed with roughly 22.9 million euro, the waste management area saw revenues grow by roughly 44 million euro over the previous year. This change is due to a positive trend seen in prices for special waste, the contribution coming from the Sant'Agata biomethane plant, which began working in 2018 but whose inclusion among operating results began in 2019, and the one coming from Aliplast, owing to higher quantities managed and sold. These positive factors, along with higher revenues for developments in sorted waste in municipal waste services, were only partially offset by the lower volumes treated and lower revenues from electricity generation. As regards the latter, they are due to the loss of energy incentives for some plants, lower production in W-t-e and biogas, and a decrease in Grin, in spite of increased prices in market and thermal energy and the guarantee of origin certificates obtained. The latter were gained following the certification of some Group plants as suitable for producing the energy injected into the national electricity grid from renewable sources.

Revenues (mn€)

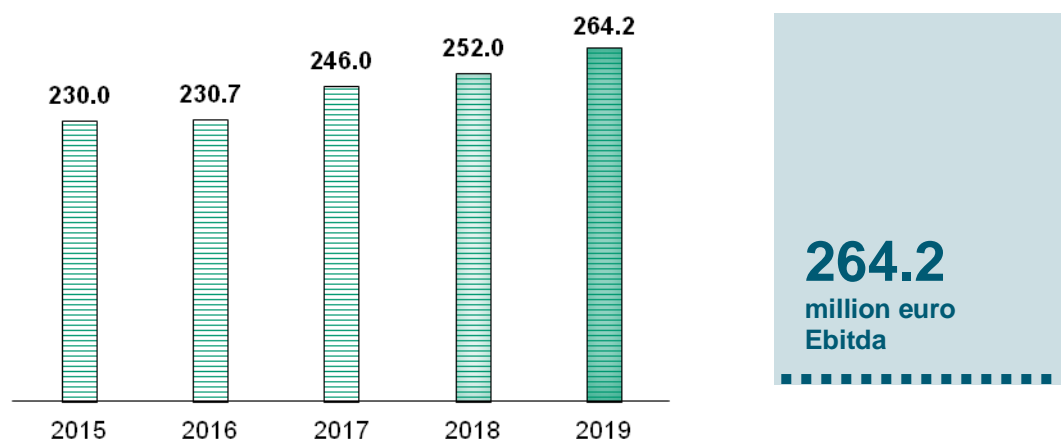


Operating costs at the end of 2019 increased by 7.2% or 49.2 million euro, going from 684.3 million euro in December 2018 to 733.5 million euro in 2019. Not including the changes in scope of operations, which contributed with 12.4 million euro, higher costs were seen totalling 36.9 million euro. In the waste treatment business, note the higher costs involved in marketing development and upgrading, in addition to higher costs involved in planned maintenance on some Group plants. Furthermore, note the decrease in purchasing costs on the Pet sustained by Aliplast Spa. As regards municipal waste, note the higher costs involved in developing new projects for sorted waste. Lastly, note the lower costs tied to the application of accounting standard IFRS 16, coming to roughly 6.1 million euro.

The cost of personnel, not including the changes in scope of operations mentioned above, increased by roughly 4.5 million euro or 0.3%.

Ebitda went from 252.0 million at the end of 2018 to 264.2 million euro in 2019, showing growth amounting to 12.2 million euro or 4.8%. This change was sustained by higher prices for special and industrial waste treatment, lower costs traceable to the application of accounting standard IFRS 16, the contribution coming from Aliplast Spa and the new scope of operations. The positive factors indicated above more than offset the lower revenues due to the fall in volumes treated and lesser incentives for electricity generation.

Ebitda (mn€)



Net investments in the waste management area concerned plant maintenance and upgrading and amounted to 81.5 million euro, up 3.8 million euro over the previous year.

The composter/digester sector dropped by 16.2 million euro, due to the significant interventions carried out one year earlier on the Sant'Agata Bolognese composter in constructing the biomethane plant, in addition to other interventions including upgrading the Tre Monti mechanical biological treatment plant.

Investments in landfills rose by 6.3 million euro, mainly due to the work done on the first part of the Cordenons plant and interventions on the tenth sector of the Ravenna landfill.

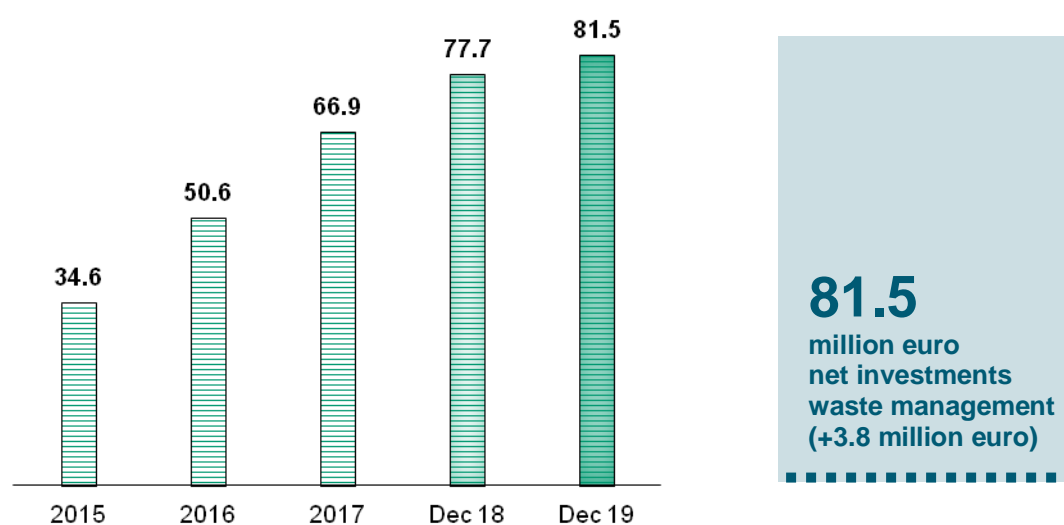
The Wte plants sector saw a 3.7 million euro increase in investments, mainly involving non-recurring maintenance done on the Padua, Bologna and Trieste plants.

Increased investments in the special waste plants sector, coming to 0.9 million euro, mainly concerned maintenance on the Ravenna industrial waste treatment plants.

The ecological islands and collection equipment sector showed higher investments coming to 4.7 million euro, mainly concentrated in the areas served by Hera Spa, while the 4.1 million euro increase in the selection and recovery plants sector

is mainly due to interventions on the mobile soil washing plant in Chioggia, installation of the polyethylene extruder and higher non-recurring maintenance in companies belonging to the Aliplast Group.

Net investments waste management (mn€)



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

Waste management (mn€)	Dec 19	Dec 18	Abs. Change	% change
Composting/digestors	8.3	24.5	-16.2	-66.1%
Landfills	17.1	10.8	+6.3	+58.3%
Wte	14.0	10.3	+3.7	+35.9%
Rs plants	4.5	3.6	+0.9	+25.0%
Ecological areas and collection equipment	17.0	12.3	+4.7	+38.2%
Transshipment, selecting and other plants	20.9	16.8	+4.1	+24.4%
Total waste management gross	81.8	78.1	+3.7	+4.7%
Capital grants	0.3	0.4	-0.1	-25.0%
Total waste management net	81.5	77.7	+3.8	+4.9%

Operating
investments rise

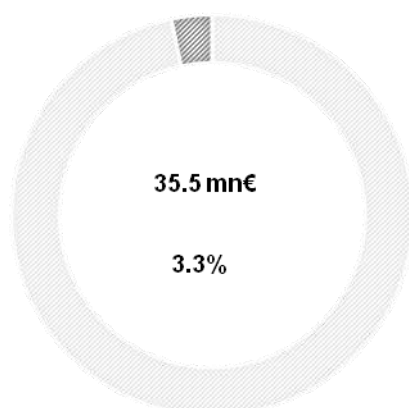
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Other services

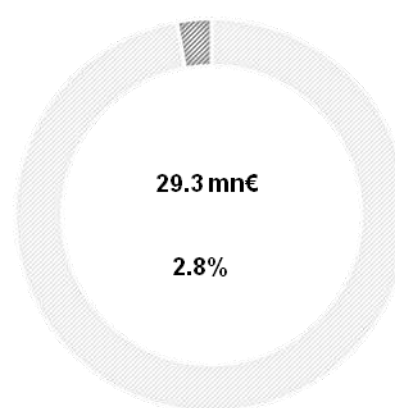
The other services area covers all minor businesses managed by the Group, including public lighting, telecommunications and cemetery services. At the end of 2019, this area's results showed a 21.1% increase over the previous year, with Ebitda going from 29.3 million euro at December 2018 to 35.5 million euro in 2019.

Ebitda rises

Ebitda other services 2019



Ebitda other services 2018



The changes occurred in terms of Ebitda are as follows:

(mn€)	Dec 19	Dec 18	Abs. change	% change
Area Ebitda	35.5	29.3	+6.2	+21.1%
Group Ebitda	1,085.1	1,031.1	+54.0	+5.2%
Percentage weight	3.3%	2.8%	+0.5 p.p.	

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

Quantity	Dec 19	Dec 18	Abs. change	% change
Public lighting				
Lighting points (k)	548.7	534.3	+14.4	+2.7%
of which led	27.5%	14.9%	+12.6 p.p.	
Municipalities served	181.0	176.0	+5.0	+2.8%

An analysis of the data regarding public lighting shows a growth of 14.4 thousand lighting points and the acquisition of five new municipalities served. Over 2019, the Hera Group acquired roughly 20 thousand lighting points in ten new municipalities. The most significant of these were: roughly 2 thousand lighting points in Lazio, roughly 8 thousand lighting points in Lombardy, roughly 8 thousand lighting points in Emilia-Romagna and roughly 2 thousand lighting points in the areas served by Marche Multiservizi Spa. These increases fully offset the loss of roughly 6 thousand lighting points and five municipalities served in the provinces of Ravenna, Forlì, Rimini and Padua. The percentage of lighting points using led light bulbs also increased, settling at 27.5% in 2019, up 12.6 percentage points. This trend reflects the constant attention shown by the Group towards an increasingly efficient and sustainable management of public lighting.

548.7 thousand lighting points

Among the indicators for the other services area, note also the 4,200 Km fibre optic ultra-broadband network owned by the Hera Group through its digital company, Acantho Spa. This network serves the main cities in the Emilia Romagna region as well as Padua and Trieste, offering businesses and private customers a high-performance connectivity with outstanding reliability, system and data security and service continuity.

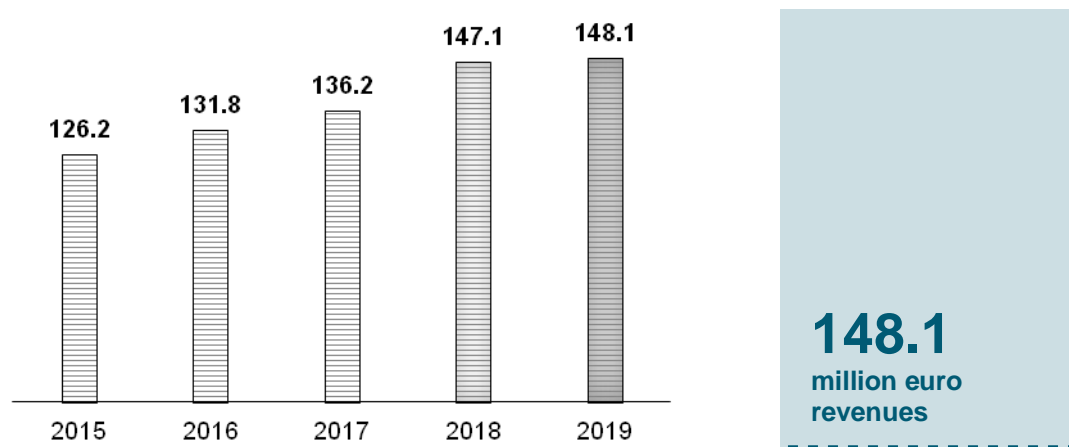
The area's operating results are provided in the table below:

Income statement (mn€)	Dec 19	% inc.	Dec 18	% inc.	Abs. change	% change
Revenues	148.1		147.1		+1.0	+0.7%
Operating costs	(94.3)	-63.7%	(100.2)	-68.1%	-5.9	-5.9%
Personnel costs	(20.2)	-13.7%	(20.0)	-13.6%	+0.2	+1.0%
Capitalised costs	2.0	1.4%	2.5	1.7%	-0.5	-20.3%
Ebitda	35.5	24.0%	29.3	19.9%	+6.2	+21.1%

Area grows

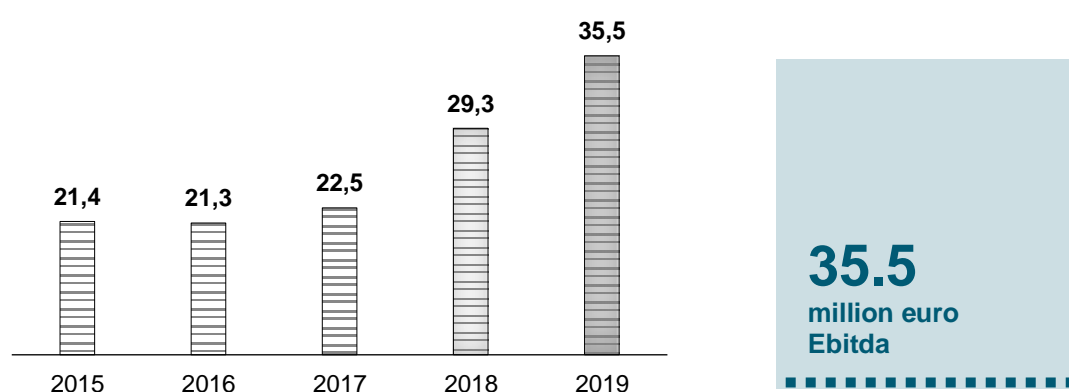
Revenues for the area were essentially in line with December 2018, showing slight growth coming to 0.7%, the equivalent of 1 million euro. This trend is mainly due to higher revenues in the telecommunications and public lighting businesses, in spite of lower revenues in cemetery services.

Revenues (mn€)



Ebitda showed a 6.2 million euro growth over December 2018. This trend is due to higher margins in telecommunications services and lower costs due to the application of Ifrs 16 coming to roughly 4 million euro.

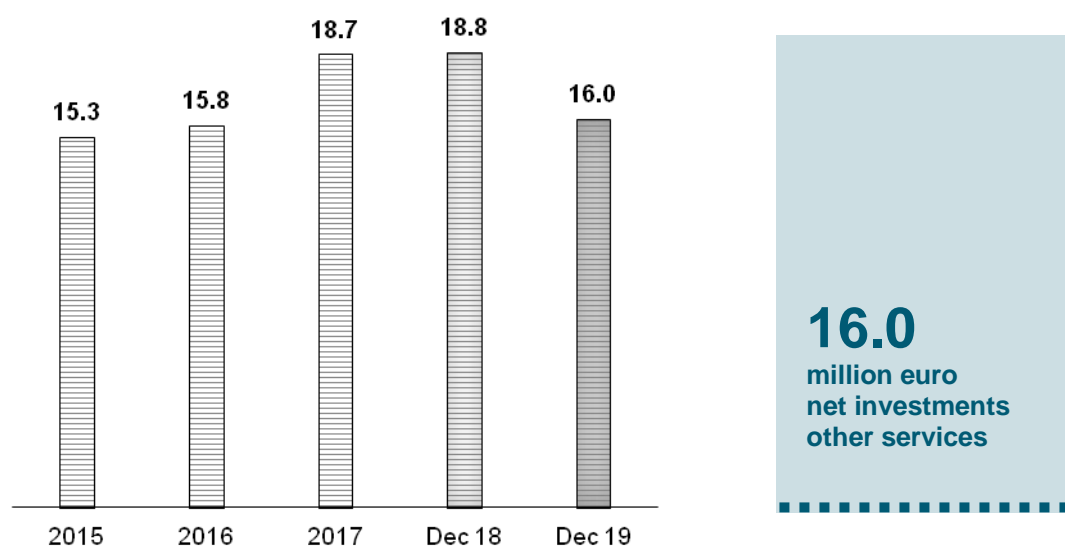
Ebitda (mn€)



Investments in the other services area came to 16.0 million euro, down compared to the previous year.

In telecommunications, 10.1 million euro were invested in networks and Tlc and ldc (Internet data centre) services, in line with 2018, while the 5.9 million euro invested in the public lighting service went to maintaining, upgrading and modernising lampposts in the areas served. These investments fell by 2.8 million euro due to the substantial interventions dating to the previous year in the municipality of Pesaro carried out by the company Marche Multiservizi Spa and in the municipalities served by the company Hera Luce Srl, in addition to the changes in the way of recording works falling under the application of accounting standard Ifric 12.

Net investments other services (mn€)



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

Other services (mn€)	Dec 19	Dec 18	Abs. change	% change
Tlc	10.1	10.0	+0.1	+1.0%
Public lighting and street lights	5.9	8.7	-2.8	-32.2%
Total other services gross	16.0	18.8	-2.8	-14.9%
Capital grants	0.0	0.0	+0.0	+0.0%
Total other services net	16.0	18.8	-2.8	-14.9%