CONSOLIDATE QUARTERLY REPORT

as at 30 September 2021

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INTRODUCTION

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.

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For further information, consult the Corporate Governance Report

SHAREHOLDERS' MEETING

INDEPENDENT AUDITING FIRM

BOARD OF DIRECTORS

BOARD OF STATUTORY AUDITORS

EXECUTIVE COMMITTEE

REMUNERATION COMMITTEE

ETHICS AND SUSTAINABILITY COMMITTEE

INTERNAL CONTROLS AND RISKS COMMITTEE

EXECUTIVE CHAIRMAN

CEO

VICE CHAIRMAN

BOARD OF DIRECTORS

MEMBER	OFFICE	EXECUTIVE COMMITTEE	REMUNERATION COMMITTEE	INTERNAL CONTROLS AND RISKS COMMITTEE	ETHICS AND SUSTAINABILITY COMMITTEE
Tomaso Tommasi di Vignano	Executive Chairman	C			
Stefano Venier	CEO	M			
Gabriele Giacobazzi*	Vice Chairman	VC	C	C	
Fabio Bacchilega*	Member		M		
Danilo Manfredi	Member				
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

BOARD OF STATUTORY AUDITORS

CHAIRMAN	Myriam Amato
STANDING AUDITORS	Antonio Gaiani
	Marianna Girolomini

INDEPENDENT AUDITING FIRM

DELOITTE & TOUCHE SPA

KEY

C Chairman of the Committee

VC Vice Chairman of the Committee

M Member of the Committee

° Lead Independent Director

DIRECTORS' REPORT

1.01 TRENDS AND CONTEXTS

Trends and contexts

Economy and finance: trends and forecasts

In the third quarter of 2021, global economic activity continued along the path of recovery seen in the first half of the year, albeit showing some uncertainties related to the progress of vaccination campaigns and the spread of new variants of the virus. Trading resumed, reaching the amount seen prior to the pandemic. Indicators of business spending point towards strong growth in the US and the UK, with some deceleration however. At the same time, tensions have emerged in the supply of raw materials. Shortages in supply, reflected by prices, will, according to the Federal Reserve, continue for a longer period than initially expected, but will nonetheless be temporary.

According to the International Monetary Fund's October forecast, global GDP will grow by 5.9% in 2021, exceeding the figures seen prior to the pandemic, and by 4.4% in 2022.

In the euro area, economic activity in the third quarter confirmed its robust growth, even though it did not fully offset the consequences of the health emergency. In particular, high energy prices led to a sharp rise in inflation, which, based on the information currently available, is not expected to continue in the medium term. The European Central Bank confirmed the highly expansionary stance of its monetary policy, with the aim of ensuring full support for the economy and inflation and securing favourable financing conditions for all sectors. To these ends, it will therefore continue to conduct flexible purchases, under the Pandemic Emergency Purchase Programme (PEPP), of public and private bonds. According to the projections published by the European Central Bank in September, GDP will grow by 5% in 2021 and by 4.6% and 2.1%, respectively, in the following two years. Compared to last June, these projections have been revised upwards, mainly due to the economic performance seen in the second quarter, better than expected.

The current situation in Italy

In the third quarter, Italy's GDP continued to grow at a rate of over 2%. The progress made in the vaccination campaign allowed for increased mobility and mitigated the caution in purchasing. The recovery of household spending in services, the sectors most affected by the previous containment measures, was accompanied by continued growth in industry. Expectations as to the implementation of the National Recovery and Resilience Plan (NRRP) are having a positively influence on companies' investment plans. Business and household confidence, although slightly weakening, remains favourable overall, at historically high levels. The GDP growth estimates for the current year formulated by the main international institutions have been revised upwards, suggesting that growth could settle at approximately 6%.

Changes in prices and markets

Inflation, driven by strong growth in energy commodities, reached 2.9% in September. This increase could continue in the coming months, but it is not expected to extend into the medium term. Companies' expectations in the prices charged to customers have been adjusted upwards only to a limited extent.

Italian financial market conditions are stable; some risk factors include uncertainty as to the solidity of the recovery, linked to changes in the evolving situation of the pandemic, and the path taken by inflation. Government bond yields, especially on long-term maturities, have increased, reflecting the upward revision of inflation and growth expectations for 2021, but still remain moderate. The securities purchased by the Eurosystem have helped maintain favourable financial conditions. The spread with respect to the yield on ten-year German government bonds has remained almost unchanged, with values lower than those seen before the pandemic. The price of Italian shares has risen more than in the euro area.

Energy sector: prices, consumption and demand

Energy prices, following the strong drop seen in 2020, have been rising at an extremely rapid pace since late spring 2021, driven by rising gas prices and CO2 emission permit prices.
The increase in the price of gas is due to the combination of several causes concerning both supply and demand. On the one hand, the high demand for liquefied natural gas in Far Eastern countries triggered an increase in prices on supplies destined for Europe and a reduction in European production; on the other, the continent's demand for storage, to restore the amount necessary in view of the winter, also had an impact.

Over the first nine months of 2021, the Day-Ahead Energy Market (DAM) showed a price increase of 142% compared to the same period in 2021. According to the data processed by the national grid transmission company (Terna), electricity consumption in the first nine months of the year showed, as mentioned above, an increase over the same period of the previous year (+6.2%), rising from 225.1 TWh to 239 TWh. During the same period, 86.6% of demand was met by domestic production, which increased compared to the same period in 2020 to 206.8 TWh, while the foreign trade balance stood at 32.1 TWh.

In the first nine months of 2021, net domestic production from renewable sources amounted to 37.2% of total net production, reaching a volume of 77 TWh, higher than the 76.3 TWh produced in the same period of 2020. The amount of consumption met by renewables came to 32.2%, down from 33.9% in 2020, with a reduction of 0.39 TWh in photovoltaic and geothermal production, more than offset by an increase in wind power production, and an increase of 0.3 TWh in hydroelectric production. Lastly, a slight decrease was seen in thermoelectric production, coming to 0.2 TWh.

In the first nine months of 2021, the price index for natural gas at the Dutch hub (TTF), taken as a reference for prices on European short-term spot markets, increased by 299% compared to the same period in 2020. The information made available by the operator of the national gas transmission network (Snam Rete Gas) also shows a 7.6% increase in natural gas consumption compared to the same period during the previous year, going from 49.1 billion cubic metres to 52.8 billion cubic metres. The most significant increase in consumption, in absolute terms, came from civil demand, which rose to 22.4 billion cubic metres, up 10.7% compared to the same period of the previous year, and consumption in the industrial sector, with volumes coming to 10.4 billion cubic metres and an 8.8% increase. Lastly, the increase in thermoelectric consumption came to 2.2%. During 2021, 92.3% of demand was met, in terms of electricity fed into the grid, by imports (net of exports and storage requirements), and 4.5% by domestic production.

Changes in the regulatory framework

With regard to regulations, the most significant interventions during the first nine months of the year were:

- the definition of a number of supplementary measures to deal with the Covid-19 emergency in the electricity sector;
- the publication of the final guidelines for the reorganisation of gas measurement at points of interconnection with the transportation network and the experimental regulation of pilot projects for innovation in gas transport and distribution infrastructures;
- final guidelines on regulations for output and performance in gas measurement;
- the introduction of the Gradual protection service (GPS) for the electricity sector, and amendments to the code of commercial conduct, to strengthen transparency of sellers in favour of end customers in the electricity and gas retail market;
- approval of the mechanism for recovering for electricity sellers the general system charges already paid to distribution companies and not collected from end customers in arrears;
- a simplification of the procedures for automatic recognition of social bonuses for those experiencing economic hardship for the electricity, gas and water network sectors;
- the publication of initial guidelines for regulating tariffs in the second regulatory period and for regulating the quality of the urban waste management service;
- the consultation procedure for the revision of WACC for energy infrastructure activities;
- the procedures for defining the rules for the 2022-23 two-year tariff update and the revision of regulations for the measurement of the integrated water service;
- approval of the second Waste Tariff Method (Mtr-2) for the 2022-25 regulatory period.

For the regulatory indications that appeared in the first half-year, see the consolidated financial report at 30 June 2021. The most significant new factors dating to the third quarter of 2021 are described below.

Energy infrastructure WACC revised

In the field of energy, note the consultation for the revision of WACC for energy infrastructure activities (consultation document 308/2021/R/com), valid for the second regulatory period (the so-called II PWACC), which will start in 2022, and for which it is expected that the duration of 6 years will be confirmed, possibly accompanied by a greater frequency in inter-period updating, as a tool for incorporating changes in the underlying financial framework more rapidly. The Authority has announced many innovative elements, with proposals to modify the previous formulas on which

WACCs were based, with the intention of providing a "regulation capable of adapting to the changing conditions of the financial markets" and favouring "efficient financing of the considerable investment needs linked to the energy transition".

Reduction of the impact on families and small businesses coming from higher prices for raw materials

In addition, Resolution no. 396/2021/R/com, with which ARERA intervened to temporarily reduce (for the October-December quarter) the general system charges in electricity bills and reinforce the social bonus (electricity and gas) for families experiencing economic hardship, thanks to the content of Government Decree Law no. 130/21, which allocated the resources needed to attenuate the impact of increases in the prices of raw materials (along with the government's intervention on VAT) on 29 million families and 6 million small businesses.

Electricity dispatching: ancillary service procurement testing

As part of the reform of the electricity dispatching service, by way of Resolution no. 352/2021/R/eel, ARERA began testing the most appropriate regulatory solutions for the procurement of local ancillary services by distributors, foreseeing a new role for distributors with respect to their traditional responsibilities.

Integrated water service: Two-year tariff update (for 2022 and 2023) and optimisation of metering

As regards the integrated water service, Resolution 306/2021/R/Idr initiated the procedure for defining the rules for the two-year tariff update (2022 and 2023), which will be completed by 31 December 2021. In this context, ARERA will not limit itself to redefining the macro-economic parameters underlying the financial and fiscal charges, but it also intends to propose new ways of covering costs linked to specific initiatives, aimed at making users more aware of their consumption, as part of the optimisation of metering in the integrated water service. In this regard, consultation document 405/2021/R/Idr was published in September 2021, which proposes the Authority's initial guidelines on updating the metering regulations, aiming both to improve the performance of the meter reading, encouraging operators to evaluate the contributions of smart water metering, and to increase obligations concerning transparency on consumption, including for users of individual housing units in condominiums (where centralised meters are typically found).

Waste tariff method (MTR-2) for the second regulatory period (2022-2025)

Lastly, with regard to the integrated urban waste management service, note Resolution 363/2021/R/rif, which defines the criteria for recognising efficient operating and investment costs for the 2022-2025 period, adopting the Waste Tariff Method (Mtr-2). This measure updates Resolution 443/2019/R/rif and introduces a national criterion for determining the tariffs of treatment plants considered to be "minimum", i.e. those concluding the municipal waste cycle in the geographical area in question, excluding "additional" plants from this regulation. This tariff method regulates treatment revenues on the basis of reliable cost data, which can be verified in the financial statements, even though the changes in the way they are defined yearly are subject to a limit on increases. As regards operators active in both waste collection and waste treatment and disposal, this limit is determined on the basis of the planned inflation rate and an efficiency factor, as well as improvements in service quality and/or the size of the operations managed. As regards operators only involved in treatment and disposal services, this limit is equal to the planned inflation rate and is enhanced by a factor that can be increased up to 4%, which takes into account the technological and environmental characteristics of the plant.

1.02 OVERVIEW OF OPERATING AND FINANCIAL TRENDS AND DEFINITION OF AMPS

Alternative performance measures (APMs)

The Hera Group uses alternative performance measures (APMs) to convey 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 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 are then described.

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, i.e. 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 external presentations (for analysts and investors). They mainly 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 reporting period, 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 1.03.01 and notes 14, 16, 17, 18 of paragraph 2.02.05 "Commentary notes to the financial statement formats", if present.

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 ESMA Guidelines 32-382-1138, 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 "net financial debt" and "net equity".

Operating-financial APMs

The 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 severance pay and 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 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€)	Sept 21	Sept 20	Abs. change	% change
Revenues	**6,424.3**	**4,905.9**	**1,518.4**	**+31.0%**
Ebitda	**883.3**	**806.2**	**77.1**	**+9.6%**
Ebitda/revenues	13.7%	16.4%	(2.7) pp	+0.0%
Ebit	**470.8**	**414.7**	**56.1**	**+13.5%**
Ebit/revenues	7.3%	8.5%	(1.2) pp	+0.0%
Net profit	**340.6**	**244.7**	**95.9**	**+39.2%**
Net profit/revenues	5.3%	5.0%	+0.3 p.p.	+0.0%
Net investments	**386.6**	**366.0**	**20.6**	**+5.6%**

Financial APMs (mn€)	Sept 21	Sept 20	Abs. change	% change
Net non-current assets	7,146.6	6,983.6	163.0	+2.3%
Net working capital	360.0	53.6	306.4	+571.6%
Provisions	(658.5)	(654.9)	3.6	+0.5%
Net invested capital	6,848.1	6,382.3	465.8	+7.3%
Net debt	**(3,303.8)**	**(3,227.0)**	**76.8**	**+2.4%**

Special item / balance sheet reconciliation

The following table provides a reconciliation between the income statement referred to in the remarks on operations and the published consolidated income statement.

mn€	2021 Operations statement	2021 Special items	2021 Published statement	2020 Operations statement	2020 Special items	2020 Published statement
Revenues	**6,424.3**		**6,424.3**	**4,905.9**		**4,905.9**
Other operating revenues	243.6		243.6	355.7		355.7
Raw and other materials	(3,469.3)		(3,469.3)	(2,314.9)		(2,314.9)
Service costs	(1,858.6)		(1,858.6)	(1,696.9)		(1,696.9)
Personnel costs	(442.0)		(442.0)	(424.0)		(424.0)
Other operating expenses	(54.4)		(54.4)	(41.8)		(41.8)
Capitalised costs	39.7		39.7	22.2		22.2
Ebitda	**883.3**		**883.3**	**806.2**		**806.2**
Amortisation, depreciation and provisions	(412.5)		(412.5)	(391.5)		(391.5)
Operating profit (Ebit)	**470.8**		**470.8**	**414.7**		**414.7**
Financial operations	(85.4)	(28.5)	(113.9)	(79.5)		(79.5)
Other non-operating revenues (costs)	-	-	-	-		-
Pre-tax profit (Pre-tax result)	**385.4**	**(28.5)**	**356.9**	**335.2**		**335.2**
Taxes	(101.0)	84.7	(16.3)	(90.5)		(90.5)
Net result	**284.4**	**56.2**	**340.6**	**244.7**		**244.7**
Result from special items	56.2	(56.2)	-	-		-
Net profit for the period	**340.6**	**-**	**340.6**	**244.7**		**244.7**
Attributable to:						
Parent company shareholders	**308.4**		**308.4**	**233.1**		**233.1**
Non-controlling interests	**32.2**		**32.2**	**11.6**		**11.6**

In the first nine months of 2021, events to be considered as special items occurred, concerning both the Group's financial operations and its fiscal management, while no such events occurred in the same period of 2020.

The figures classified as special items relate to the following two transactions

- a tax realignment of certain goodwill values that were stated at 31 December 2019, pursuant to article 1, paragraph 83, of law 178/2020. This transaction resulted in the tax recognition of these values, with a consequent tax benefit coming to 87.1 million euro, against the payment of a 3% substitute tax coming to 9.3 million euro.
- a partial repurchase (with a nominal amount of 59.5 million euro) of the 700 million euro bond maturing in 2028, which resulted in the recognition of 28.5 million euro in charges due to the repurchase price, higher than the book value. The related taxes, coming to 6.9 million euro, were also taken into account as an adjustment to the tax burden for the period.

1.02.01 Operating results and investments

Growth reflects strategy

In 2021, the Hera Group is committed, with its usual focus, to efficiently managing the services provided and seeking opportunities for external growth. Initiatives to increase shared value and move towards the objectives on the UN 2030 Agenda are, as always, given priority.

The commitments made by the Hera Group to achieve its new objectives include industrial growth, through a balanced management of commercial development and participation in public tenders, the circular economy, not only as a sign of social commitment but also as a strategic driver of sustainable growth, and risk management, both across the board and proactive, at the level of its corporate strategy and integrated into its corporate culture. All of this will be achieved through means including digitalisation and innovation, as levers to support resilience.

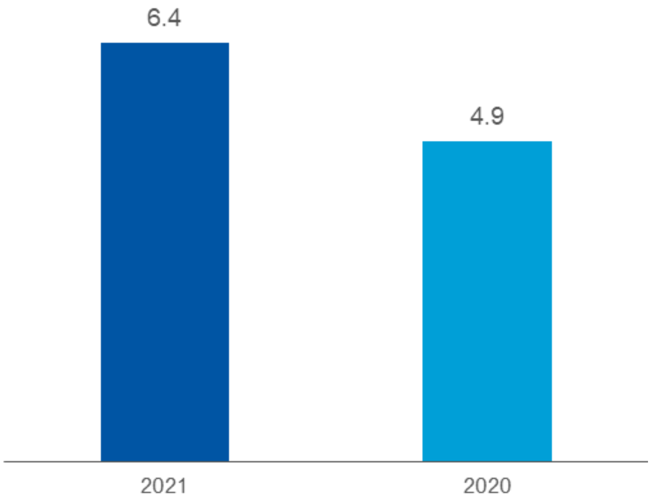
Compared to the first nine months of 2020, the company Wolmann Spa, which operates in the photovoltaic panel installation sector, one of the value-added services that Hera offers to its energy customers, has become part of the Hera Group's consolidated scope. Furthermore, in the waste management area, Hera's commercial presence in central and northern Italy has grown thanks to the beginning of two important corporate transactions: the acquisition of 70% of Recycla Srl, a company based in Friuli which manages three industrial waste platforms, and the acquisition of 80% of the Vallortigara Group, which provides services to industrial companies, public administrations and citizens, managing a multi-purpose platform for special waste treatment. The energy areas have also progressed, through Aresgas EAD's acquisition of 100% of Atlas Utilities, which holds 96.9% of Primagas.

In addition, Hera Comm Spa was awarded the gradual protection service for supplying electricity to SMEs in 9 regions of Italy. Detailed information on this matter is provided in paragraph 1.03.02.

The following table shows operating results at 30 September 2021 and 2020:

Income statement (mn€)	Sept 21	% inc.	Sept 20	% inc.	Abs. change	% change
Revenues	6,424.3	0.0%	4,905.9	0.0%	1,518.4	+31.0%
Other operating revenues	243.6	3.8%	355.7	7.3%	(112.1)	(31.5)%
Raw and other materials	(3,469.3)	(54.0)%	(2,314.9)	(47.2)%	1,154.4	+49.9%
Service costs	(1,858.6)	(28.9)%	(1,696.9)	(34.6)%	161.7	+9.5%
Other operating expenses	(54.4)	(0.8)%	(41.8)	(0.9)%	12.6	+30.2%
Personnel costs	(442.0)	(6.9)%	(424.0)	(8.6)%	18.0	+4.2%
Capitalised costs	39.7	0.6%	22.2	0.5%	17.5	+79.0%
Ebitda	**883.3**	**13.7%**	**806.2**	**16.4%**	**77.1**	**+9.6%**
Amortisation, depreciation and provisions	(412.5)	(6.4)%	(391.5)	(8.0)%	21.0	+5.4%
Ebit	**470.8**	**7.3%**	**414.7**	**8.5%**	**56.1**	**+13.5%**
Financial operations	(85.4)	(1.3)%	(79.5)	(1.6)%	5.9	+7.4%
Pre-tax result	**385.4**	**6.0%**	**335.2**	**6.8%**	**50.2**	**+15.0%**
Taxes	(101.0)	(1.6)%	(90.5)	(1.8)%	10.5	+11.6%
Net result	**284.4**	**4.4%**	**244.7**	**5.0%**	**39.7**	**+16.2%**
Result from special items	56.2	0.9%	-	0.0%	56.2	+100.0%
Net profit for the period	**340.6**	**5.3%**	**244.7**	**5.0%**	**95.9**	**+39.2%**
Attributable to:						
Parent company shareholders	**308.4**	**4.8%**	**233.1**	**4.8%**	**75.3**	**+32.3%**
Non-controlling interests	**32.2**	**0.5%**	**11.6**	**0.2%**	**20.6**	**+177.9%**

REVENUES (bn€)



6.4
billion euro
revenues
(+31.0%)

Revenues increase in all areas

Revenues increased by 1,518.4 million euro, or 31.0%, compared to the same period in 2020. With regard to the energy sectors, higher revenues came from brokerage, higher volumes of gas sold and an increase in the price of electricity, against a drop in volumes of electricity sold and in revenues from off-grid transmission and system charges; taken as a whole, these factors accounted for roughly 1.150 million euro. Growth also occurred in the heat management business, thanks to activities related to insulation incentives and energy efficiency works, which contributed around 183 million euro, and an increase in activities for value-added services for customers coming to roughly 10.0 million euro.

Increased revenues were also seen in the waste management sector, due to energy production, more waste treated and more plastics sold, coming to approximately 97 million euro. Revenues were up in network services, both regulated and subcontracted, amounting to approximately 36 million euro, as were revenues from the public lighting service, where activities were resumed, coming to approximately 13 million euro.

Lastly, note that revenues from sales of materials recovered through separate waste collection amounting to approximately 26 million euro were reclassified, from other operating revenues to revenues.

For further details, see the separate analyses of each business area in chapter 1.03.

Other operating revenues decreased by 112.1 million euro, or 31.5%, compared to the previous year. This trend was mainly due to the different classification of revenues for the sale of recovered materials mentioned above, coming to 26 million euro, and lower energy efficiency grants, coming to approximately 110 million euro, as a result of the ministerial decree of 21 May 2021, redefining obligations for energy efficiency certificates (for further information, see paragraphs 1.03.01 and 1.03.02). These drops were offset by higher revenues coming from contracts for assets under concession, amounting to approximately 24 million euro.

Costs for raw materials linked to the trend in revenues

The cost of raw and other materials increased by 1,154.4 million euro compared to the first six months of 2020, up 49.9%. This increase is parallel to the trend in revenues from energy activities. In addition, purchasing costs for plastic materials also increased, due to higher volumes sold. This trend was partially offset by lower costs for purchasing energy efficiency certificates, following the ministerial decree mentioned above.

Other operating costs increased by 174.3 million euro overall (higher service costs coming to 161.7 million euro and higher operating expenses amounting to 12.6 million euro). This includes higher costs related to heat management coming to approximately 150 million euro, higher costs for incremental improvements to assets under concession totalling approximately 41 million euro, higher costs for waste collection and treatment amounting to approximately 35 million euro, higher ICT expenses as a

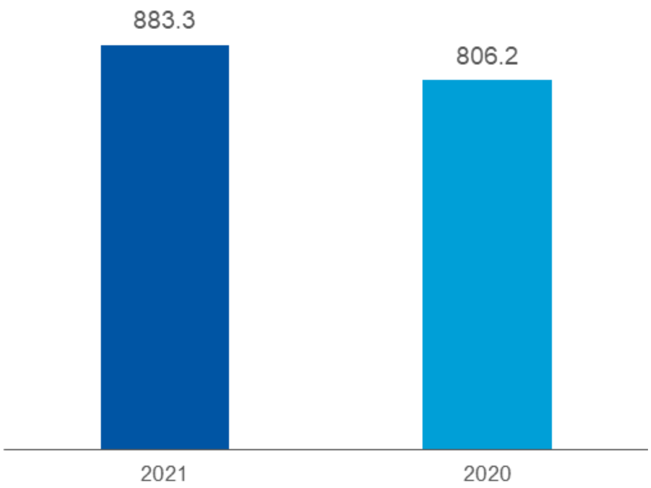
result of the digitalisation and innovation process that the Group is carrying out totalling approximately 3.0 million euro, and higher costs for value-added services coming to approximately 5.0 million euro. These increases were partially offset by lower costs for off-network transmission and system charges, coming to approximately 81 million euro.
In addition, compared to the same period of the previous year, work resumed in construction sites that had been blocked by the lockdown due to the Covid-19 outbreak. Higher insurance costs were also seen.
Finally, related to the health emergency, higher costs appeared for sanitation, cleaning and the purchase of PPE.

+4.2% increase in personnel costs

Personnel costs increased by 18.0 million euro, or 4.2%. This rise was linked to the salary increases provided for by the national collective bargaining agreement, the lower benefits for the large-scale holiday plan adopted by the Group last year during the national lockdown, and the changes in the scope of operations compared to September 2020.

Capitalised costs increased by 17.5 million euro, due to higher works involving investment in assets owned by the group and between the companies themselves.

EBITDA (mn€)



883.3
million euro
Ebitda (+9.6%)

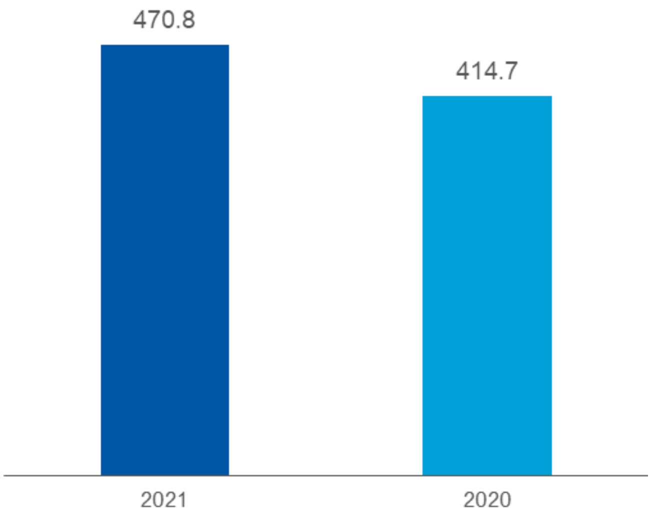
Ebitda increased by 77.1 million euro, or 9.6%. The growth in Ebitda is due to the performance of the energy areas, which rose by 42.2 million euro overall, accounting for roughly 49% of the Group's results. The waste management area grew by 35.1 million euro, while the other services area increased by 2.3 million euro. Finally, the water cycle area showed a drop coming to 2.6 million euro.

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

Higher amortisation for new investments

Depreciation, amortisation and provisions at 30 September 2021 increased by 21.0 million euro, or 5.4%, year-on-year. Higher depreciation and amortisation was mainly due to changes in the scope of operations and new investments in operating segments. Higher overall accruals to the provision for doubtful debts were seen, mainly due to the lots awarded in the gradual protection service, despite a reduction in provisions in traditional and other tendered markets.

EBIT (mn€)



470.8
million euro
Ebit
(+13.5%)

Ebit rose by 56.1 million euro, or 13.5%. The increase due to higher Ebitda was offset by higher depreciation and amortisation, as mentioned above.

Financial operations increase

The result of financial operations at 30 September 2021 came to 85.3 million euro, up 5.9 million euro, or 7.4%, compared to 30 September 2020. This change is due to an increase in income from late payment indemnities on loans from customers in last resort markets, coming to approximately 7.3 million euro, higher charges, coming to approximately 5.5 million euro, linked to the transfer of tax credits due to the companies in the group Hera Servizi Energie and ASE within the context of incentivised operating activities ("ecobonus"). The negative result was partially offset by lower IAS charges, coming to 4.7 million euro, and higher profits from subsidiaries and joint ventures, amounting to 3.4 million euro.

Pre-tax results increased by 50.2 million euro, or 15.0%. The growth coming from Ebit was partially mitigated by the decrease in financial operations.

Tax rate drops

Taxes for the first nine months of the year rose from 90.5 million euro in 2020 to 101.9 million euro in 2021. The tax rate, at 26.2%, was lower than in the same period of 2020, when it stood at 27%, mainly due to the significant investments the Group has been making for some time in order to continue pursuing the technological, digital and environmental transformation.

+16.2% Net result

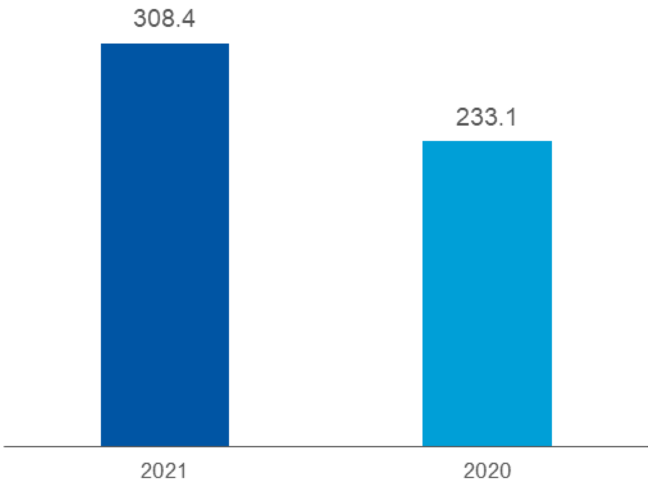
The net result increased by 16.2% to 39.7 million euro, since the increase coming from pre-tax results was reduced by higher overall taxes, despite a lower tax rate.

In the first nine months of 2021, a result from special items was seen with a total value of 56.2 million euro. A detailed description of its content is provided in the first section of paragraph 1.02 "Overview of operating and financial trends and definition of APMs".

+39.2% Net profit

Net profit thus rose by 39.2%, or 95.9 million euro, due to the sum of all the events described above.

NET PROFIT POST MINORITIES (mn€)



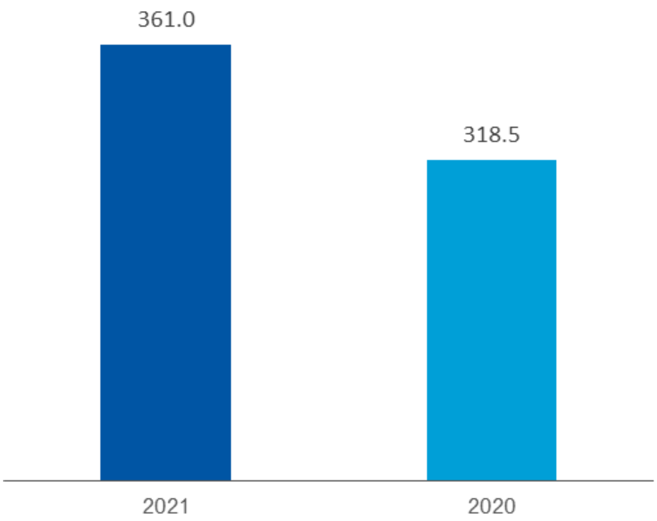
208.4
million euro
net profit post minorities (+32.3%)

Profits pertaining to the Group rose by 75.3 million euro, or 32.3%, compared to the first nine months of 2020.

Net investments amount to 386.6 million euro

In the third quarter of 2021, the Group's investments amounted to 386.6 million euro, up 20.6 compared to the previous year. This includes financial investments coming to 25.6 million euro for shareholdings in the companies Eco Gas Srl and SEA - Servizi Ecologici Ambientali Srl, falling by 21.9 million euro compared to the financial investments seen in the previous year, amounting to 47.5 million euro, which mainly included the shareholding in Ascopiave Spa.
Capital grants amounted to 16.2 million euro, of which 11.9 million euro in FoNI investments, as provided for by the tariff method for the integrated water service. Net operating investments amounted to 361.0 million euro, up 42.5 million euro compared to the same period of the previous year.

TOTAL NET OPERATING INVESTMENTS (mn€)



361.0
million euro
net operating investments (+42.5 mn€)

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

Total investments (mn€)	set-21	set-20	Var. Ass.	Var.%
Gas area	95.7	92.2	3.5	+3.8%
Electricity area	36.7	31.9	4.8	+15.0%
Integrated water cycle area	134.4	121.9	12.5	+10.3%
Waste management area	54.4	36.1	18.3	+50.7%
Other services area	8.0	6.2	1.8	+29.0%
Headquarters	48.0	45.3	2.7	+6.0%
Total gross operating investments	**377.2**	**333.6**	**43.6**	**+13.1%**
Capital grants	16.2	15.1	1.1	+7.3%
of which FoNI (New Investments Fund)	11.9	9.3	2.6	+28.0%
Total net operating investments	**361.0**	**318.5**	**42.5**	**+13.3%**
Financial investments	25.6	47.5	(21.9)	(46.1)%
Total net investments	**386.6**	**366.0**	**20.6**	**+5.6%**

Including capital grants, the Group's operating investments amounted to 377.2 million euro, with a 43.6 million euro increase compared to the previous year, and were mainly related to works on plants, networks and infrastructures. In addition, regulatory upgrading was carried out, especially in the gas distribution sector, with the large-scale meter replacement, and in the purification and sewage sector.
Comments on investments in the individual areas are provided in the analysis by business area.
At the central facilities, investments were related to works on buildings at company headquarters, information systems, the vehicle fleet, as well as laboratories and remote-control facilities. Overall, investments in facilities increased by 2.7 million euro compared to the previous year.

1.02.02 Financial structure and adjusted net debt

What follows in an analysis of trends in the Group's net invested capital and sources of financing for the period closed at 30 September 2021.

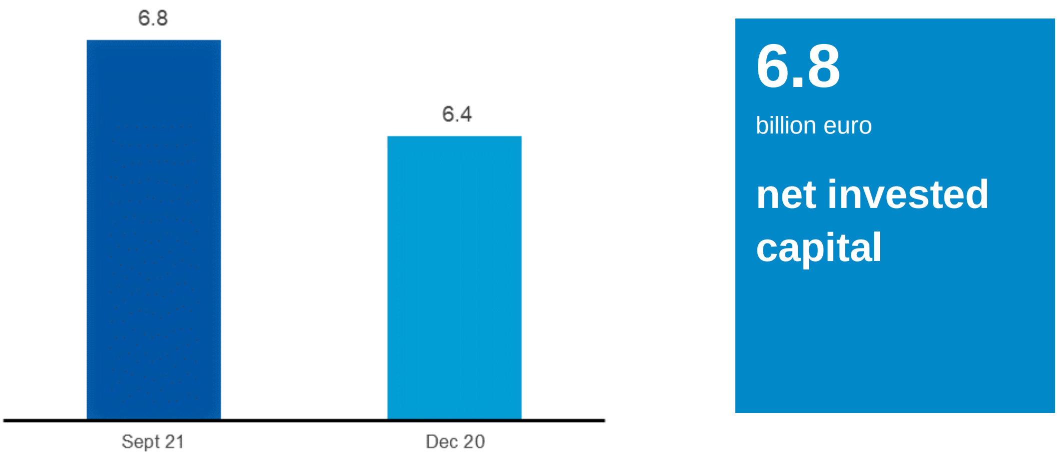
Invested capital and sources of financing (mn€)	set-21	Inc%	dic-20	Inc.%	Var. Ass.	Var. %
Net non-current assets	7,146.6	+104.4%	6,983.6	+109.4%	163.0	+2.3%
Net working capital	360.0	+5.3%	53.6	+0.8%	306.4	+571.6%
(Provisions)	(658.5)	(9.6)%	(654.9)	(10.3)%	(3.6)	(0.5)%
Net invested capital	**6,848.1**	**+100.0%**	**6,382.3**	**+100.0%**	**465.8**	**+7.3%**
Equity	(3,544.3)	+51.8%	(3,155.3)	+49.4%	(389.0)	(12.3)%
Long-term borrowings	(3,490.0)	+51.0%	(3,617.1)	+56.7%	127.1	+3.5%
Net current financial debt	186.2	(2.7)%	390.1	(6.1)%	(203.9)	(52.3)%
Net debt	(3,303.8)	+48.2%	(3,227.0)	+50.6%	(76.8)	(2.4)%
Total sources of financing	**(6,848.1)**	**(100.0)%**	**(6,382.3)**	**+100.0%**	**(465.8)**	**(7.3)%**

Group solidity confirmed

The increase in net non-current assets is mainly due to the investments carried out in the first nine months of the year. In particular, note the acquisition of shares in Recycla Spa, SEA - Servizi Ecologici Ambientali Srl, and Eco Gas Srl. For further details, see chapter 2.02, "Evaluation criteria".

The change in net working capital is mainly due to the valuation of financial hedging instruments and inventories (which reflect the rapid growth in energy prices described in paragraph 1.01 "Contexts and trends"), and the renovation and energy requalification carried out on condominiums, a business that continues to show increases following the tax incentives in the sector (construction bonuses).

NET INVESTED CAPITAL (bn€)



658.5 million euro provisions

At September 2021, provisions amounted to 658.5 million euro, in line with the previous year-end figure, 654.9 million euro. This result is mainly due to provisions for the period and adjustments to post-mortem provisions for landfills and severance indemnities, which offset outflows for uses.

3.5 billion euro equity

At 30 September 2021, equity amounted to 3,544.3 million euro (3,155.3 million euro at 31 December 2020); the increase is mainly due to the positive net result from operations for the first nine months of the year, amounting to 340.6 million euro, the positive overall result of the income statement, amounting to 240.0 million euro, and the increase for treasury share transactions, amounting to 8.1 million euro, partially offset by the payment of 178.7 million euro in dividends.

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

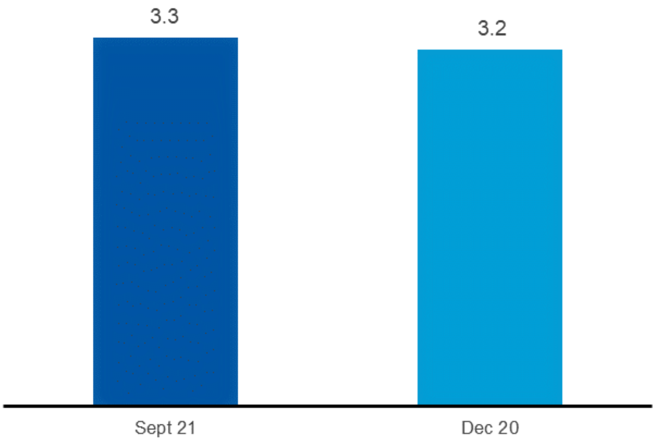
		30 Sept 21	31 Dec 20
a	Cash	788.3	987.1
B	Cash equivalents	-	-
c	Other current financial assets	73.0	32.8
d	**Liquidity (a+b+c)**	**861.3**	**1,019.9**
e	Current financial debt	(357.2)	(302.6)
f	Current portion of non-current financial debt	(317.9)	(327.2)
g	**Current financial indebtedness (e+f)**	**(675.1)**	**(629.8)**
h	**Net current financial indebtedness (g-d)**	**186.2**	**390.1**
i	Non-current financial debt	(496.4)	(594.2)
j	Debt instruments	(2,522.8)	(2,554.3)
k	Non-current trade and other payables	-	-
l	**Non-current financial indebtedness (i+j+k)**	**(3,019.2)**	**(3,148.5)**
m	**Total financial indebtedness (h+l)**	**(2,833.0)**	**(2,758.4)**
	Non-current financial receivables	**135.6**	**140.8**
	Net financial debt (excluding put option)	**(2,697.4)**	**(2,617.6)**
	Nominal amount - fair value put option	(466.6)	(456.4)
	Net financial debt with adjusted put option	**(3,164.0)**	**(3,074.0)**
	Portion of future dividends – fair value put option	(139.8)	(153.0)
	Net financial debt (Net debt)	**(3,303.8)**	**(3,227.0)**

The total value of net financial debt was 3,303.8 million euro, up approximately 76.8 million euro compared to the previous year.
The financial structure shows current financial debt coming to 675.1 million euro. The current portion of non-current financial debt, coming to 317.9 million euro, includes 249.9 million euro related to the Bond due on 4 October 2021, 48.9 million euro related to the portion of medium-term bank loans due within the year and the current portion of operating leases, coming to 19.2 million euro. Current financial debt, coming to 357.2 million euro, includes debt towards other sources of financing coming to 296.7 million euro and 60.5 million euro in debt towards banks, referring to interest payable on loans amounting to 43.0 million euro and use of current account lines coming to roughly 17.5 million euro.
The amount relating to non-current loans and bonds issued decreased compared to the previous year due to the repayment of the BPER (50 million euro) and EIB (59.7 million euro) loans, the partial repurchase of the 2028 Bond (59.5 million euro).
Cash and cash equivalents fell from 987.1 million euro in 2020 to 788.3 million euro at 30 September 2021.

At 30 September 2021, 85.9% of medium/long-term debt consisted in bonds with repayment at maturity. The total debt has an average residual maturity of approximately six years, with 68% maturing after five years.

Net financial debt increased by 76.8 million euro, going from 3,227.0 million euro in 2020 to 3,303.8 million euro in 2021, mainly owing to investments made towards the Group's future development.

NET FINANCIAL DEBT (bn€)



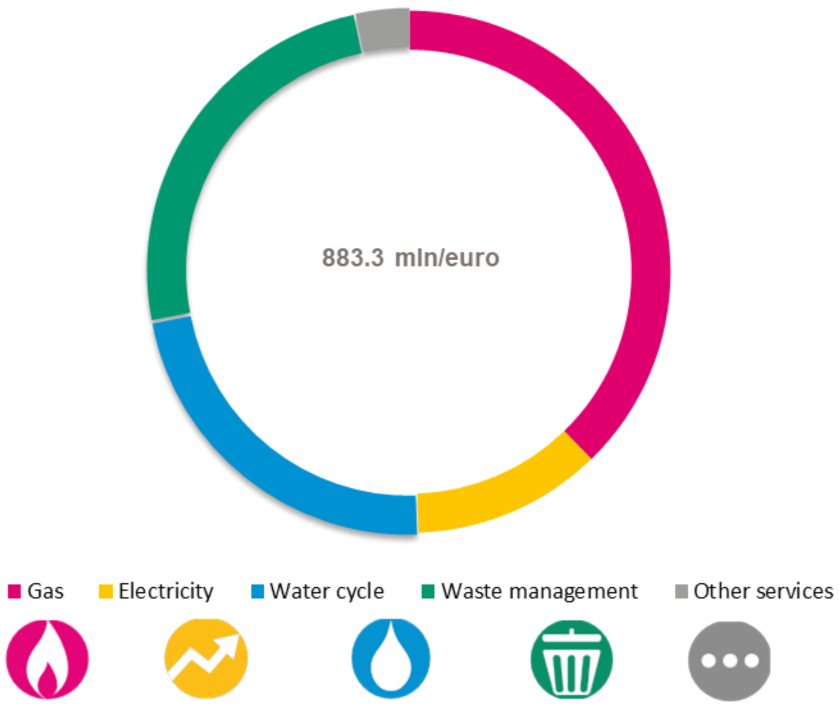
3.3
billion euro
net financial debt

1.03 ANALYSIS BY BUSINESS AREA

A multi-business strategy

An analysis of the operating results achieved in the Group's business areas is provided below, including: the gas area, which covers services in natural gas distribution and sales, district heating and heat management; the electricity area, which covers services in 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 SEPTEMBER 2021



The contribution to Ebitda coming from the Group's various business areas is influenced by seasonal factors, with the energy areas accounting for 49%

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.

1.03.01 Gas

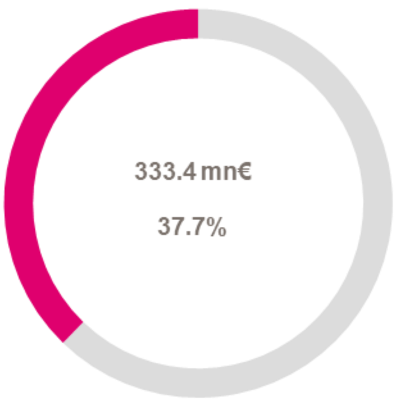
Ebitda rises

The results for the first nine months of 2021 show growth over the same period in 2020, both in terms of Ebitda and volumes sold, mainly thanks to the positive contribution coming from both traditional markets and markets subject to tenders, in which the Hera Group is increasingly consolidating its presence. In this regard, Hera Comm Spa was awarded, via tender:

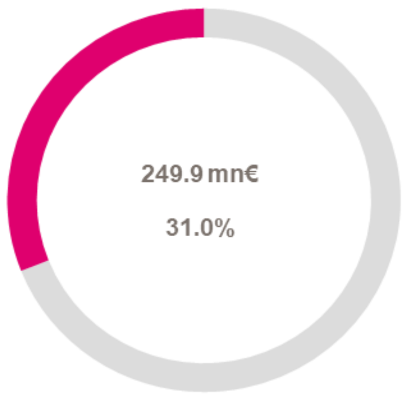
- 8 of the 9 lots in the last resort gas service (for customers involved in public services or those without a supplier) for the period 1 October 2020 – 30 September 2021: Valle d'Aosta, Piedmont, Liguria, Trentino A.A., Veneto, Friuli-V.G., Emilia-Romagna, Tuscany, Umbria and Marche, Abruzzo, Molise, Basilicata, Apulia, Lazio and Campania. In the previous tender, Hera Comm was awarded 4 lots out of 9
- 5 out of 9 lots in the default gas distribution service (for customers in arrears), for the period 1 October 2020 – 30 September 2021: Valle d'Aosta, Piedmont, Liguria, Friuli-V.G., Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata and Apulia. In the previous tender, Hera Comm was awarded 2 lots out of 9
- 9 out of the 12 lots in the Consip GAS13 tender, through which PAs will purchase natural gas in 2021: Valle d'Aosta, Piedmont, Liguria, Friuli-V.G., Emilia-Romagna, Lombardy, Lazio, Campania, Calabria, Sicily, Basilicata and Apulia.

Alongside the trends mentioned above, note an increase in the heat management business, due to increased activity due to the insulation incentive and energy efficiency works, the positive contribution coming from district heating volumes and the increased activities in Bulgaria.

EBITDA GAS AREA 2021



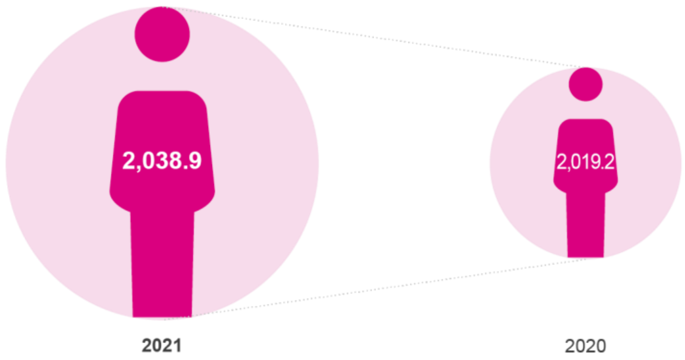
EBITDA GAS AREA 2020



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

(mn€)	Sept 21	Sept 20	Abs. change	% change
Area Ebitda	**333.4**	**249.9**	**83.5**	**+33.4%**
Group Ebitda	883.3	806.2	77.1	+9.6%
Percentage weight	37.7%	31.0%	+6.7 p.p.	

CUSTOMERS (k)

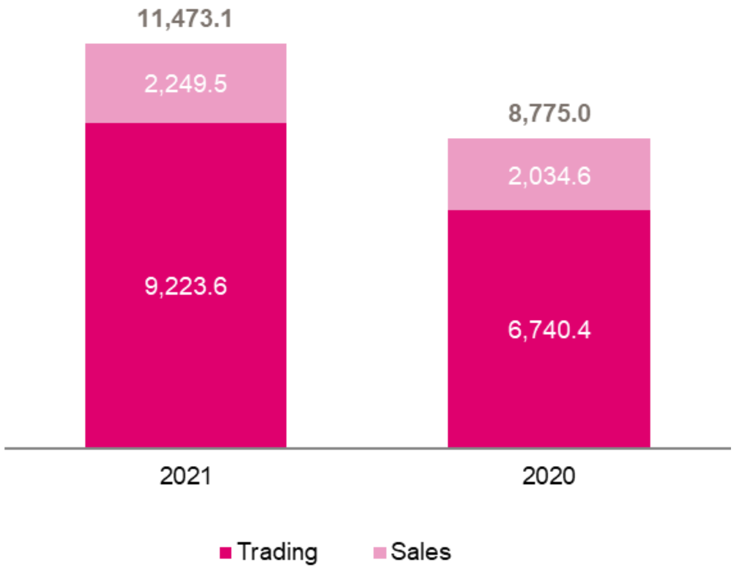


2.0 million

gas customers (+1.0%)

The number of gas customers increased by 19.7 thousand, or 1.0%, over the previous year. The new lots awarded through tenders contributed to this rise with roughly 49 thousand customers, which more than offset the fall in the customer base on traditional markets, coming to roughly 29.5 thousand customers.

VOLUMES SOLD (mn m^3)



11.5

billion m^3

sold

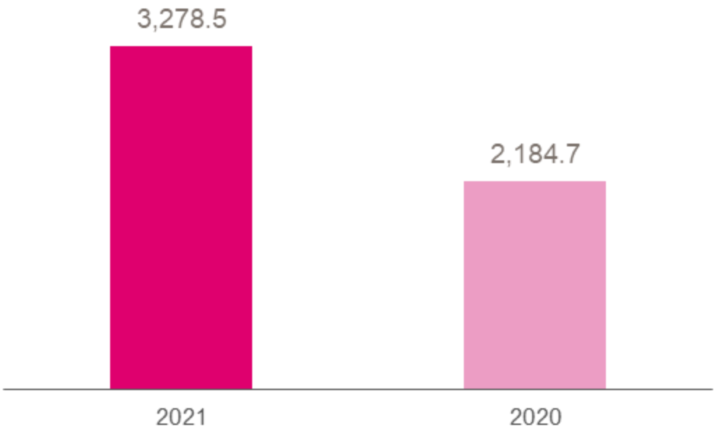
(+30.7%)

Total volumes of gas sold increased by 2,698.1 million cubic metres, or 30.7%. Trading volumes showed an increase coming to 2,483.1 million m^3, equivalent to 28.3% of the total, due both to the increased trading abroad and within Italy. Volumes sold to end customers grew by 10.6% compared to the same period in 2020, amounting to 214.9 million m^3, thanks to a good performance on traditional markets, coming to 143.9 million m^3, and on last resort markets, coming to 71.0 million m^3, mainly due to the new lots awarded, as mentioned above.

The following table summarises operating results for the gas area:

Income statement (mn€)	Sept 21	% inc.	Spet 20	% inc.	Abs. change	% change
Revenues	3,278.5		2,184.7		1,093.8	+50.1%
Operating costs	(2,864.7)	(87.4)%	(1,857.3)	(85.0)%	1,007.4	+54.2%
Personnel costs	(92.9)	(2.8)%	(84.4)	(3.9)%	8.5	+10.1%
Capitalised costs	12.5	+0.4%	6.9	0.3%	5.6	+81.7%
Ebitda	**333.4**	**10.2%**	**249.9**	**11.4%**	**83.5**	**+33.4%**

REVENUES (mn€)



3,278.5

million euro

revenues

(+50.1%)

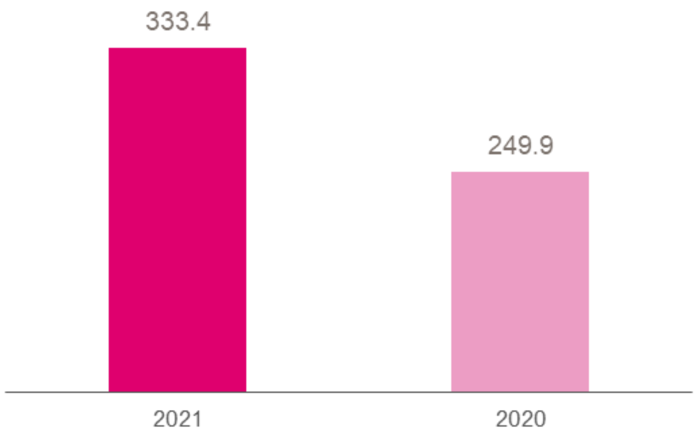
Revenues increased by 1,093.8 million euro, or 50.1%, compared to the previous year. The reasons for this mainly consist in trading, which generated higher revenues coming to 898 million euro, higher volumes sold, amounting to 72 million euro, higher revenues from off-network transmission and system charges, coming to 27 million euro, with an equal effect on costs, higher revenues from the heat management business, due to activities related to the insulation incentives and energy efficiency works, coming to approximately 183 million euro, revenues from long-term contracts and third-party works, amounting to 2 million euro, higher activities in Bulgaria, coming to 3 million euro, and higher revenues from district heating, totalling 10 million euro, thanks to higher volumes sold and higher revenues from electricity generation. These factors felt the effects of current trends in the commodities market, which is witnessing a significant increase in gas and electricity prices.

This growth was contained by a decrease in revenues coming from energy efficiency certificates, coming to approximately 102 million euro, as a result of the ministerial decree of 21 May 2021. This decree, which concerns the years 2021-2024 and regulates the definition of the national quantitative energy saving objectives for electricity and gas distribution companies, retroactively reduced the number of certificates foreseen for the 2020 mandatory year by 60%, as well as defining a significantly lower number of certificates for 2021 obligations than in the past.

Regulated revenues increased slightly, by 0.1 million euro. From a regulatory point of view, since 2021 is the second year of the new regulatory period, there are no changes in regulations to mention. Therefore, this growth is essentially linked to a natural update of the limit, mainly linked to the capex update.

The rise in revenues was proportionally reflected by an increase in operating costs, which showed an overall increase coming to 1,007.5 million euro. This trend was mainly due to higher activity in heat management and trading, higher volumes sold and lower costs for purchasing energy efficiency certificates.

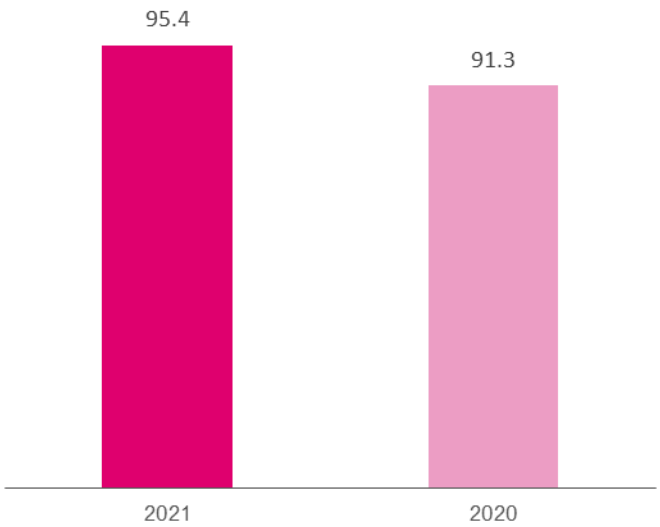
EBITDA (mn€)



333.4
million euro
Ebitda (+33.4%)

Ebitda increased by 83.5 million euro, or 33.4%, mainly thanks to higher activities linked to insulation incentives and energy efficiency works, the new lots awarded on the last resort and Consip markets, and the benefit coming from reduced obligations concerning energy efficiency certificates. These factors were accompanied by growth on traditional markets, a positive contribution coming from the heat management business and increased activities in Bulgaria.

NET INVESTMENTS GAS (mn€)



95.4
million euro
net investments gas

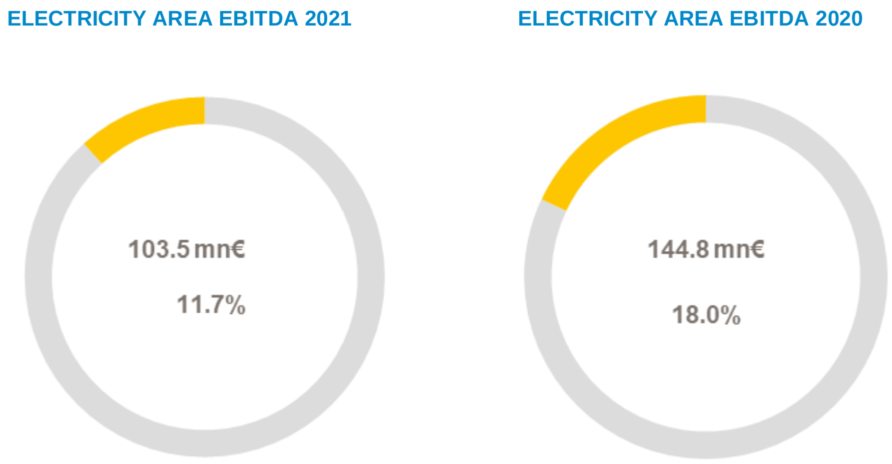
In the third quarter of 2021, net investments in the gas area amounted to 95.4 million euro, up 4.1 million euro compared to the previous year. In gas distribution, investments totalled 69.6 million euro, essentially in line with the 69.2 million euro seen the previous year. The interventions mainly concern non-recurring maintenance on networks and plants, which increased compared to the same period of the previous year, while the large-scale meter replacement, pursuant to Resolution 554/15 and relating to the installation of smart gas meters, had a lesser effect. In gas sales, investments coming to 7.4 million euro were seen in activities related to the acquisition of new customers, up 1.0 million euro compared to the previous year. Investments increased by 2.1 million euro in district heating and heat management services, with an increase in district heating within Hera Spa and a decrease in heat management in the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Overall requests for new connections were similar to the previous year.

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

Gas (mn€)	Sept 21	Sept 20	Abs. change	% change
Networks and plants	69.6	69.2	0.4	+0.6%
Acquisition gas customers	7.4	6.4	1.0	+15.6%
DH/heat management	18.7	16.6	2.1	+12.7%
Total gas gross	**95.7**	**92.2**	**3.5**	**+3.8%**
Capital grants	0.3	1.0	(0.7)	(70.0)%
Total gas net	**95.4**	**91.3**	**4.1**	**+4.5%**

1.03.02 Electricity

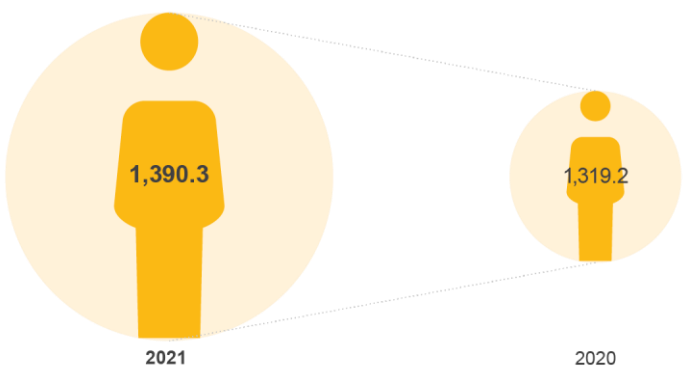
At the end of the first nine months of 2021, Ebitda in the electricity area was down compared to the previous year. The positive results achieved in commercial development, supported by innovative offers, value-added services and a further improved customer experience for each type of customer, did not offset the fall in generation, due to the different market conditions in the dispatching service compared to the same period in 2020, and trading, due to trends in the price of commodities. Furthermore, lower results in the safeguarded market were caused by the different scope of lots managed: as of 2021, in fact, the Hera Group manages the lots of customers in Campania, Abruzzo and Umbria, compared to the 7 portions managed in the previous two-year period. Lastly, note that Hera Comm Spa was awarded, via tender, for the period from 1 July 2021 to 30 June 2024, the gradual protection service for SMEs in in 9 regions of Italy: Campania, Marche, Umbria, Abruzzo, Molise, Basilicata, Calabria, Sicily and Sardinia, which correspond to 3 lots assigned in the national tender called by the Single Purchaser.



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

(mn€)	Sept 21	Sept 20	Abs. change	% change
Area Ebitda	103.5	144.8	(41.3)	(28.5)%
Group Ebitda	883.3	806.2	77.1	+9.6%
Percentage weight	11.7%	18.0%	(6.3) pp	

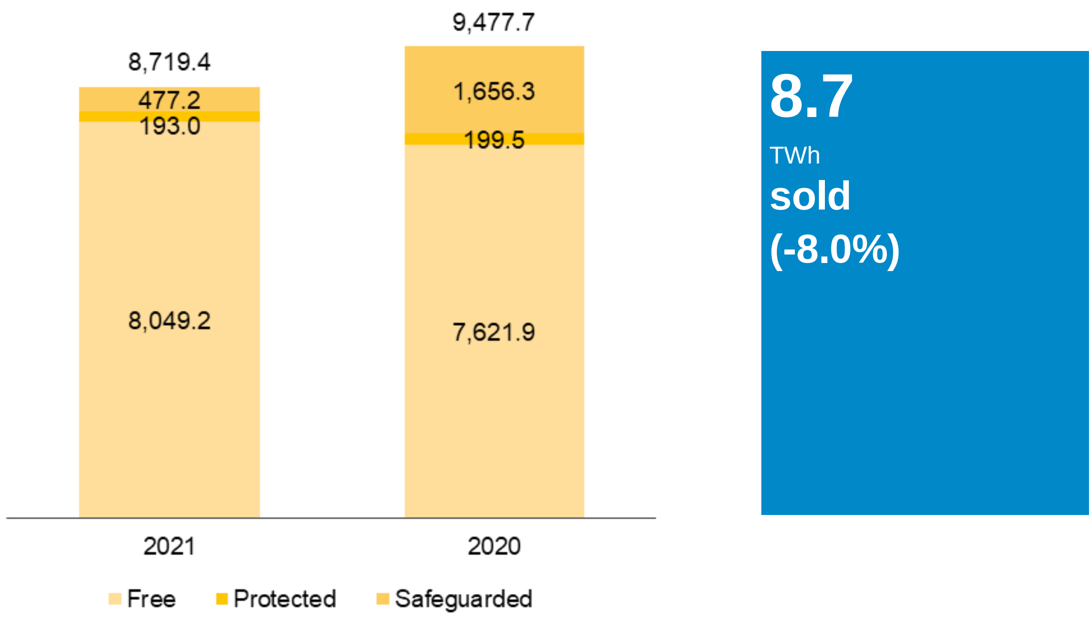
CUSTOMERS (k)



1.4
million
electricity customers

The number of electricity customers rose by 5.4% (71.2 thousand) compared to 2020. This growth occurred on the free market, which accounted for 9.0% of the total, due to both the strengthened marketing initiatives introduced, and in the gradual protection service awarded, with roughly 58 thousand customers, and offset both the decline in protected and safeguarded customers due to the different scope of lots managed.

VOLUMES SOLD (GWh)

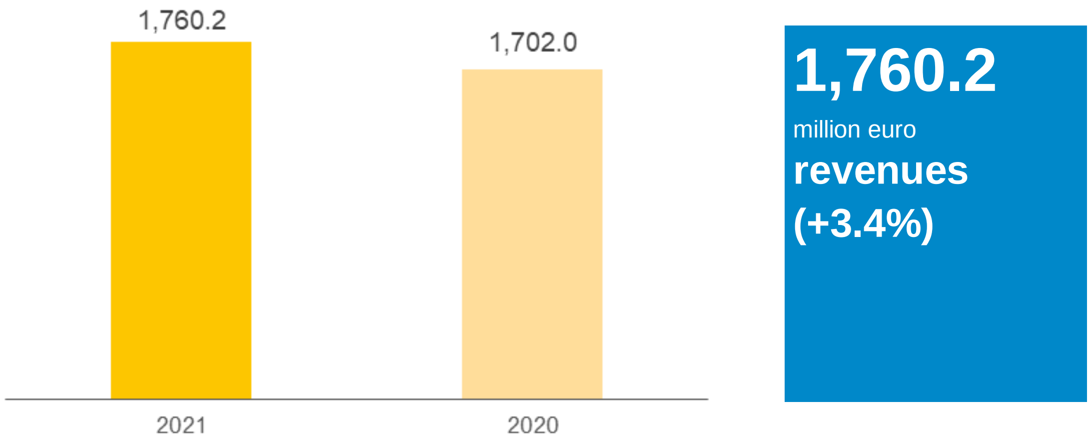


Volumes of electricity sold fell compared to the previous year. This trend was mainly caused by a drop in safeguarded volumes, amounting to 1,179.18 GWh, or 12.4% of the total, due to the aspects mentioned above, while on traditional markets consumption increased by 420.8 GWh, or 4.4%, for reasons including the new gradual protection service, mentioned above.

Operating results for the area are as follows:

Income statement (mn€)	Sept 21	% inc.	Spet 20	% inc.	Abs. change	% change
Revenues	1,760.2		1,702.0		58.2	3.4%
Operating costs	(1,630.3)	(92.6)%	(1,527.4)	(89.7)%	102.9	6.7%
Personnel costs	(34.6)	(2.0)%	(36.1)	(2.1)%	(1.5)	(4.2)%
Capitalised costs	8.2	0.5%	6.3	0.4%	1.9	30.1%
Ebitda	**103.5**	**5.9%**	**144.8**	**8.5%**	**(41.3)**	**(28.5)%**

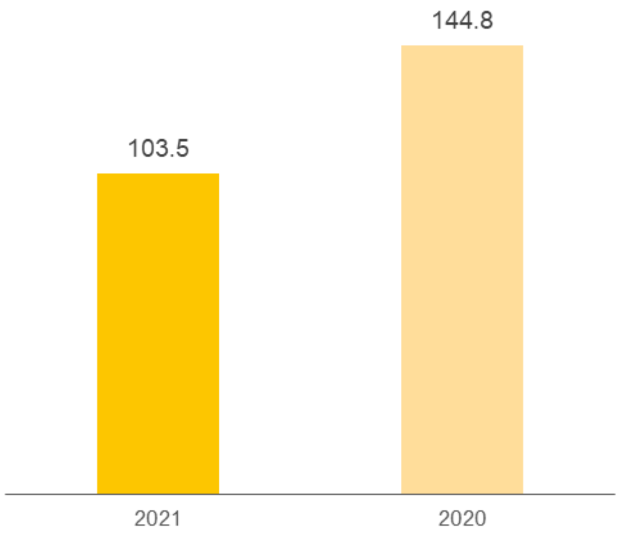
REVENUES (mn€)



Revenues increased by 58.2 million euro, or 3.4%, compared to the same period in 2020. This performance is mainly related to higher revenues from trading, coming to 98 million euro, higher raw material prices, amounting to approximately 92 million euro, higher revenues from electricity generation, coming to approximately 24 million euro, and higher revenues from value-added services for customers, totalling approximately 10 million euro. These effects are partially linked to the average annual performance of the PUN, which increased by 217% compared to the previous year.
The increases mentioned above were only partly offset by a decrease in volumes sold, which caused lower revenues coming to approximately 60 million euro, and lower revenues from off-network transmission and system charges, amounting to 97 million euro, with an equal effect on costs. In addition to this, lower revenues were seen for energy efficiency certificates, coming to approximately 8 million euro, as a result of the 21 May 2021 ministerial decree. This decree, which regulates the definition of the national quantitative energy saving objectives of electricity and gas distribution companies for the years 2021-2024, operated retroactively and reduced the number of certificates envisaged for the 2020 mandatory year by 60%, as well as defining a significantly lower number of certificates for the 2021 obligations than in the past.
Regulated revenues dropped slightly, by 1.6 million euro, compared to the same period in 2020. This change, albeit small, is due to the slight decrease in recognised operating costs, a limited tariff increase linked to the capex update and the positive prior-year accruals seen in the same period last year.

The increase in revenues was reflected more than proportionally by operating costs, which rose by 102.9 million euro. This trend is due to the increase in the price of raw materials, which had an impact on sales, trading and generation, despite the lower volumes sold and lower costs for purchasing energy efficiency certificates.

EBITDA (mn€)

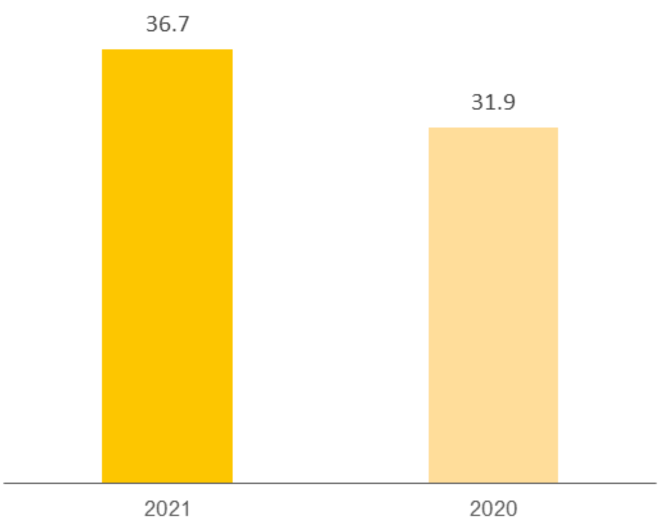


103.5
million euro
Ebitda
(-28.5%)

Ebitda decreased by 41.3 million euro, or 28.5%, mainly due to lower generation, which was affected by the benefit recorded during the previous year by the dispatching market during the Covid-19 lockdown period, and trading activities. In addition, lower margins were recorded in the safeguarded market due to the different scope of lots managed. These trends are partly contained by contributions coming from commercial development in traditional markets and in the new services managed.

In the electricity area, investments in the third quarter of 2021 amounted to 36.7 million euro, up 4.8 million euro compared to the previous year.
The interventions carried out mainly concern non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.
Compared to the previous year, the increase was recorded in the electricity distribution sector due to some new constructions, such as the primary cabin in Modena Est, as well as non-recurring maintenance on networks and plants, as well as meter replacement initiatives. Requests for new connections increased compared to the previous year. Investments also increased in energy sales for activities linked to acquiring new customers.

NET INVESTMENTS ELECTRICITY (mn€)



36.7
million euro
net investments electricity

Operating investments in the electricity area are as follows:

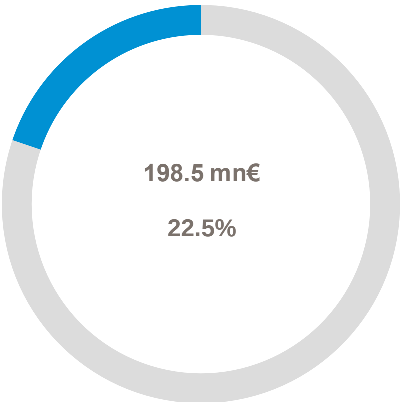
Electricity (mn€)	Sept 21	Sept 20	Abs. change	% change
Networks and plants	23.2	19.6	3.6	+18.4%
Electricity customer acquisition	13.5	12.3	1.2	+9.8%
Total electricity gross	**36.7**	**31.9**	**4.8**	**+15.0%**
Capital grants	-	-	-	+0.0%
Total electricity net	**36.7**	**31.9**	**4.8**	**+15.0%**

1.03.03 Integrated water cycle

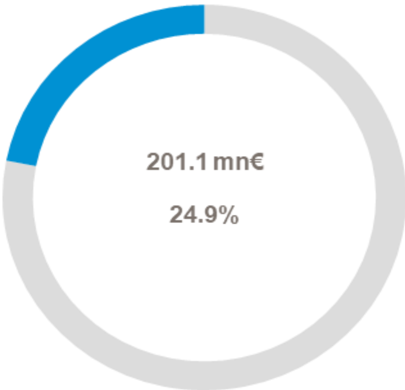
Slight drop in results in the first nine months of 2021

In the first nine months of 2021, the integrated water cycle area showed results that were down slightly compared to the previous year, with a decrease in Ebitda coming to 1.3%. From a regulatory point of view, note that 2021 is the second 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 2021



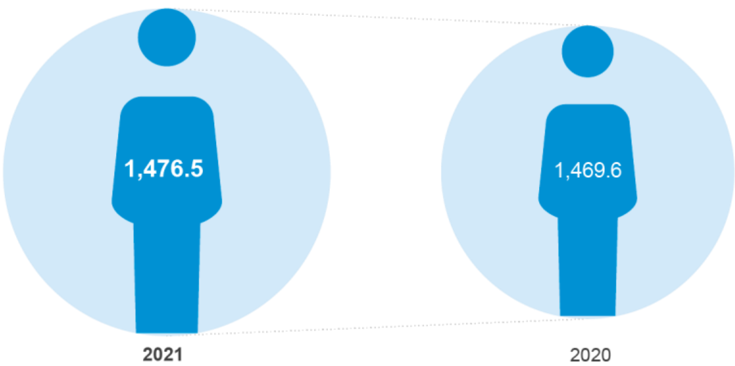
EBITDA WATER CYCLE AREA 2020



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

(mn€)	Sept 21	Sept 20	Abs. change	% change
Area Ebitda	**198.5**	**201.1**	**(2.6)**	**(1.3)%**
Group Ebitda	883.3	806.2	77.1	+9.6%
Percentage weight	22.5%	24.9%	(2.4) pp	

CUSTOMERS (k)



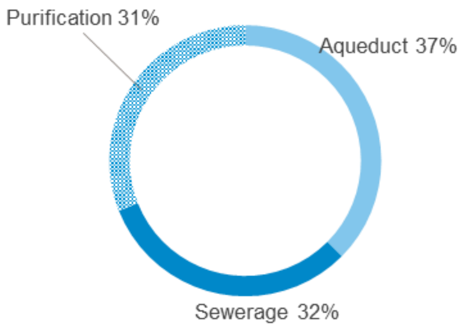
1.5 million customers **integrated water cycle (+0.5%)**

The number of water customers increased by 6.9 thousand, or 0.5%, compared to the previous year, confirming the moderate trend of internal growth in the Group's reference areas, mainly in Emilia-Romagna, served by Hera Spa.

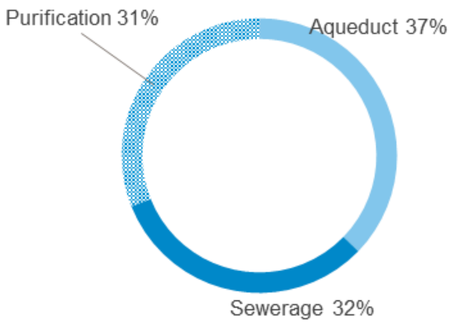
The main indicators for the area are as follows:

218.5 million m^3: quantity managed in the aqueduct

QUANTITY MANAGED 2021 (mn m^3)



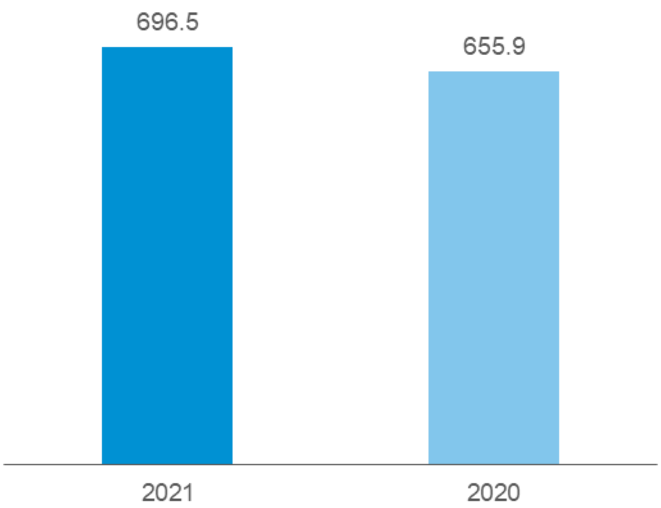
QUANTITY MANAGED 2020 (mn m^3)



The volumes supplied through the aqueduct, which stood at 218.5 million m^3, increased by 1.2%, or 2.6 million m^3, compared to September 2020. In September 2021, the quantities managed relating to sewerage amounted to 184.1 million m^3, with a slight 0.3% increase compared to last year, while those involved in purification came to 181.7 million m^3, with a 0.8% increase compared to September 2020. The volumes supplied, following Resolution 580/2019 by the Authority, are an indicator of the activity of 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, independent of the volumes distributed.

Income statement (mn€)	Sept 21	% inc.	Spet 20	% inc.	Abs. change	% change
Revenues	696.5		655.9		40.6	+6.2%
Operating costs	(360.9)	(51.8)%	(320.7)	(48.9)%	40.2	+12.5%
Personnel costs	(140.7)	(20.2)%	(137.0)	(20.9)%	3.7	+2.7%
Capitalised costs	3.6	0.5%	2.9	0.4%	0.7	+24.2%
Ebitda	**198.5**	**28.5%**	**201.1**	**30.7%**	**(2.6)**	**(1.3)%**

REVENUES (mn€)

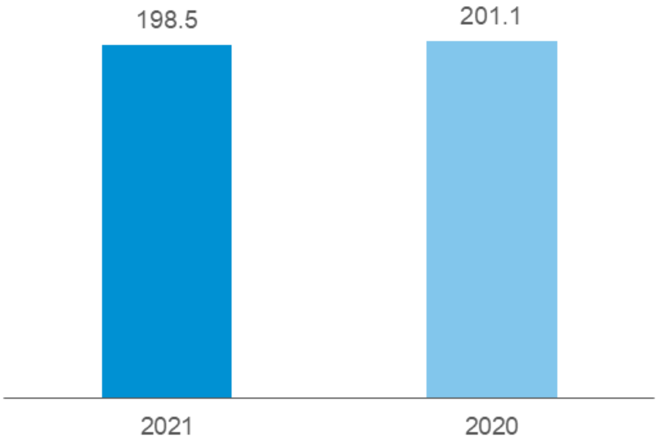


696.5
million euro
revenues
(+6.2%)

The increase in revenue is due, for a total of 19.0 million euro, to higher revenue from contracts and works on behalf of third parties carried out in the first nine months of 2021. Higher revenues from new connections totalled 2.6 million euro, while other revenues coming to approximately 2.0 million euro were mainly linked to grants received, incentives and insurance recoveries. Revenues from supply

increased by 17.4 million euro, mainly due to the increase in the equalisation costs of electricity and the raw material water, as well as the tariff adjustment for the new MTI-3 method.
The increase in operating costs at September 2021 was mainly due to higher costs related to the works carried out, previously described under revenues, coming to 19.0 million euro, in addition to the higher costs for water and electricity as raw materials, amounting to approximately 15.0 million euro. Lastly, note the higher operating costs for network and plant management, the latter related to the different state of progress of works compared to September 2020, due to the Covid-19 pandemic.

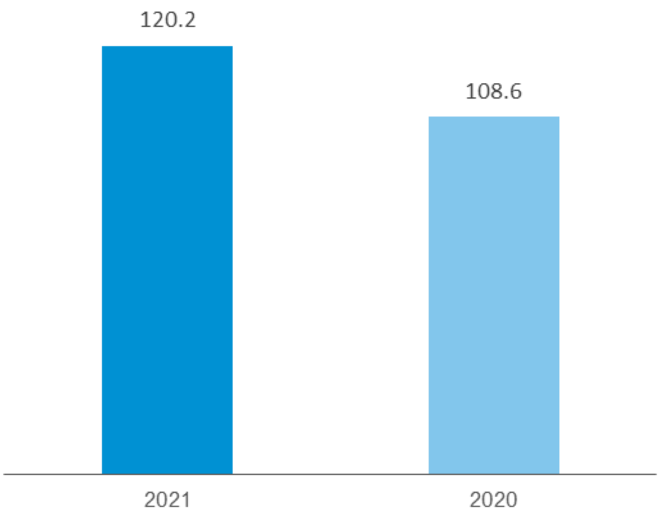
EBITDA (mn€)



198.5
million euro
Ebitda
(-1.3%)

Ebitda decreased by 1.3%. Higher revenues for new connections, along with higher revenues from grants received, incentives and insurance recoveries, only partially offset the higher operating costs for networks and plants resulting from the resumption of activities blocked by last year's lockdown.
At the end of the third quarter of 2021, net investments in the integrated water cycle area amounted to 120.2 million euro, up 11.6 million euro compared to the previous year. Including the capital grants received, investments amounted to 134.4 million euro, showing a 12.5 million euro increase. Investments mainly related to extensions, reclamation and upgrading of networks and plants, as well as regulatory adjustments, above all in the purification and sewerage areas.
Investments amounted to 80.2 million euro in the aqueduct, 31.6 million euro in the sewerage system and 22.7 million euro in purification.

NET INVESTMENTS WATER CYCLE (mn€)



120.2
million euro
net investments
(+11.6)

The main interventions include, in the aqueduct, an ongoing increase in reclamation for networks and connections, partially linked to Arera resolution 917/2017 on regulations for technical quality in the integrated water service, as well as earthquake-proof upgrading and requalification of areas with hanging tanks, and significant maintenance on the intake works on the Setta stream, serving the Sasso Marconi drinking water plant, and the reclamation on the adduction network in the Municipality of Bentivoglio, in addition to upgrading the water networks in other areas served. In the sewerage sector, progress continues to be made on the seawater protection plan in Rimini, with the new sewerage separation portions in the northern area, even though in 2021 Hera's work is expected to have less of an impact than in the previous year. Maintenance and upgrading for the sewerage network in other areas also continued, as well as works to adapt drains to Dgr 201/2016, which are expected to increase in 2021. In purification, note the upgrades on 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, for reasons including the economic recovery, especially in the construction sector.
Capital grants, amounting to 14.3 million euro, included 11.9 million euro linked to the tariff component of the tariff method for the New Investments Fund (FoNi), and increased by 0.9 million euro compared to the previous year.

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

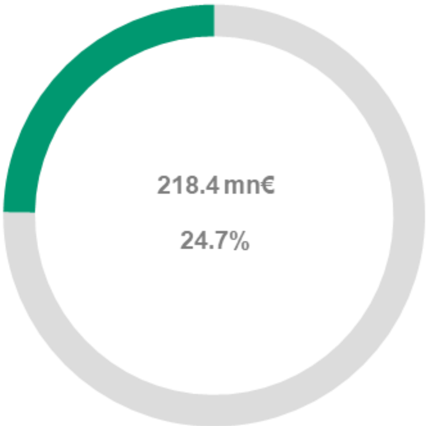
Integrated water cycle (mn€)	Sept 21	Sept 20	Abs. change	% change
Aqueduct	80.2	75.6	4.6	+6.1%
Purification	22.7	18.1	4.6	+25.4%
Sewerage	31.6	28.3	3.3	+11.7%
Total integrated water cycle gross	**134.4**	**121.9**	**12.5**	**+10.3%**
Capital grants	14.3	13.4	0.9	+6.7%
of which FoNI (New Investment Fund)	11.9	9.3	2.6	+28.0%
Total integrated water cycle net	**120.2**	**108.6**	**11.6**	**+10.7%**

1.03.04 Waste management

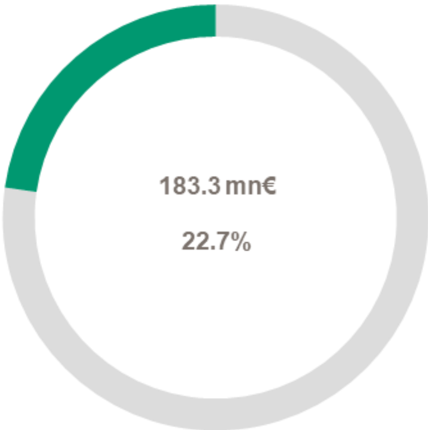
Ebitda rises

In September 2021, the waste management area accounted for 24.7% of the Hera Group's Ebitda, increasing compared to 2020. The first nine months of the year, characterised by recovery in commerce and a gradual improvement in waste production, confirmed the Group's ability to react with considerable resilience to the current market context, for reasons including to its set of plants, which continues to be a strategic and distinctive asset on the market. Commercial expansion in the industrial waste and environmental remediation and restoration market grew significantly in the first nine months of the year, thanks to various partnerships and company acquisitions that enabled the Group to consolidate its leadership. In the recovery market, the first nine months of 2021 saw significant demand for recycled materials and an increase in product sales prices.
In the third quarter of 2021, all 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, with ongoing development of the biomethane chain. In late July, indeed, a NewCo named BIORG was established, whose objective is to produce biomethane and compost from organic sorted waste and agricultural waste. Environmental resource protection remains a priority objective in 2021, as does the maximisation of reuse; this is shown by the particular attention Hera dedicates to increasing sorted waste collection.

EBITDA WASTE MANAGEMENT AREA 2021



EBITDA WASTE MANAGEMENT AREA 2020



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

(mn€)	Sept 21	Sept 20	Abs. change	% change
Area Ebitda	**218.4**	**183.3**	**35.1**	**+19.1%**
Group Ebitda	883.3	806.2	77.1	+9.6%
Percentage weight	24.7%	22.7%	+2.0 p.p.	

The volumes marketed and treated by the Group in 2021 are as follows:

Quantity (k tons)	Sept 21	Sept 20	Abs. change	% change
Municipal waste	1,677.9	1,644.7	33.2	+2.0%
Market waste	1,714.8	1,591.4	123.4	+7.8%
Waste commercialised	**3,392.7**	**3,236.0**	**156.7**	**+4.8%**
Plant by-products	1,608.1	1,614.5	(6.4)	(0.4)%
Waste treated by type	**5,000.9**	**4,850.5**	**150.4**	**+3.1%**

An analysis of the quantitative data shows an increase in waste commercialised due to an increase in both municipal waste and market waste. With regard to municipal waste, the first nine months of 2021 saw growth coming to 2.0% over the previous year.

Volumes of market waste grew by 7.8% compared to 2020, thanks to the consolidation of existing commercial relationships and an increased customer portfolio.

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

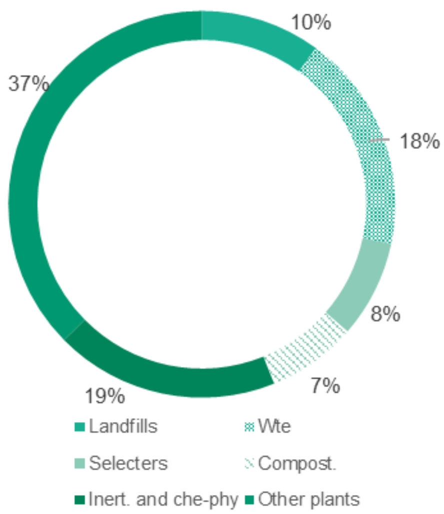
SORTED WASTE (%)

+0.1
percentage points
sorted waste

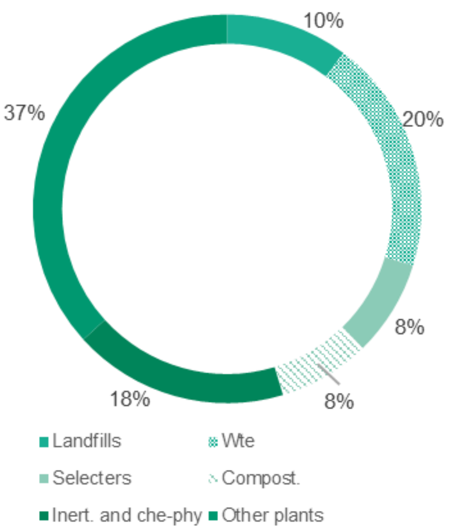
Sorted municipal waste collection at 30 September 2021 showed slight progress, increasing by 0.1 percentage points compared to the previous year across all areas served by the Group. This limited growth can be traced, as a consequence of legislative decree 116/2020, to a different way of reporting construction and demolition waste, not included in 2021 in the calculation of the percentage of sorted waste. With the previous criteria for calculation, indeed, at 30 September 2021, the increase would have come to +1.2 percentage points.

The Hera Group operates in the entire waste cycle, with 96 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 9 waste-to-energy plants, 11 composters/digesters and 15 selecting plants.
The care and attention given to the set of plants has always been a distinctive element of the Group’s desire for excellence. Work continues to further improve safety and bring the facilities into line with the best available technology.

WASTE TREATED BY TYPE OF PLANT 2021



WASTE TREATED BY TYPE OF PLANT 2020



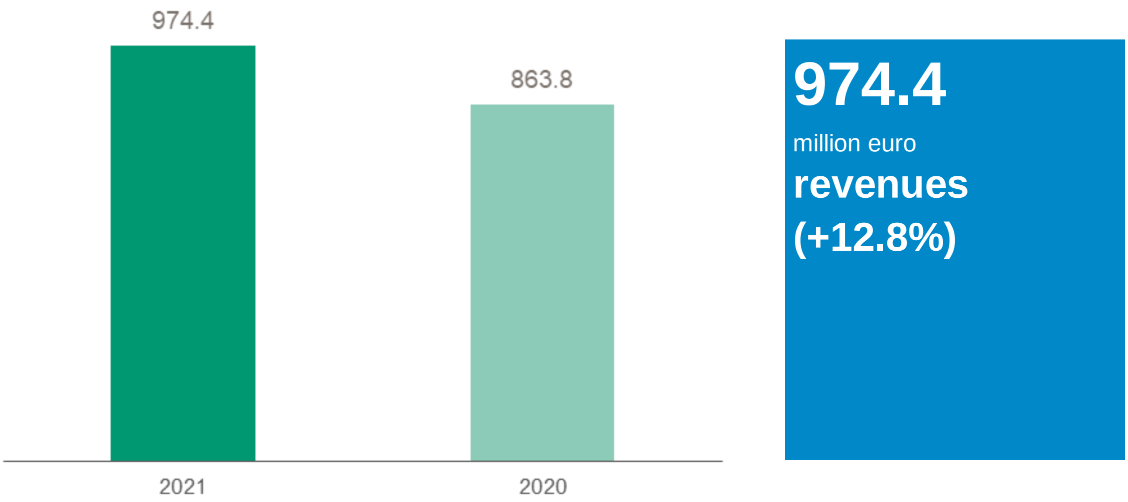
Quantity (k tons)	Sept 21	Sept 20	Abs. change	% change
Landfills	502.3	495.3	7.0	+1.4%
WTE	912,6	946.7	(34,1)	(3.6)%
Selecting plants and other	407,0	387.2	19.8	+5.1%
Composting and stabilisation plants	373,3	371.1	2.2	+0.6%
Inertisation and chemical-physical plants	935,6	868.5	67.1	+7.7%
Other plants	1,869,9	1.781.8	88.1	+4.9%
Waste treated by plant	**5,000.9**	**4,850.5**	**150.4**	**+3.1%**

Waste treatment showed overall growth coming to 3.1% compared to September 2020. In this regard, slightly higher quantities were seen in landfills, despite the full capacity at the Sommacampagna, ASA and Ravenna plants. As regards waste-to-energy plants, the decrease was mainly due to a different scheduling of plant shutdowns for planned maintenance compared to the same period in 2020, despite the increase in waste delivered to some plants. The higher quantities in sorting plants is due to the greater quantities treated in all plants thanks to growth in sorted waste collection. In composting and stabilisation plants, volumes increased slightly. The higher quantities in inertisation and chemical-physical plants were mainly due to increased volumes at the purification plants in Tuscany and the Pozzilli plant, which was not operative in early 2020. Lastly, an increase was also seen in the other plants sector.

The table below summarises the area's operating results:

Income statement (mn€)	Sept 21	% inc.	Spet 20	% inc.	Abs. change	% change
Revenues	974.4		863.8		110.6	+12.8%
Operating costs	(611.9)	(62.8)%	(533.8)	(61.8)%	78.1	+14.6%
Personnel costs	(158.5)	(16.3)%	(151.6)	(17.6)%	6.9	+4.5%
Capitalised costs	14.4	1.5%	4.9	0.6%	9.5	+194.4%
Ebitda	**218.4**	**22.4%**	**183.3**	**21.2%**	**35.1**	**+19.1%**

REVENUES (mn€)

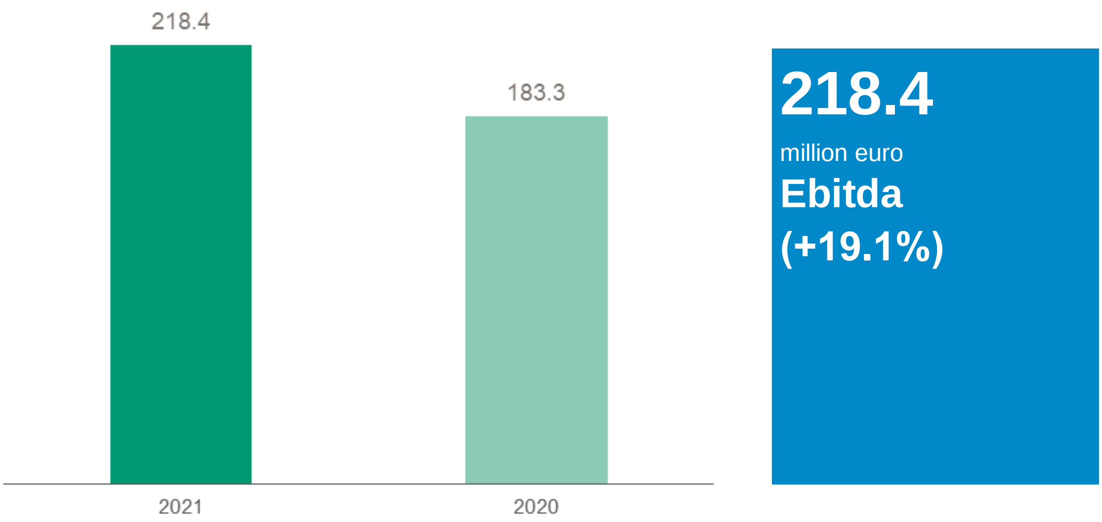


Revenues increased by 12.8% compared to the previous year. Higher revenues from energy production were seen, mainly due to increased prices for Grin incentives, the increase in the market

price of energy, thermal energy and Biomethane, despite reduced volumes in WTE. The contribution coming from Aliplast Spa was also higher, due to the greater amount of products sold.
An increase was also seen in revenues related to new acquisitions and expansion in commercial and trading activities, as well as higher revenues from municipal waste and sales of recovered material. Lastly, higher revenues came from increased sorted municipal waste collection, and from the higher value of materials ensuing from an increase in prices, in particular paper and glass.

Operating costs at September 2021 increased by 14.6%. In the treatment market, note the increase in costs due to raw material purchasing, higher volumes treated, by-product treatment, scheduled maintenance on Group plants and new acquisitions. This increase was mitigated by lower costs due to a reduction in reclamation and efficiencies in operating costs. In the recovery market, the increase in the purchasing costs of raw materials sustained by Aliplast Spa was correlated to the trend in revenues mentioned above. As regards municipal waste collection, note the higher costs related to developing new sorted waste collection projects following the resumption of activities interrupted by the lockdown during the previous year.

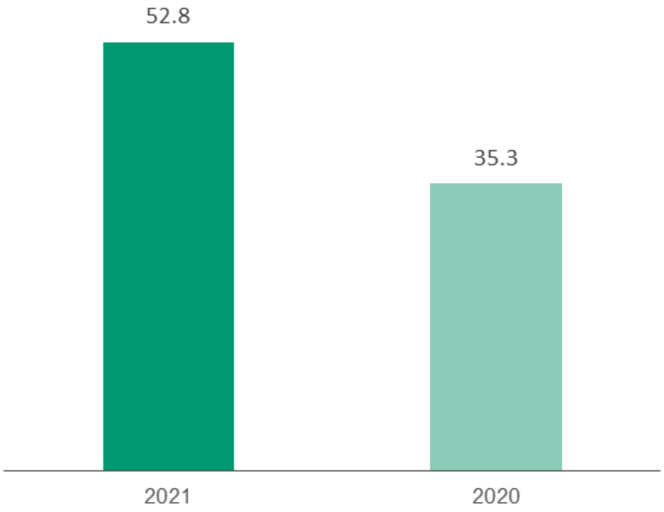
EBITDA (mn€)



The increase in Ebitda was due to higher revenues from electricity generation, growth in volumes treated and higher margins in plastic recovery. These positive factors were only partially offset by an increase in the cost of by-products, raw material purchasing prices and higher maintenance costs for Group plants.

Net investments in the waste management area were linked to maintenance and upgrading waste treatment plants and amounted to 52.8 million euro, up 17.5 million euro over the previous year.
Investments in the composting/digestion sector were in line with the previous year, while investments in the landfill sector fell by 3.4 million euro due to work carried out during the previous year on the 5th lot of the Pago plant.
Investments in the WTE sector increased by 7.8 million euro, mainly due to increased non-recurring maintenance on the Modena plant and work on line two of the Trieste plant.
Investments in the industrial waste plants sector increased by 6.8 million euro compared to the previous year and mainly related to revamping on the F3 plant in Ravenna.
Investments in the ecological areas and collection equipment sector increased by 2.3 million euro compared to the previous year, while the 4.8 million euro increase in the sorting and recovery plants sector was due to higher investments for revamping the Castiglione sorting plant, the construction of a new PE regenerator and a PET regenerator at the Istrana site of Aliplast Spa, as well as a change in the scope of consolidation of Recycla Spa and Vallortigara Servizi Ambientali Spa.

NET INVESTMENTS WASTE MANAGEMENT (mn€)



52.8
million euro
net investments waste management (+17.5)

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

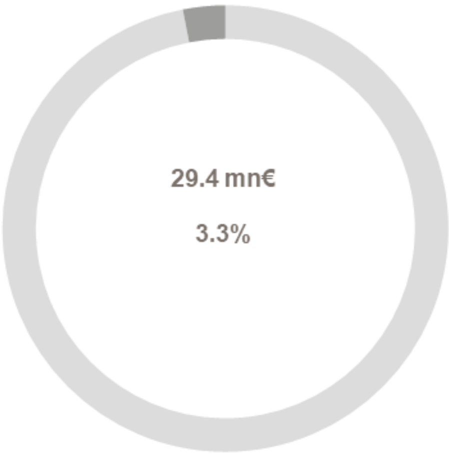
Waste management (mn€)	Sept 21	Sept 20	Abs. change	% change
Composters/digesters	1.4	1.3	0.1	+7.7%
Landfills	4.6	8.0	(3.4)	(42.5)%
WTE	15.2	7.4	7.8	+105.4%
RS plants	9.9	3.1	6.8	+219.4%
Ecological areas and collection equipment	9.4	7.1	2.3	+32.4%
Transshipment, selecting and other plants	13.9	9.1	4.8	+52.7%
Total waste management gross	**54.4**	**36.1**	**18.3**	**+50.7%**
Capital grants	1.7	0.7	1.0	+142.9%
Total waste management net	**52.8**	**35.3**	**17.5**	**+49.6%**

1.03.05 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, thus promoting safety across the areas served through avant-garde technologies and giving constant attention to 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 September 2021, results in this area were up by 8.5%, corresponding to 2.3 million euro.

EBITDA OTHER SERVICES 2021



EBITDA OTHER SERVICES 2020

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

(mn€)	Sept 21	Sept 20	Abs. change	% change
Area Ebitda	**29.4**	**27.1**	**2.3**	**+8.5%**
Group Ebitda	883.3	806.2	77.1	+9.6%
Percentage weight	3.3%	3.4%	(0.1) pp	

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

Quantity	Sept 21	Sept 20	Abs. change	% change
Public lighting				
Lighting points (k)	570.6	568.8	+1.8	+0.3%
of which LED	34.9%	31.4%	+3.5	+0.0%
Municipalities served	185.0	189.0	(4.0)	(2.1)%

During the first nine months of 2021, the Hera Group acquired approximately 16.4 thousand lighting points in 7 new municipalities. The most significant acquisitions were roughly 10.3 thousand lighting points in Lombardy, roughly 2.3 thousand lighting points in Lazio, roughly 1.6 thousand lighting points in Sardinia and other regions of central Italy, roughly 0.9 thousand lighting points in Friuli-Venezia Giulia. Lastly, more lighting points were managed in municipalities already served coming to roughly 1.3 thousand lighting points. The increases seen during the year entirely offset the loss of approximately 14.6 thousand lighting points and 11 municipalities served, mainly in the Friuli-Venezia Giulia and Veneto regions.

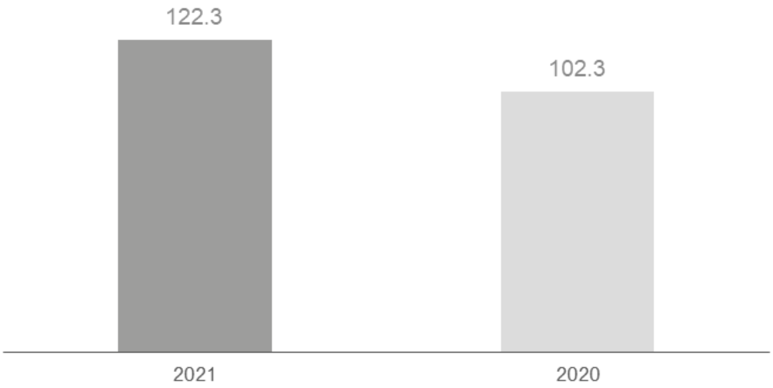
The percentage of lighting points using LED bulbs also rose, settling at 34.9%, up 3.5 percentage points. This trend reflects the Group's constant focus on an increasingly efficient and sustainable management of public lighting.

Among the quantitative indicators of the other services area, also note the 4,362 km of 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€)	Sept 21	% inc.	Spet 20	% inc.	Abs. change	% change
Revenues	122.3		102.3		20.0	+19.5%
Operating costs	(78.7)	(64.3)%	(61.5)	(60.1)%	17.2	+28.0%
Personnel costs	(15.3)	(12.5)%	(15.0)	(14.6)%	0.3	+2.0%
Capitalised costs	1.1	0.9%	1.2	1.2%	(0.1)	(8.2)%
Ebitda	**29.4**	**24.1%**	**27.1**	**26.5%**	**2.3**	**+8.5%**

REVENUES (mn€)

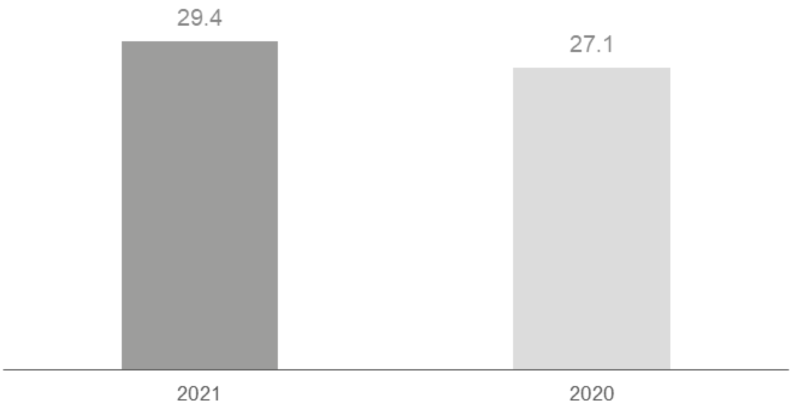


122.3
million euro
revenues
(+19.5%)

The increase in revenues is mainly due to public lighting and is an effect of the greater progress made in the energy requalification works carried out by Hera Luce and higher balance payments for public lighting charges. Revenues from the telecommunications business were also up.

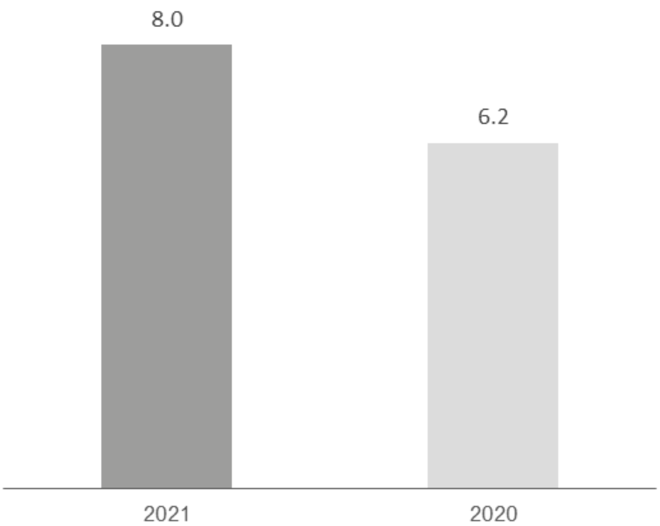
The increase in operating costs is related, as regards the public lighting business, to the higher costs resulting from the progress of works and the higher price of electricity. Costs in the telecommunications business also increased.

EBITDA (mn€)



The growth in Ebitda mainly resulted from the contribution coming from public lighting and telecommunications.
In the third quarter of 2021, investments in the other services area amounted to 8.0 million euro, up 1.8 million euro compared to the same period in the previous year.
In telecommunications, investments in networks and TLC services totalled 5.5 million euro, up 1.1 million euro compared to the previous year. In the public lighting service, investments involved maintenance, upgrading and modernisation for lighting systems in the areas served and amounted to 2.5 million euro, up 0.7 million euro on the previous year, and did 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€)	Sept 21	Sept 20	Abs. change	% change
TLC	5.5	4.4	1.1	+25.0%
Public lighting and traffic lights	2.5	1.8	0.7	+38.9%
Total other services gross	**8.0**	**6.2**	**1.8**	**+29.0%**
Capital grants	-	-	-	+0.0%
Total other services net	**8.0**	**6.2**	**1.8**	**+29.0%**

1.04 SHARE PERFORMANCE AND INVESTOR RELATIONS

Confidence returns to markets, supported by vaccines and fiscal and monetary policies

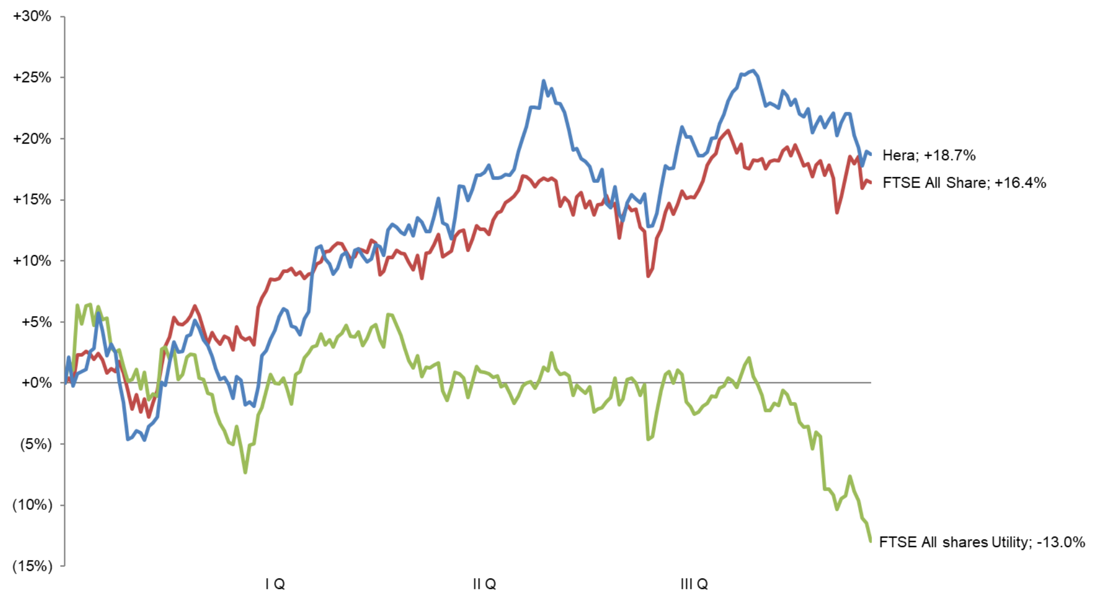
In the third quarter of 2021, all main global stock markets consolidated the positive performance achieved in the first half of the year, thanks to the progress made by vaccination programs, and the ensuing normalisation of economic activity, and the confirmation of expansive fiscal policies on both sides of the Atlantic. Expectations for economic recovery were supported by central banks, which insisted on the need to maintain expansive monetary policies for a prolonged period of time, and defined the inflationary pressure caused by the rise in the price of commodities as 'transitory'.

Within this context, Italy's FTSE All Share index rose by 16.4% over the period in question, showing the second-best performance among Western stock exchanges, thanks to the positive contribution coming from sectors considered cyclical, particularly banks and industry. Conversely, sector rotation did not benefit defensive stocks such as utilities, which fell by 13.0%.

Hera stock rises by +18.7%

The official price of Hera stock at 30 September was 3.549 euro, equivalent to a +18.7% growth over the beginning of the year, better than the performance shown by the Italian market and the local utility sector. The stock's rise was supported by the positive reception of the Group's Business Plan (presented in January) and by its quarterly results, which showed solid fundamentals, and by the sharp rise in profits.

3Q 2021 HERA STOCK, UTILITY SECTOR AND ITALIAN MARKET PERFORMANCE COMAPRISON



Dividend rises to 11 cents per share, higher than expectations

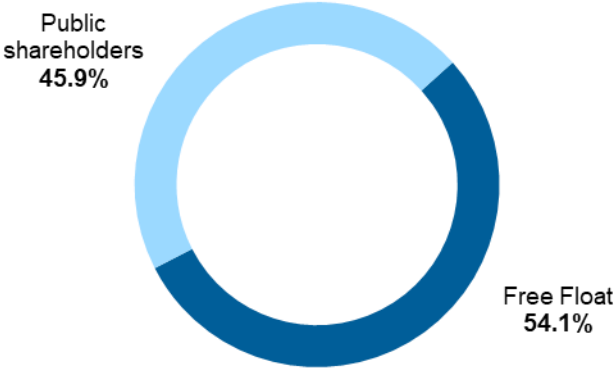
On 5 July, Hera's nineteenth dividend was detached. The coupon, amounting to 11 cents per share, increased by 10% compared to the previous year and exceeded the indications of the business plan, which already incorporated growth compared to the previous plan. This increase was made possible by the strong cash flow seen in 2020, which also stood out in the sector at European level. Hera thus confirms its ability to remunerate shareholders thanks to the resilience of its business portfolio, which has allowed it to pay constant and growing dividends since being listed.

euro	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dps	0.035	0.053	0.06	0.07	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.095	0.10	0.10	0.11

+307% Total shareholders' return since the IPO

The joint effect of continuously remunerating shareholders through dividends, and the rise in the price of the stock over the years, 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 +307.0%.
The financial analysts covering the company (Equita Sim, Intermonte, Intesa Sanpaolo, Kepler Cheuvreux, Mediobanca and Stifel) almost unanimously expressed positive opinions. The consensus target price was revised upwards following the half-year financial report, coming to 4.18 euro, showing room for a potential +17.8% rise. This improvement in the consensus price is due to an upwards revision of the estimates, provided by analysts after the publication of the half-year results, which exceeded their expectations.

SHAREHOLDER BREAKDOWN AT 30 SEPTEMBER 2021



45.9% Share capital pertaining to the public stockholders agreement

At 30 September 2021, the shareholding structure showed its usual stability and balance, with 45.9% of shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders agreement, which was renewed for a further three years, effective from 1 July 2021 to 30 June 2024, and a 54.1% free float. The shareholding structure is highly fragmentary, with a high number of public shareholders (111 municipalities, the largest of which holds less than 10%) and a large amount of private institutional and retail shareholders.

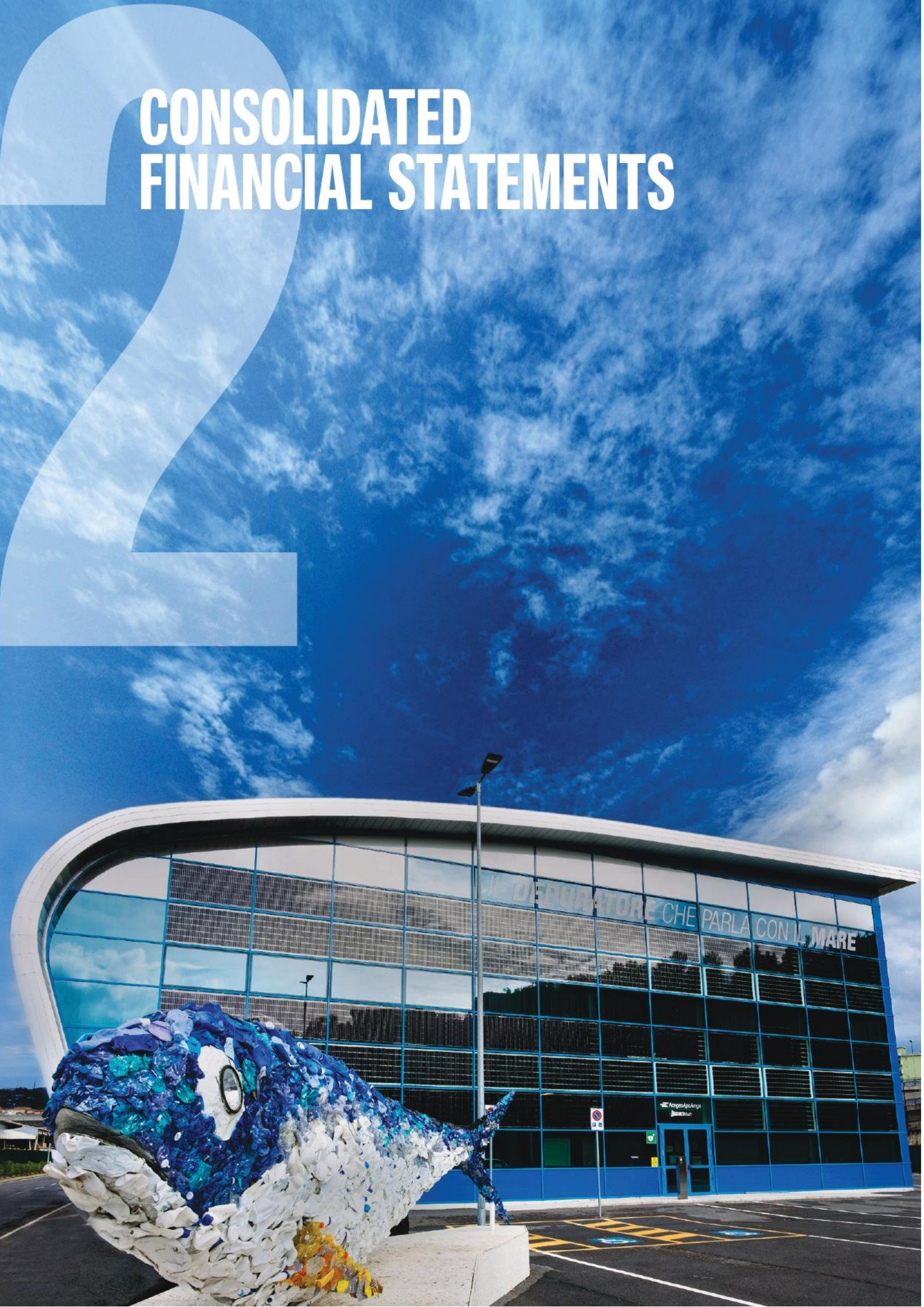
Treasury share program approved

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 30 September 2021, Hera held 26.9 million treasury shares.

Constant communication with the market in 2021 as well

The Group continued to engage in intense communications with the financial market in 2021, by way of virtual forums. After the 2020-2024 Business Plan was presented, the Executive Chairman and the CEO took part in meetings with investors in the main financial centres, to update them as to trends in businesses and future prospects. Further opportunities for contact arose through participation in the sector conferences organized by Borsa Italiana and by brokers covering Hera stock, as well as through individual meetings requested by institutional investors (video calls and company visits). The intense dedication shown by the Group towards communicating with investors and financial analysts, in addition to a selected number of ESG analysts, contributes to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

2 CONSOLIDATED FINANCIAL STATEMENTS



2.01 FINANCIAL STATEMENT FORMATS

2.01.01 Income statement

mn/euro	30-Sept-2021 (9 months)	30-Sept-2020 (9 months)
Revenues	6,424.3	4,905.9
Other operating revenues	243.6	355.7
Raw materials and stocks	(3,469.3)	(2,314.9)
Service costs	(1,858.6)	(1,696.9)
Personnel costs	(442.0)	(424.0)
Other operating costs	(54.4)	(41.8)
Capitalised costs	39.7	22.2
Amortisation, depreciation and provisions	(412.5)	(391.5)
Operating revenues	**470.8**	**414.7**
Share of profits (losses) pertaining to joint ventures and associated companies	8.9	5.5
Financial income	56.1	57.2
Financial expenses	(178.9)	(142.2)
Financial management	**(113.9)**	**(79.5)**
Earnings before taxes	**356.9**	**335.2**
Taxes	(16.3)	(90.5)
Net profit for the period	**340.6**	**244.7**
Attributable to:		
parent company shareholders	308.4	233.1
minority shareholders	32.2	11.6
Earnings per share		
basic	0.211	0.159
diluted	0.211	0.159

2.01.02 Statement of financial position

mn/euro	30-Sept-21	31-Dec-20
ASSETS		
Non-current assets		
Tangible assets	1,922.4	1,926.5
Rights of use	91.1	95.9
Intangible assets	4,058.3	3,924.4
Goodwill	840.1	812.8
Equity investments	210.8	187.9
Non-current financial assets	135.6	140.8
Deferred tax assets	213.0	156.6
Derivative instruments	7.9	14.4
Total non-current assets	**7,479.2**	**7,259.3**
Current assets		
Inventories	411.3	171.7
Trade receivables	1,824.1	1,971.6
Current financial assets	73.0	32.8
Current tax assets	63.0	11.7
Other current assets	403.9	487.5
Derivative instruments	1,130.5	113.1
Cash and cash equivalents	788.3	987.1
Total current assets	**4,694.1**	**3,775.5**
Assets held for sale	-	-
TOTAL ASSETS	**12,173.3**	**11,034.8**

mn/euro	30-Sept-21	31-Dec-20
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,462.0	1,460.0
Reserves	1,566.8	1,198.1
Profit (loss) for the period	308.4	302.7
Group net equity	**3,337.2**	**2,960.8**
Non-controlling interests	207.1	194.5
Total net equity	**3,544.3**	**3,155.3**
Non-current liabilities		
Non-current financial liabilities	3,549.4	3,678.7
Non-current lease liabilities	68.6	73.5
Post-employment and other benefits	106.1	116.7
Provisions for risks and charges	552.4	538.2
Deferred tax liabilities	189.1	120.5
Derivative instruments	15.5	20.1
Total non-current liabilities	**4,481.1**	**4,547.7**
Current liabilities		
Current financial liabilities	663.1	616.9
Current lease liabilities	19.2	20.1
Trade payables	1,453.4	1,497.5
Current tax liabilities	116.0	25.4
Other current liabilities	1,132.2	1,056.2
Derivative instruments	764.0	115.7
Total current liabilities	**4,147.9**	**3,331.8**
TOTAL LIABILITIES	**8,629.0**	**7,879.5**
TOTAL NET EQUITY AND LIABILITIES	**12,173.3**	**11,034.8**

2.01.03 Cash flow statement

mn/euro	30-Sept-21	30-Sept-20
Earnings before taxes	**356.9**	**335.2**
Adjustments to reconcile net profit to the cashflow from operating activities		
Amortisation and impairment of assets	334.0	324.6
Allocation to provisions	78.5	66.9
Effects from valuation using the net equity method	(8.9)	(5.5)
Financial (income) expenses	122.8	85.0
(Capital gains) losses and other non-monetary elements	(35.2)	(20.5)
Change in provision for risks and charges	(25.5)	(20.8)
Change in provision for employee benefits	(10.3)	(8.7)
Total cash flow before changes in net working capital	**812.3**	**756.2**
(Increase) decrease in inventories	(239.4)	(17.2)
(Increase) decrease in trade receivables	110.1	325.8
Increase (decrease) in trade payables	(55.6)	(263.8)
Increase/decrease in other current assets/liabilities	161.5	(54.7)
Changes in working capital	**(23.4)**	**(9.9)**
Dividends collected	10.4	8.8
Interest income and other financial income collected	20.4	32.1
Interest expenses, net charges on derivatives and other paid financial charges	(76.3)	(69.1)
Taxes paid	(82.7)	(111.5)
Cash flow from operating activities (a)	**660.7**	**606.6**
Investments in tangible assets	(100.5)	(82.5)
Investments in intangible assets	(276.9)	(251.1)
Investments in companies and business units net of cash	(64.6)	
Other equity investments	(11.1)	(47.4)
Sale price of tangible and intangible assets	1.1	3.1
Divestments in consolidated companies and contingent consideration	0.2	1.6
(Increase) decrease in other investment activities	(39.5)	37.4
Cash flow from (for) investing activities (b)	**(491.3)**	**(338.9)**
New issue of long-term financial payables	8.0	7.3
Repayments of non-current financial payables	(140.6)	
Repayments and other net changes in financial payables	(35.2)	118.5
Lease payments	(16.9)	(19.4)
Acquisition of interests in consolidated companies	(21.0)	(1.2)
Dividends paid out to Hera shareholders and non-controlling interests	(170.6)	(157.7)
Changes in treasury share	8.1	(34.8)
Cash flow from (for) financing activities (c)	**(368.2)**	**(87.3)**
Increase (decrease) in cash (a+b+c)	**(198.8)**	**180.4**
Cash and cash equivalents at the beginning of the period	987.1	364.0
Cash and cash equivalents at the end of the period	788.3	544.4

2.01.04 Statement of changes in net equity

mn/euro	Share capital	Reserves	Reserves derivatives valued at fairvalue	Reserves actuarial income (losses) post-employment benefits	Reserves shares valued at fairvalue	Revenues for the period	Net equity	Non-controlling interests	Total
Balance at 31-Dec-2019	**1,474.8**	**1,019.7**	**(37.9)**	**(33.8)**	**-**	**385.7**	**2,808.5**	**201.5**	**3,010.0**
Revenues for the period						233.1	233.1	11.6	244.7
Other components of comprehensive income:									
fair value of derivatives, change for the period			14.2				14.2		14.2
actuarial income(losses) post-employment benefits				2.1			2.1	0.2	2.3
fair value of derivatives, change for the period					(8.8)		(8.8)		(8.8)
Overall revenues for the period	**-**	**-**	**14.2**	**2.1**	**(8.8)**	**233.1**	**240.6**	**11.8**	**252.4**
changes in treasury share	(8.1)	(16.6)					(24.7)		(24.7)
changes in equity investments							-	(11.3)	(11.3)
other movements		2.3					2.3	0.9	3.2
Allocation of revenues:									
dividends paid out						(148.4)	(148.4)	(14.7)	(163.1)
allocation to reserves		237.3				(237.3)	-		-
Balance at 30-Sept-2020	**1,466.7**	**1,242.7**	**(23.7)**	**(31.7)**	**(8.8)**	**233.1**	**2,878.3**	**188.2**	**3,066.5**
Balance at 31-Dec-2020	**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						308.4	308.4	32.2	340.6
Other components of comprehensive income:									
fair value of derivatives, change for the period			239.5				239.5	(1.3)	238.2
actuarial income(losses) post-employment benefits				3.4			3.4	0.5	3.9
fair value of derivatives, change for the period					(2.1)		(2.1)		(2.1)
Overall revenues for the period	**-**	**-**	**239.5**	**3.4**	**(2.1)**	**308.4**	**549.2**	**31.4**	**580.6**
changes in treasury share	2.0	6.1					8.1		8.1
changes in equity investments		(19.8)					(19.8)	(1.2)	(21.0)
Allocation of revenues:									
dividends paid out						(161.1)	(161.1)	(17.6)	(178.7)
allocation to reserves		141.6				(141.6)	-		-
Balance at 30-Sept-2021	**1,462.0**	**1,358.7**	**245.4**	**(31.7)**	**(5.6)**	**308.4**	**3,337.2**	**207.1**	**3,544.3**

2.02 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 at 30 September 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 the future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give an accurate representation of management operations. It should also be noted that certain valuation processes, specifically the more complex ones such as establishing any impairment of non-current assets, are generally carried out fully only for the preparation of the annual financial statements, except in cases where there are impairment indicators that require an immediate impairment test.

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

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

Financial statement formats

The formats used are the same as those used for the consolidated financial statements as of and for the year ended 31 December 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.

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

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

Scope of consolidation

The consolidated financial statements at 30 September 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. Investments in joint ventures, in which the Group exercises joint control with other shareholders, and companies over which it exercises significant influence, are consolidated using 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 this report.

Changes in the scope of consolidation

The table below shows changes in the scope of consolidation introduced during the first 9 months of the 2021 financial year as compared to the consolidated financial statement at 31 December 2020:

Acquisition of control	Company/business unit
	Atlas Utilities Ead
	Hydro Mud Srl
	Primagas Ad
	Recycla Spa
	Vallortigara Angelo Srl
	Vallortigara Servizi Ambientali Spa
	Vegri Scarl
Acquisition of significant influence	**Company/business unit**
	SEA - Servizi Ecologici Ambientali Srl

Changes in equity investments

On 8 September 2021, the purchase by Estenergy Spa of the remaining 11% of Ascotrade Spa was ratified in accordance with the terms and conditions of the public auction. The shareholding in the latter company increased from 89% to 100%.

Other corporate operations

On 3 March 2021, the company HEA Spa was established for waste treatment activities, as a result of a partnership agreement between Herambiente Servizi Industriali Srl and Eni Rewind Spa. Not having significant equity, the company is not yet operational and is thus excluded from the scope of consolidation.

With effect from 29 March 2021, Hera Comm Nord-Est Srl was merged by incorporation into EstEnergy Spa, with accounting effects backdated to 1 January 2021.

On 28 June 2021 Aresgas EAD, the sole shareholder, established Ares Trading EOOD, specialising in natural gas trading and with its registered office in Varna, Bulgaria. Pending the issuance of a specific licence by the Energy and Water Regulatory Authority, the non-operating company is excluded from the scope of consolidation.

On 14 July 2021, Herambiente Servizi Industriali Srl acquired a 31% interest in Tremonti Srl, a company established by Edison Spa to directly manage and carry out the environmental reclamation of the Tre Monti area in the municipality of Bussi sul Tirino. The company is not yet operational and is thus excluded from the scope of consolidation.

On 27 July 2021, Hera Comm Spa acquired 90% of the share capital of Eco Gas Srl, headquartered in the municipality of Castel di Sangro (AQ) operating in the sale of natural gas, electricity and other energy related products. Given the insignificant economic and equity values in relation to the size of the Group and the fact that an interim report is not yet available for the definition of the ongoing reporting process, Eco Gas Srl is temporarily excluded from the scope of consolidation.
Moreover, on 30 July 2021, Herambiente Spa established Biorg Srl to carry out, perform and operate waste management services.

Earnings per share

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

	30-Sept-2021 (9 months)	30-Sept-2020 (9 months)
Profit (loss) for the period attributable to holders of ordinary shares of the parent entity (A)	**308.4**	**233.1**
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,461,547,710	1,470,433,632
diluted (C)	1,461,547,710	1,470,433,632
Earnings (loss) per share (in euro)		
basic (A/B)	0.211	0.159
diluted (A/C)	0.211	0.159

Other information

This consolidated three-month financial statement as at 30 September 2021 was drawn up by the Board of Directors and approved by the same at the meeting held on 10 November 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		100.00%	100.00%
Atlas Utilities Ead	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Biorg Srl	Bologna	3,000,000		100.00%	100.00%
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%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	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 Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		67.61%	67.61%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Hydro Mud Srl	Torrebelvicino (VI)	50,000		75.00%	75.00%
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%
Primagas AD	Varna (Bulgaria)	1,149,860 Lev		96.90%	96.90%
Recycla Spa	Maniago (PN)	90,000		75.00%	75.00%

Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%
Vallortigara Angelo Srl	Torrebelvicino (VI)	80,000		75.00%	75.00%
Vallortigara Servizi Ambientali Spa	Torrebelvicino (VI)	330,000		75.00%	75.00%
Vegri Scarl	Torrebelvicino (VI)	20,000		75.00%	75.00%
Wolmann Spa	Bologna	400,000		100.00%	100.00%

(*) unless otherwise specified

Jointly controlled entities

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%
SEA - Servizi Ecologici Ambientali Srl	Saline (AN)	100,000		23.25%	23.25%
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.

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