Consolidate quarterly report

as at 31 March 2019

GRUPPO HERA

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Introduction

Governance and control bodies

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
CEO	Stefano Venier
Vice Chairman	Giovanni Basile
Director	Francesca Fiore
Director	Giorgia Gagliardi
Director	Massimo Giusti
Director	Sara Lorenzon
Director	Stefano Manara
Director	Danilo Manfredi
Director	Alessandro Melcarne
Director	Erwin Paul Walter Rauhe
Director	Duccio Regoli
Director	Federica Seganti
Director	Marina Vignola
Director	Giovanni Xilo
Board of Statutory Auditors	
Chairman	Myriam Amato
Standing Auditor	Antonio Gaiani
Standing Auditor	Marianna Girolomini
Control and Risk Committee	
Chairman	Giovanni Basile
Member	Erwin Paul Walter Rauhe
Member	Duccio Regoli
Member	Sara Lorenzon
Remuneration Committee	
Chairman	Giovanni Basile
Member	Francesca Fiore
Member	Massimo Giusti
Member	Stefano Manara
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giovanni Basile
Member	Stefano Venier
Member	Alessandro Melcarne
Ethics and Sustainability Committee	
Chairman	Massimo Giusti
Member	Federica Seganti
Member	Mario Viviani
Member	Filippo Maria Bocchi
Independent auditing firm	
	Deloitte&Touche Spa

Mission

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

For Hera, being the best is a way of creating pride and trust for: customers, who receive, thanks to Hera's constant responsiveness to their needs, quality services that satisfy their expectations; the women and men who work at Hera, whose skills, engagement and passion are the foundation of the company's success; shareholders, confident that the economic value of the company will continue to be generated in full respect of the principles of social responsibility; the reference area, because economic, social and environmental wealth represent the promise of a sustainable future; and suppliers, key elements in the value chain and partners for growth.

1

Directors' Report

1.01
Overview of Group management performance and definition of alternative performance measures

Operating APMs and investments

Operating APMs and investments (mn€)	March 19	March 18	Abs. change	% change
Revenues	**1,940.4**	**1,741.3**	**+199.1**	**+11.4%**
Ebitda	**330.8**	**322.7**	**+8.1**	**+2.5%**
Ebitda / revenues	17.0%	18.5%	-1.5 p.p.	
Ebit	**205.0**	**197.6**	**+7.4**	**+3.7%**
Ebit / revenues	10.6%	11.3%	-0.7 p.p.	
Net profit	**129.7**	**125.9**	**+3.8**	**+3.0%**
Net profit / revenues	6.7%	7.2%	-0.5 p.p.	
Net investments *	**92.7**	**84.6**	**+8.1**	**+9.6%**

***** for the data used in calculating net investments, see notes 13, 14, 15 and 16 of the explanatory notes and paragraph 1.01.02 of the Overview of Group management performance.

Financial APMs and equity

Financial APMs and equity (mn€)	March 19	December 18	Abs. change	% change
Net non-current assets	6,042.1	5,905.1	+137.0	+2.3%
Net working capital	118.9	115.4	+3.5	+3.0%
Provisions	(591.8)	(588.2)	-3.6	-0.6%
Net invested capital	5,569.2	5,432.3	+136.9	+2.5%
Net debt	**(2,622.0)**	**(2,585.6)**	**-36.4**	**-1.4%**

Alternative performance measures (APMs)

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

Operating APMs and investments

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

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

Pre-tax results are calculated by subtracting the financial management 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 any special fiscal items which, if present, are described in the detailed table at the end of this paragraph.

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

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

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

Financial APMs and equity

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

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

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

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

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

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

Operating-financial APMs

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

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

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

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

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

Cash flow is defined as operating cash flow, net of dividends paid. Operating cash flow is calculated as Ebit (as previously described and net of special items, if present), to which the following are added:

- amortisation, depreciation and provisions for the period, not including provisions for doubtful debts;
- changes in net working capital;
- provisions for the risk fund (net of releases from provisions);
- use of severance pay reserves;
- the difference between changes in taxes paid in advance and deferred taxes;
- operating and financial investments;
- financial charges and financial income (*);
- divestitures (**)
- current taxes.

(*) 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;
(**) amounting to 4.3 million euro.
This measure is used as a financial target in internal documents (business plans) and external presentations (to

analysts and investors) and is intended to indicate the company's ability to generate cash flow and therefore its ability to finance itself.

1.01.01
Operating and financial results

Constant growth in all indicators

The Hera Group's operating results at the end of the first quarter of 2019 showed growth over the equivalent period of the previous year. Ebitda reached 330.8 million euro, up 2.5%, Ebit came to 205.0 million euro, up 3.7%, and lastly net profits amounted to 129.7 million euro, up 3.0%.

These results were achieved, as always, thanks to the Group's multi-business strategy, balanced between regulated and free market activities, matched by its attention towards sustainability and the principles of a circular economy. The Hera Group implements this model both through internal growth and by pursuing the opportunities offered by the market in external growth and participation in public tenders related to its activities.

The main corporate and business operations having an effect on the first quarter of 2019 are as follows:

- On 8th February 2018, a 100% holding of Blu Ranton Srl, a company operating in gas and electricity sales to end customers, was acquired by Hera Comm Marche Srl. The company serves roughly 17,000 gas and electricity customers in Teramo, Pescara and Macerata and was entirely consolidated as of 1st June 2018.
- On 7th March 2018, the respective shareholders meetings approved a project for merger by incorporation of Megas Net Spa (a company related to the Group which owns distribution networks) into Marche Multiservizi Spa; the effective date of the transaction was 1 June 2018.
- On 26th November 2018, Hera Comm Srl acquired the remaining 51% of Sangroservizi Srl, a gas, electricity and other energy product sales company with approximately 7,000 gas customers served in the Province of Chieti.
- Hera Comm Srl was awarded a tender valid from 1st October 2018 to 30th September 2019 covering 5 lots of the last resort gas service (for customers involved in public services and those with no supplier) and 7 lots of the default gas distribution service (for customers in arrears), covering all regions of Italy with the exception of Lombardy, Trentino Alto Adige and Veneto.
- Hera Comm Srl was awarded 7 lots out of 10 in auctions for safeguarded electricity for the 2019-2020 two-year period called by the Single Purchaser. More specifically, 15 regions were assigned (Liguria, Piedmont, Valle d'Aosta, Trentino Alto Adige, Lombardy, Veneto, Emilia Romagna, Friuli Venezia Giulia, Sardinia, Lazio, Campania, Abruzzo, Apulia, Molise).
- The companies Inrete Spa and Hera Comm Srl, with a deed registered on 17 December 2018, transferred to the third-party company Butan Gas Spa their corporate branches involved in LPG distribution and sales. The divestitures were effective as of 1st January 2019.
- On 1st February 2019, following a public auction, Hera Spa acquired 0.5% of Marche Multiservizi Spa from shareholder Unione Montana Alta Valle del Metauro, thus increasing its shareholding from 46.2% to 46.7%.
- As of 1st March 2019, the Hera Group integrated CMV Servizi's natural gas distribution services, through the company A tutta rete Srl, and CMV Energia e Impianti Srl's energy sales activities. The two companies were owned by the Municipalities of Cento, Vigarano Mainarda, Bondeno, Poggio Renatico, Terre del Reno and Goro. The transaction concerned approximately 25,000 customers (21,300 in gas and 3,500 in electricity) and approximately 30,000 delivery points (26,500 in the Ferrara area and over 3,100 in the Bologna area) for natural gas distribution.

Accounting standard Ifrs 16 - leases came into force as of 1st January 2019, providing a new definition of leases and introducing un criterion involving an asset's right of use to distinguish leasing contracts from service contracts. Put briefly, what this standard entails for the Hera Group, in the phase of its first adoption, are lower costs for services but higher amortisation and financial charges in the income statement, and higher non-current assets and higher net debt in the balance sheet.
Note, lastly, that regarding the electricity market, in light of the transition from protected services to the free market expected to come about within 1st July 2020, and the related opportunities for expanding the customer base, the Group is developing a series of marketing initiatives. At the same time, it is adapting its own management systems, in order to closely monitor the incremental costs incurred by the new contracts expected to appear. As foreseen by accounting standard Ifrs 15, these new processes will lead to recognising, as an asset, the amount of increased costs involved in obtaining these contracts that can be recovered.

The following table shows operating results at 31st March 2019 and 2018:

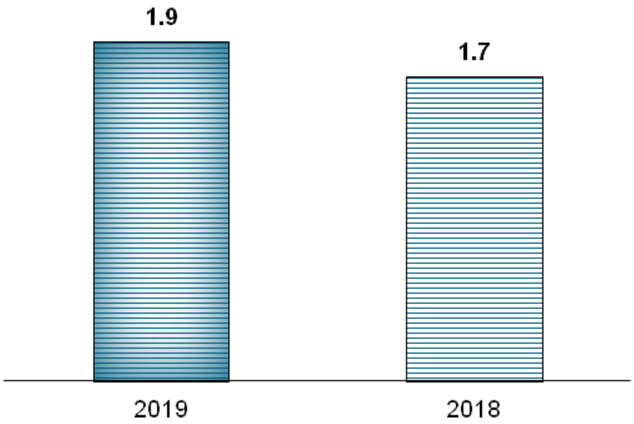
Growing results

Income statement (mn€)	March 19	% Inc.	March 18	% Inc.	Abs. Change	% change
Revenues	1,940.4		1,741.3		+199.1	+11.4%
Other operating revenues	121.0	6.2%	95.3	5.5%	+25.7	+27.0%
Raw and other materials	(1,024.6)	-52.8%	(831.4)	-47.7%	+193.2	+23.2%
Service costs	(556.7)	-28.7%	(538.5)	-30.9%	+18.2	+3.4%
Other operating costs	(13.1)	-0.7%	(12.7)	-0.7%	+0.4	+3.1%
Personnel costs	(142.9)	-7.4%	(140.0)	-8.0%	+2.9	+2.1%
Capitalised costs	6.7	0.3%	8.7	0.5%	-2.0	-23.1%
Ebitda	**330.8**	**17.0%**	**322.7**	**18.5%**	**+8.1**	**+2.5%**
Amortisation, depreciation and provisions	(125.8)	-6.5%	(125.0)	-7.2%	+0.8	+0.6%
Ebit	**205.0**	**10.6%**	**197.6**	**11.3%**	**+7.4**	**+3.7%**
Financial operations	(21.1)	-1.1%	(17.5)	-1.0%	+3.6	+20.6%
Pre-tax profit	**183.9**	**9.5%**	**180.1**	**10.3%**	**+3.8**	**+2.1%**
Taxes	(54.2)	-2.8%	(54.2)	-3.1%	+0.0	+0.0%
Net result	**129.7**	**6.7%**	**125.9**	**7.2%**	**+3.8**	**+3.0%**
Attributable to:						
Parent Company Shareholders	**124.2**	**6.4%**	**120.5**	**6.9%**	**+3.7**	**+3.1%**
Non-controlling interests	5.5	0.3%	5.4	0.3%	+0.1	+2.3%

Revenues came to 1,940.4 million euro, up 199.1 million euro or 11.4% over the 1,741.3 million euro seen in the same period of 2018. Revenues for the first quarter of 2019 were boosted by growth in trading amounting to roughly 98 million euro, higher revenues from gas and electricity sales owing to the higher price of commodities, totalling roughly 36 million euro, and higher volumes of gas and electricity sold coming to roughly 28 million euro. The remainder of the growth was accounted for by higher revenues in electricity generation amounting to roughly 25 million euro and higher revenues for waste treatment. The acquisitions of Blu Ranton Srl, Sangroservizi Srl, Megas Net Spa and ATR Srl are hereinafter considered as changes in the scope of operations, and contributed with a rise in revenues coming to roughly 6.5 million euro.

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

Revenues (bn€)



Other operating revenues increased by 25.7 million euro or 27.0% over the same period of the previous year. This growth was mainly due to the higher revenues involved in Ifric 12 service concessions, amounting to 23.3 million euro, and a higher contribution coming from sorted waste, coming to roughly 1.0 million euro.

Rise in cost of raw materials linked to higher revenues

Costs for raw and other materials rose by 193.2 million euro or 23.2% compared to 31st March 2018. This increase, not including changes in the scope of operations coming to roughly 3.4 million euro, is due to a higher amount of trading, an increase in the price of electricity as a raw material, higher volumes of gas and electricity sold and a higher cost per unit of energy efficiency certificates.

Other operating costs grew by 18.6 million euro overall (18.2 million euro in higher service costs and 0.4 million euro in higher operating expenses). Excluding the changes in scope of operations totalling roughly 1.8 million euro, mention must go to higher costs for system charges and volumes transmitted amounting to roughly 7 million euro, higher costs in Ifric 12 concessions coming to roughly 10 million euro and higher costs in the waste management area totalling roughly 11.0 million euro. These higher costs were only partially offset by lower costs for leasing, ensuing from the application of accounting standard Ifrs 16, amounting to roughly 4.0 million euro, and lower costs in the income statement for energy customer acquisition, which are stated as indicated in paragraph 1.01.01.

+2.1% increase in personnel costs due to the national labour agreement

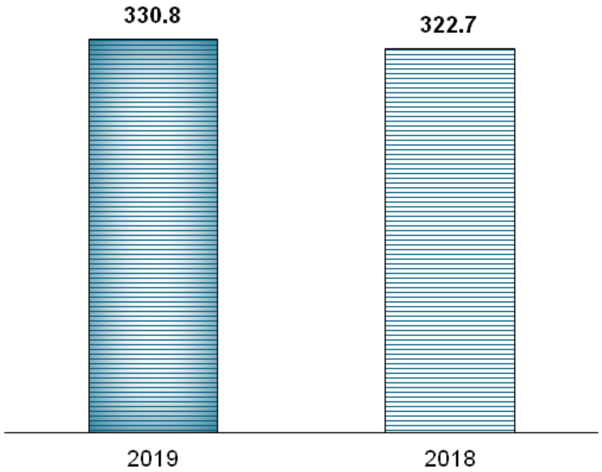
Personnel costs rose by 2.9 million euro or 2.1%. This increase is due to changes in the scope of operations coming to 0.6 million euro, while the remained is accounted for by the higher wages foreseen by the national collective labour agreement.

Capitalised costs at 31st March 2019 fell by 2.0 million euro or 23.1% compared to the same period one year earlier, owing to lesser work done on plants and work done on assets belonging to the Group.

Ebitda settled at 330.8 million euro, up 8.1 million euro or 2.5% over March 2018. This growth is explained by the good performances seen in almost all business areas. The gas and integrated water cycle areas were the main drivers of this growth, thanks to higher results that respectively reached 2.8 million euro and 3.3 million euro. Results were positive for the waste management and other services areas. The electricity area was essentially in line with the same period in 2018.

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

Ebitda (mn€)



330.8

million euro

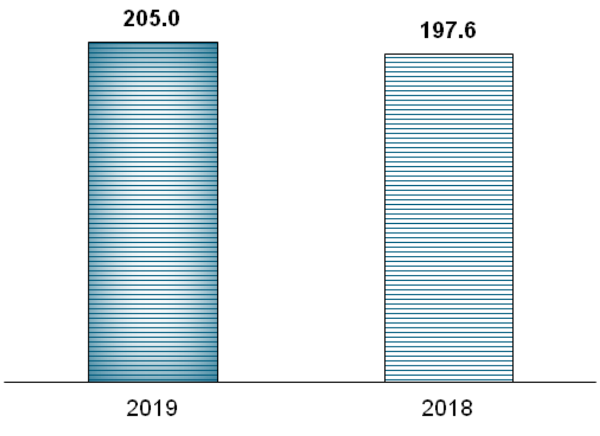
Ebitda (+2.5%)

Higher amortisation for the application of Ifrs 16 and operating investments

Amortisation, depreciation and provisions rose by 0.8 million euro, going from 125.0 million euro in the first quarter of 2018 to 125.8 million euro in 2019. Higher amortisation was mainly seen in new investments in operations, due to changes in rates based on the useful life of the Trieste water plants owned by the company AcegasApsAmga Spa and the application of accounting standard Ifrs 16, partially offset by decreases in the Herambiente Group for lesser waste disposed of in landfills. Allocations to the doubtful debt provision fell, in particular in the sales company Hera Comm.

Ebit came to 205.0 million euro at 31st March 2019, up 7.4 million euro or 3.7% over the 197.6 million euro seen one year earlier.

Ebit (mn€)



205.0

million euro

Ebit (+3.7%)

At the end of the first quarter of 2019, the result of financial operations came to 21.1 million euro, up 3.6 million euro over the same period in 2018. This change is due to lower dividends received compared to the first quarter of 2018, when the Group was paid roughly 2.9 million euro in dividends by the affiliated company Veneta Sanitaria. To a lesser degree, the increase is due to the application of accounting standard IFRS 16 on operating leases.

Pre-tax results increased by 3.8 million euro, going from 180.1 million euro at 31st March 2018 to 183.9 million euro at the same date in 2019.

Tax rate falls

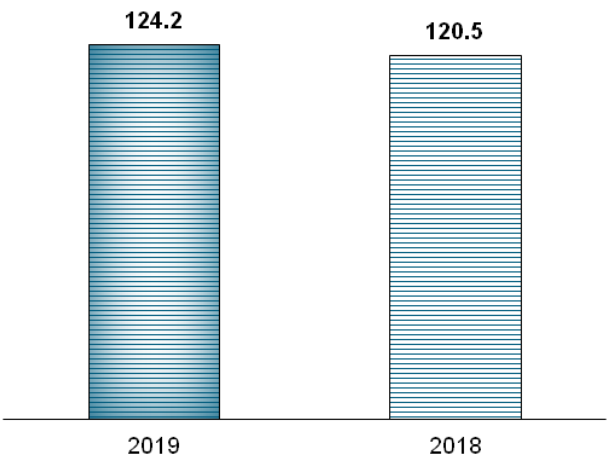
Taxes for the first quarter of 2019 amounted to 54.2 million euro and were in line with those recorded for the first quarter of 2018. An improvement was seen, instead, in the tax rate, which settled at 29.5%, compared to the 30.1% seen one year earlier. On this matter, mention must go to the Group's continuous commitment towards grasping the opportunities offered by current legislation, in particular in terms of large and extremely large amortisations involved in the substantial investments in instrumental goods serving a technological and digital transformation along the lines of industry 4.0.

Net profit thus rose by 3.0% or 3.8 million euro, going from 125.9 million euro in the first quarter of 2018 to 129.7 million euro in the same period of 2018.

+3.0% Net profit

Profits pertaining to the Group came to 124.2 million euro, up 3.7 million euro over the amount seen at 31st March 2018.

Net profit post minorities (mn€)



124.2

million euro

net profit post minorities (+3.1%)

1.01.02

Analysis of the Group's financial structure and investments

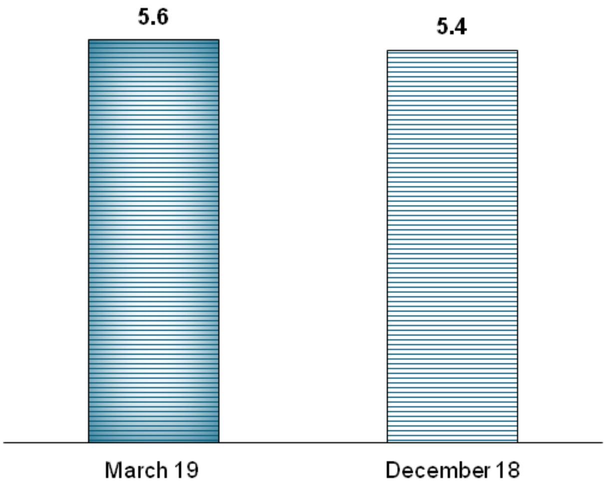
What follows in an analysis of trends in the Group's net invested capital and sources of financing for the period ended 31st March 2019.

The Group's solidity increases

Invested capital and sources of financing (mn€)	March 19	% Inc.	December 18	% Inc.	Abs. change	% change
Net non-current assets	6,042.1	108.5%	5,905.1	108.7%	+137.0	+2.3%
Net working capital	118.9	2.1%	115.4	2.1%	+3.5	+3.0%
(Provisions)	(591.8)	-10.6%	(588.2)	-10.8%	-3.6	-0.6%
Net invested capital	**5,569.2**	**100.0%**	**5,432.3**	**100.0%**	**+136.9**	**+2.5%**
Equity	(2,947.2)	52.9%	(2,846.7)	52.4%	-100.5	-3.5%
Long-term borrowings	(2,760.4)	49.6%	(2,558.8)	47.1%	-201.6	-7.9%
Net current financial debt	138.4	-2.5%	(26.8)	0.5%	+165.2	-616.4%
Net debt	(2,622.0)	47.1%	(2,585.6)	47.6%	-36.4	-1.4%
Total sources of financing	**(5,569.2)**	**-100.0%**	**(5,432.3)**	**100.0%**	**-136.9**	**-2.5%**

At 31st March 2019, net invested capital (Nic) amounted to 5,569.2 million euro, with a 2.5% increase over the 5,432.3 million euro recorded at 31st December 2018. This rise is linked to the increase in net non-current assets, mainly due to the application of accounting standard Ifrs 16 on operating leases, which led roughly 90.8 million euro in right of use to be recorded. While only marginally, the increase in net invested capital was also caused by the incorporation of CMV Servizi and CMV Energia e Impianti.

Net invested capital (bn€)



5.6

billion euro

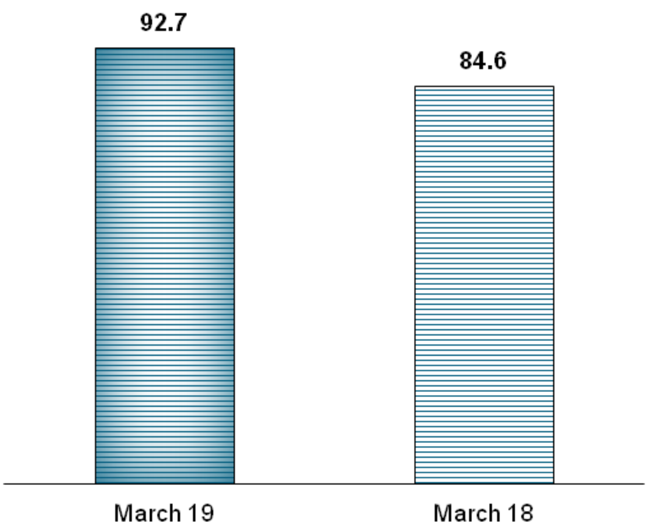
net invested capital

Group investments amounted to 92.7 million euro in the first quarter of 2019, up 8.1 million euro over the same period in the previous year, which included financial shareholdings coming to 9.0 million euro in the companies Blu Ranton Srl and Sangroservizi Srl, which became part of the scope of consolidation later in 2018.

Net investments rise to 92.7 million euro, up 8.1 million euro

Capital grants totalled 3.6 million euro, including 2.9 million for FoNI investments as foreseen by the tariff method for the integrated water service, down 1.5 million compared to the previous year. Including capital grants, Group investments amounted to 96.3 million euro.

Total net operating investments (mn€)



92.7

million euro net operating investments (+8.1 million euro)

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

Total investments (mn€)	March 19	March 18	Abs. Change	% change
Gas area	23.8	17.9	+5.9	+33.0%
Electricity area	8.9	4.6	+4.3	+93.5%
Integrated water cycle area	35.3	28.0	+7.3	+26.1%
Waste management area	13.2	12.1	+1.1	+9.1%
Other services area	2.5	3.7	-1.2	-32.4%
Headquarters	12.4	14.4	-2.0	-13.9%
Total operating investments	**96.2**	**80.7**	**+15.5**	**+19.2%**
Total financial investments	0.1	9.0	-8.9	-98.9%
Total gross investments	**96.3**	**89.7**	**+6.6**	**+7.4%**
Capital grants	3.6	5.1	-1.5	-29.4%
of which FoNI (New Investment Fund)	2.9	1.9	*+1.0*	+52.6%
Total net investments	**92.7**	**84.6**	**+8.1**	**+9.6%**

Strong commitment continues to be seen in operating investments in plants and infrastructures

The Group's operating investments came to 96.2 million euro, up 15.5 million euro, and mainly involved interventions on plants, networks and infrastructures, in addition to regulatory upgrading involving above all gas distribution, with a large-scale substitution of metres, and the purification and sewerage areas.
Remarks on investments in each single area are included in the analysis by business area.
At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall, investments in structures decreased by 2.0 million euro compared to the previous year, mainly due to work on buildings and substitutions in the vehicle fleet.

591.8 million euro provisions

In the first three months of 2019, provision amounted to 591.8 million euro, showing slight growth over the figure seen at the end of the previous year. This result is mainly a consequence of increases in adjustments to post-mortem landfill provisions and reinstatements of third party goods due to the application of accounting standard Ias 37.

2.9 billion euro equity

Equity rose from 2,846.7 million euro in 2018 to 2,947.2 million euro at the end of March 2019. This increase is due to the positive results for the period, corresponding to 129.7 million euro.

1.01.03

Analysis of net cash (net borrowings)

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

A solid financial position

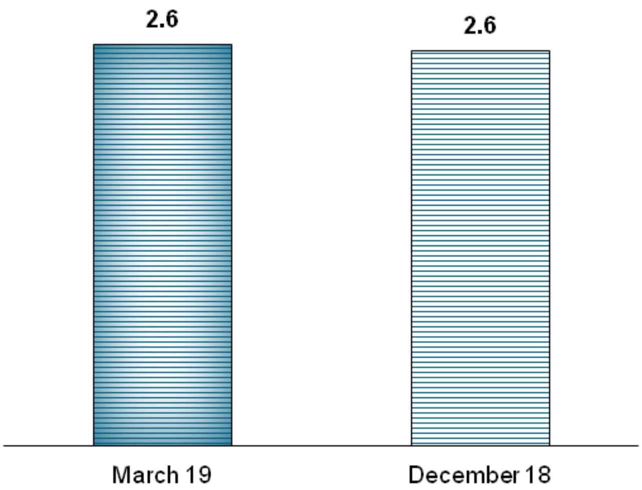
mn€		March 19	December 18
a	**Cash and cash equivalents**	**663.3**	**535.5**
b	**Other current financial receivables**	**49.2**	**37.3**
	Current bank debt	(55.6)	(70.3)
	Current part of bank borrowings	(446.4)	(451.5)
	Other current financial liabilities	(54.7)	(76.1)
	Debt for financial leases maturing within the following year	(17.4)	(1.7)
c	**Current financial debt**	**(574.1)**	**(599.6)**
d=a+b+c	**Net current financial debt**	**138.4**	**(26.8)**
	Non-current bank debt and bonds issued	(2,782.7)	(2,644.3)
	Other non-current financial liabilities	(20.6)	(20.7)
	Debt for financial leases maturing beyond the following year	(92.8)	(12.2)
e	**Non-current financial debt**	**(2,896.1)**	**(2,677.2)**
f=d+e	**Net financial position - Consob communication No. 15519/2006**	**(2,757.7)**	**(2,704.0)**
g	**Non-current financial receivables**	**135.7**	**118.4**
h=f+g	**Net debt**	**(2,622.0)**	**(2,585.6)**

The overall amount of net financial debt came to 2,622.0 million euro, showing an increase of roughly 36.4 million over the previous year. The Group's financial structure at 31 March 2019 shows current debt coming to 574.1 million euro, of which 57.7 million euro in bank loans reaching maturity within the year, 394.6 million euro in bonds reaching maturity in December 2019 and 55.6 million euro in current bank debt. The latter mainly consists of accruals for passive interest on financing, coming to 36.5 million euro and usage of current credit lines, coming to roughly 19.1 million euro. The amount of non-current bank debt and bonds issued increased compared to the previous year, on account of the use of a medium-term line of credit in order to reimburse the bonds maturing at the end of the year. At 31 March 2019, medium- and long-term debt was largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (75% of the total), with repayment at maturity.

The total debt shows an average time to maturity of over 6 years, with 62.3% maturing after more than five years.

The increase in net debt, which went from 2,585.6 million euro in 2018 to 2,622.0 million at the end of March 2019, is mainly due to the application of accounting standard Ifrs 16 on operating leases. Excluding this change, the first quarter saw a positive cash flow, due to seasonal factors that occurred during this period of the year.

Net debt (bn€)



2.62

billion euro

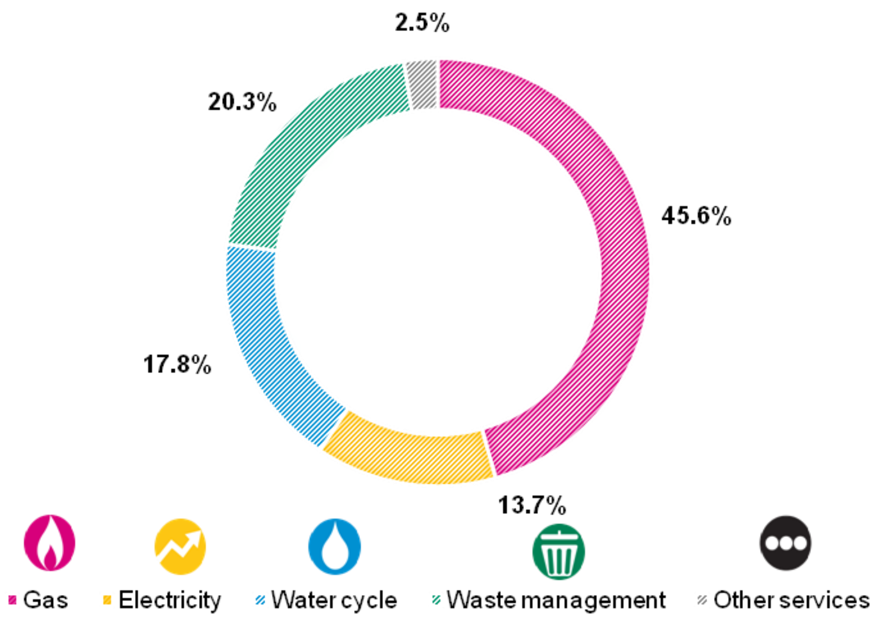
net debt

1.02
Analysis by business area

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

A multi-business strategy

Ebitda March 2019



Seasonal trends in the various business areas in line with contribution to Ebitda in the first quarter. The percentage represented by energy areas comes to 60%

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

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

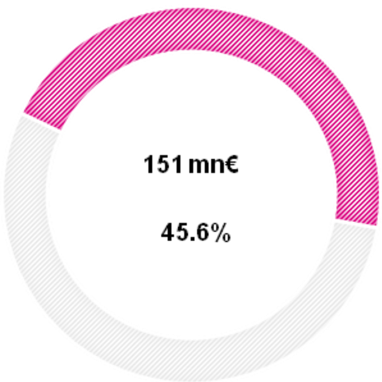
In all business areas, in line with the income statements, the effect of accounting standard IFRS 16 on operating leases is applied.

1.02.01
Gas

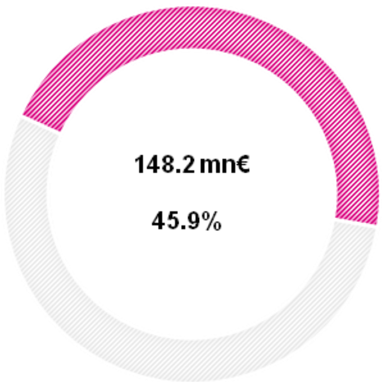
The first quarter of 2019 showed growth over the same period of the previous year in terms of both Ebitda and volumes sold. This result was reached thanks to the higher revenues recorded in default and last resort gas supply services, ensuing from the concession of these services for the period between 1st October 2018 and 30th September 2019.

Ebitda rises

Ebitda gas area 2019



Ebitda gas area 2018



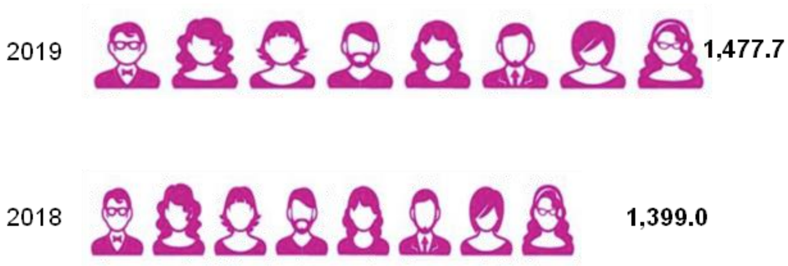
The following table shows the changes occurred in terms of Ebitda:

(mn€)	March 19	March 18	Abs. Change	% change
Area Ebitda	**151.0**	**148.2**	**+2.8**	**+1.9%**
Group Ebitda	330.8	322.7	+8.1	+2.5%
Percentage weight	45.6%	45.9%	-0.3 p.p.	

Growth in Ebitda: +1.9%

The number of gas customers rose by 78.7 thousand or 5.6% over the first quarter of 2018. The entrance within the Group of the companies Blu Ranton srl, Sangroservizi srl and CMV Energia e Impianti srl accounted for 33.8 thousand, while the remaining growth was generated by both new customers in the last resort and default markets and marketing initiatives aimed at maintaining and developing the customer base.

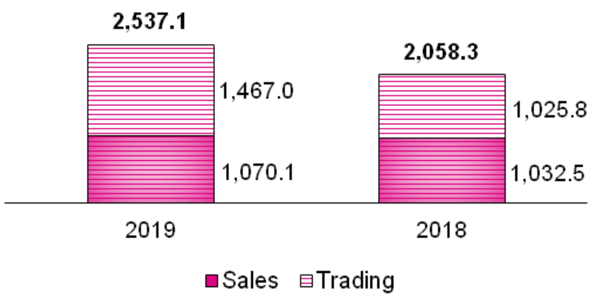
Customers (k)



1.5
million
gas customers

Overall volumes of gas sold rose by 478.8 million m^3 or 23.3%, going from 2,058.3 million m^3 in March 2018 to 2,537.1 million m^3 at 31 March 2019. Trading volumes showed growth coming to 441.2 million m^3 (21.4% of total volumes) owing to higher trading abroad. The growth in volumes sold to end customers amounted to 3.6% over March 2018, totalling 37.6 million m^3, thanks to the expansion in last resort markets and the contribution coming from the companies Blu Ranton Srl and Sangroservizi Srl, amounting to roughly 10.5 million m^3.

Volumes sold (mn m^3)



+23.3%
growth in
volumes sold

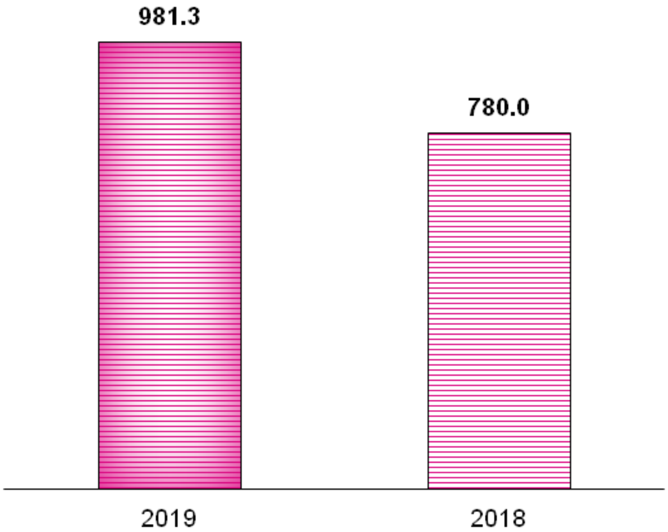
The following table summarises operating results for the gas area:

Income statement (mn€)	March 19	% Inc.	March 18	% Inc.	Abs. change	% change
Revenues	981.3		780.0		+201.3	+25.8%
Operating costs	(800.5)	-81.6%	(604.3)	-77.5%	+196.2	+32.5%
Personnel costs	(31.7)	-3.2%	(30.2)	-3.9%	+1.5	+5.0%
Capitalised costs	1.9	0.2%	2.7	0.3%	-0.8	-29.9%
Ebitda	**151.0**	**15.4%**	**148.2**	**19.0%**	**+2.8**	**+1.9%**

Revenues went from 780.0 million in March 2018 to 981.3 million euro at 31st March 2019, showing a growth of 201.3 million euro or 25.8%. The main reasons for this growth lie in higher revenues in trading, coming to roughly 125 million euro, due to the higher price of the raw material gas, coming to roughly 42 million euro,

higher volumes of gas sold, amounting to roughly 11 million euro, owing to the acquisitions of Blu Ranton Srl and Sangroservizi Srl, accounting for 6.1 million euro.
Revenues from foreign companies operating in Bulgaria also rose, thanks to increased marketing development (2.3 million euro), energy efficiency certificates (roughly 1.5 million euro) and regulated revenues in gas distribution (2.3 million euro). Lastly, revenues for long-term commissions and subcontracts rose by 3.4 million euro, with an equivalent effect on operating costs.

Revenues (mn€)

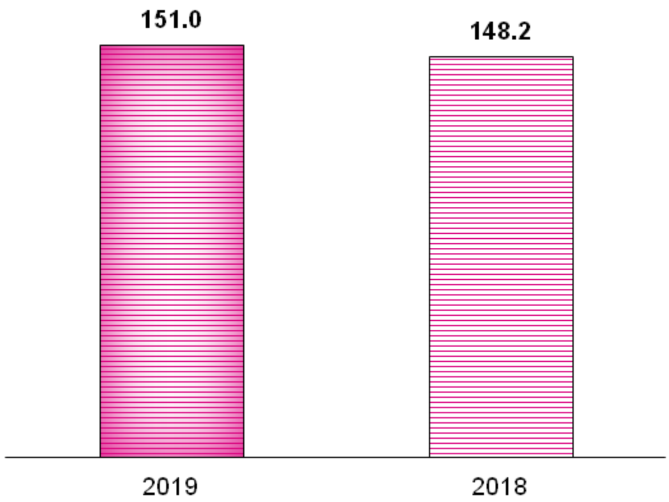


981.3
million euro revenues

This growth in revenues was reflected by an increase in operating costs, which went from 604.3 million euro in the first quarter of 2018 to 800.5 million euro in the same period in 2019, thus showing an overall growth of 196.2 million euro. This trend was mainly due to a higher amount of trading, higher volumes sold and the higher cost of raw materials. Lastly, the application of accounting standard Ifrs 16 reduced costs by roughly 0.5 million euro.

Ebitda rose by 2.8 million euro or 1.9%, going from 148.2 million euro in the first quarter of 2018 to 151.0 million euro at 31 March 2019, thanks to the increased in last resort and default markets allotted, higher regulated revenues, the effects of accounting standard Ifrs 16 and the lower costs for acquiring energy customers, that no longer appear in the income statement, as mentioned in paragraph 1.01.01, but in investments.

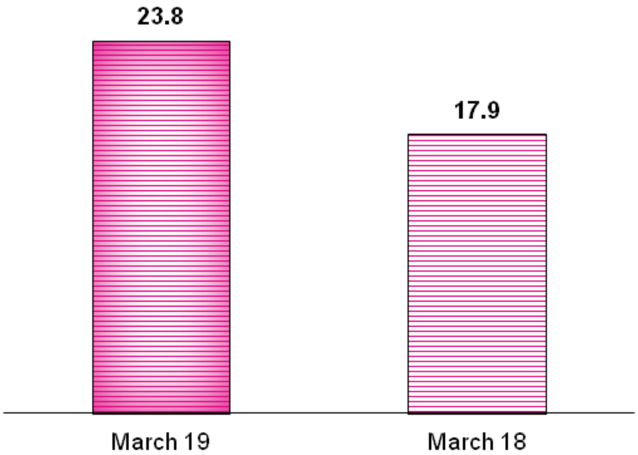
Ebitda (mn€)



151.0
million euro
Ebitda

In the first quarter of 2019, net investments in the gas area came to 23.8 million euro, up 5.9 million over the same period in the previous year. In gas distribution, the 3.6 million euro increase seen was mainly due to the ongoing large-scale meter substitution (Del. 554) and higher non-recurring maintenance on networks and plants. Requests for new connections also rose in the first quarter of 2019 compared to the previous year. In gas sales, investments totalling 1.5 million euro concerned activities involved in acquiring new customers. Investments also rose in heat management, due to the activities of the companies HSE and ASE, and in district heating, where new connections also rose over the previous year.

Net investments gas (mn€)



23.8
million euro
net investments
gas

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

Gas (mn€)	March 19	March 18	Abs. Change	% change
Networks and plants	19.7	16.1	+3.6	+22.4%
Acquisition gas customers	1.5	0.0	+1.5	+100.0%
DH/heat management	2.6	1.8	+0.8	+44.4%
Total gas gross	**23.8**	**17.9**	**+5.9**	**+33.0%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total gas net	**23.8**	**17.9**	**+5.9**	**+33.0%**

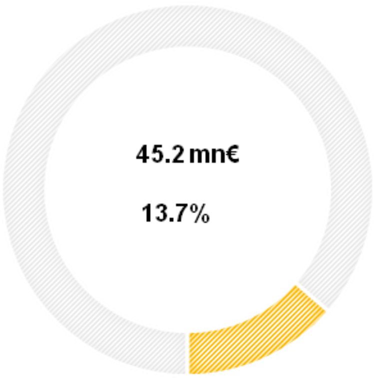
1.02.02

Electricity

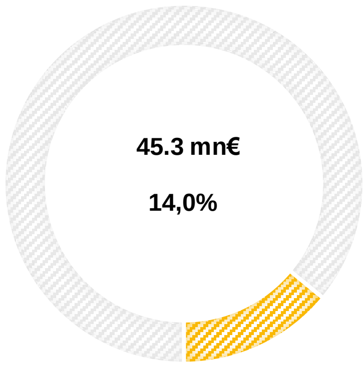
At the end of the first quarter of 2019, Ebitda in the electricity area showed a slight drop compared to the previous year. The positive contribution coming from electricity generation partially offset the effect of the new tender for the two-year period 2019-2020 in safeguarded services, in which the high amount of competition led to lower prices compared to the previous tender.

Slight fall in Ebitda

Electricity area Ebitda 2019



Electricity area Ebitda 2018



-0.2%
Modest decrease in Ebitda

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

(mn€)	March 19	March 18	Abs. Change	% change
Area Ebitda	**45.2**	**45.3**	**-0.1**	**-0.2%**
Group Ebitda	330.8	322.7	+8.1	+2.5%
Percentage weight	13.7%	14.0%	-0.3 p.p.	

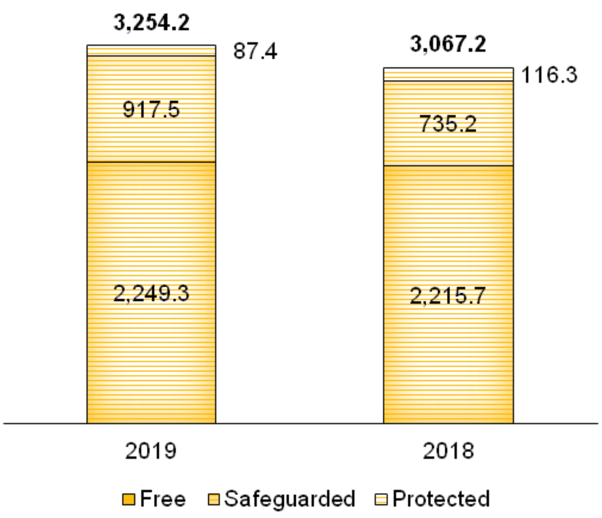
The number of electricity customers settled at 1.1 million supply points, with a 10.3% rise (103.3 thousand customers) over 31st March 2018. This significant growth occurred on the free market, accounting for 14.6% of the total, due to reinforced marketing initiatives in regions of central Italy in particular, and thanks to the entrance within the consolidated scope of the company CMV Energia e Impianti Srl, which contributed with roughly 3.5 thousand customers. This growth was able to offset the drop in safeguarded customers caused by the different mix of lots awarded, and protected customers.

Customers (k)

1.1
million electricity customers

Volumes of electricity sold went from 3,067.2 GWh at 31st March 2018 to 3,254.2 GWh at 31st March 2019, with an overall increase coming to 6.1% or 187.0 GWh. Volumes sold on the free market grew by 1.1% of the total, while safeguarded volumes increased by 5.9% of the total, thanks to the new lots obtained.

Volumes sold (GWh)



3.3
TWh sold

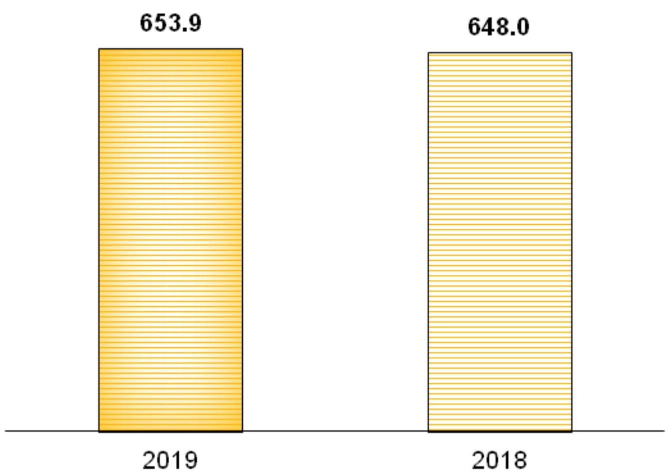
The following table summarises operating results for the area:

Income statement (mn€)	March 19	% Inc.	March 18	% Inc.	Abs. change	% change
Revenues	653.9		648.0		+5.9	+0.9%
Operating costs	(599.6)	-91.7%	(594.3)	-91.7%	+5.3	+0.9%
Personnel costs	(11.0)	-1.7%	(10.9)	-1.7%	+0.1	+0.9%
Capitalised costs	1.9	0.3%	2.4	0.4%	-0.5	-20.9%
Ebitda	**45.2**	**6.9%**	**45.3**	**7.0%**	**-0.1**	**-0.2%**

Ebitda falls by 0.1 million euro

Revenues rose by 0.9%, going from 648.0 million euro at 31st March 2018 to 653.9 million euro at the same date in 2019, showing a 5.9 million euro increase. The main factors underlying this growth are an increase in volumes sold, which generated higher revenues amounting to roughly 16 million euro, and higher revenues in electricity generation, totalling roughly 24.5 million, for participation in the dispatching services market. Countering this trend, mention must go to lower revenues in trading coming to 27.3 million euro, including roughly 5 million euro in transit outside the grid, with no effect on costs, and the lower price of raw materials, coming to 3.7 million euro. Lastly, revenues for long-term commissions and subcontracts increased by 1.4 million euro, with an equivalent effect on operating costs.

Revenues (mn€)

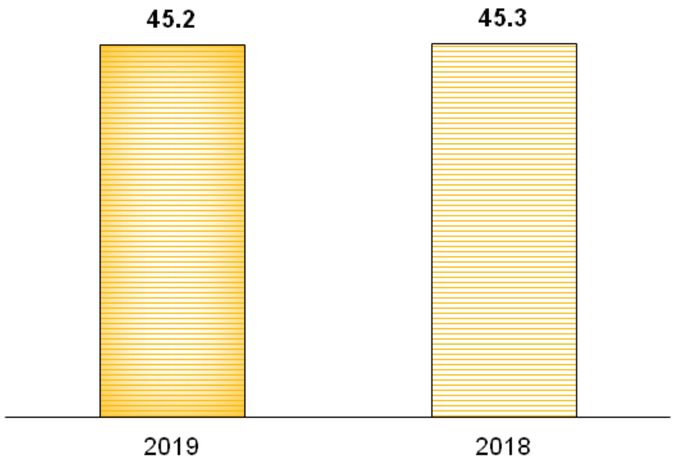


653.9
million euro revenues

This increase in revenues was proportionally reflected by a rise in operating costs, which went from 594.3 million in March 2018 to 599.6 million euro in the same period of 2019, thus showing an overall increase of 5.3 million euro. This trend is mainly due to the higher volumes sold and a higher amount of electricity generation. Lastly, the application of accounting standard Ifrs 16 reduced costs by roughly 0.1 million euro.

At 31st March 2019, Ebitda fell by 0.1 million euro or 0.2%, going from 45.3 million in 2018 to 45.2 million euro in the same period of 2019. This was due to the lower income from safeguarded services markets above, not entirely offset by an increase in electricity generation, and the lower cost of acquiring energy customers, which no longer appear in the income statement, as mentioned in paragraph 1.01.01, but in investments.

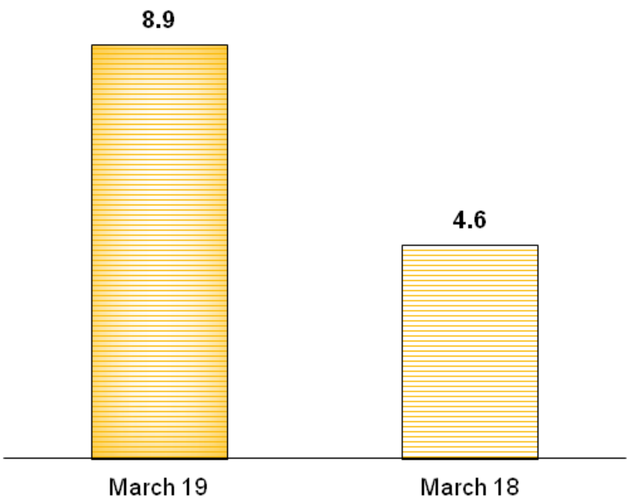
Ebitda (mn€)



45.2
million euro Ebitda

Investments in the electricity area over the first quarter of 2019 amounted to 8.9 million euro, up 4.3 million euro over the first quarter of the previous year.
The interventions mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.
Compared to the first quarter of the previous year, increases were seen in distribution, coming to 1.0 million euro and mainly involving interventions on networks and plants in the Trieste area, and in energy sales, coming to 3.3 million euro and due to activities in acquiring new customers. Requests for new connections saw a slight increase compared to the previous year.

Net investments electricity (mn€)



8.9
million euro net investments electricity

Operating investments in the electricity area are as follows:

Electricity (mn€)	March 19	March 18	Abs. change	% change
Networks and plants	5.6	4.6	+1.0	+21.7%
Acquisition electricity customers	3.3	0.0	+3.3	+100.0%
Total electricity gross	**8.9**	**4.6**	**+4.3**	**+93.5%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total electricity net	**8.9**	**4.6**	**+4.3**	**+93.5%**

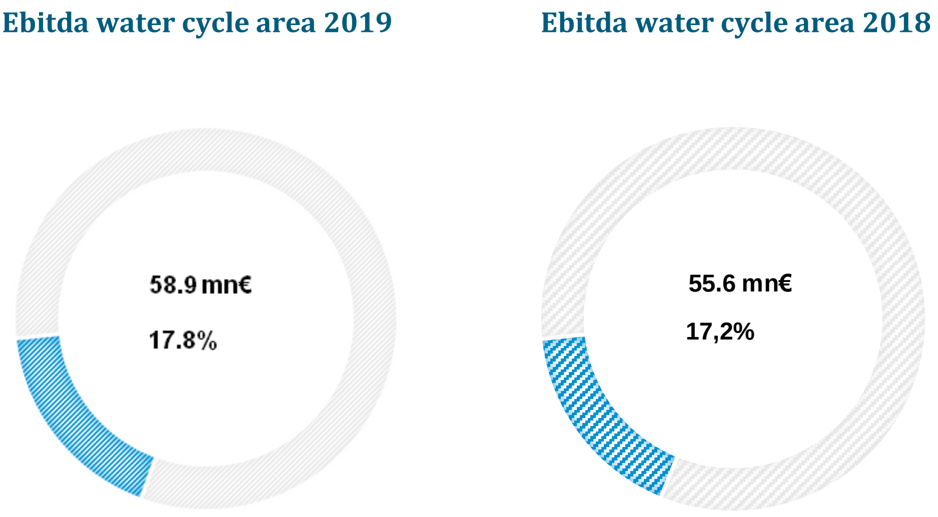
1.02.03

Integrated water cycle

In the first quarter of 2019, the integrated water cycle area saw Ebitda increase by 3.3 million euro or 6.0%. As regards regulations, note that 2019 is the fourth year in which the tariff method defined by the Authority for the period 2016-2019 (resolution 664/2015) is applied, and that for both reporting periods the revenue covering the underlying cost of amortisation related to investments made is recognized on an accruals basis.

Growing results in the first quarter of 2019

Ebitda water cycle area 2019 / Ebitda water cycle area 2018



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

(mn€)	March 19	March 18	Abs. change	% change
Area Ebitda	**58.9**	**55.6**	**+3.3**	**+6.0%**
Group Ebitda	330.8	322.7	+8.1	+2.5%
Percentage weight	17.8%	17.2%	+0.6 p.p.	

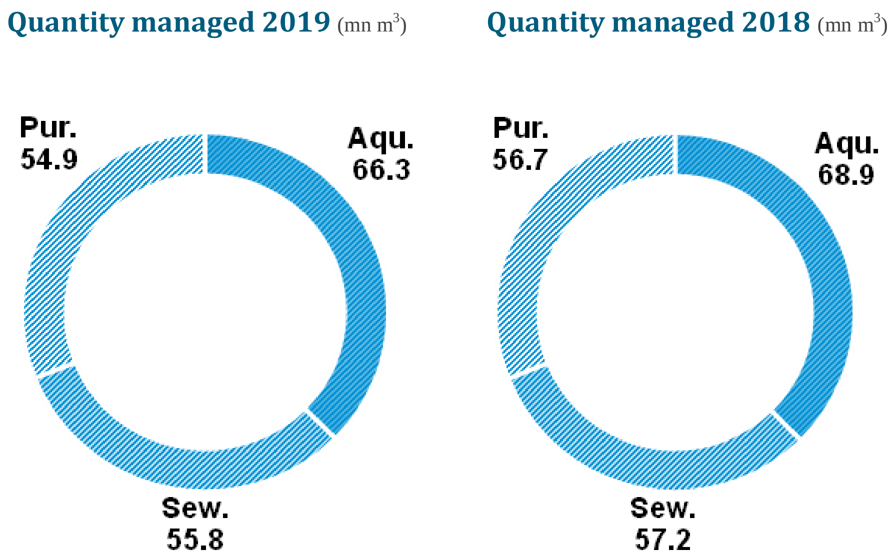
+6.0% Ebitda increases

The number of water customers settled at 1.5 million, rising by 4.7 thousand or 0.3% over the first quarter of 2018, confirming the moderate trend of internal growth seen in the areas served by the Group, above all the Emilia-Romagna region, served by Hera Spa.

Customers (k)

The main quantitative indicators for the area are as follows:

66 million m³ managed in the aqueduct



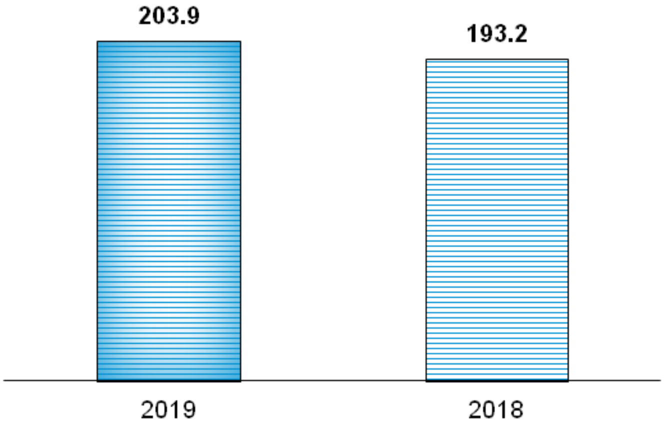
The volumes dispensed through the aqueduct showed a decrease amounting to 2.6 million m^3 or 3.8% compared to March 2018. Furthermore, a fall was seen in the quantity managed in sewerage (roughly 2.5%) and purification (roughly 3.3%) compared to the first quarter of the previous year. Volumes dispensed, following the Authority's resolution 664/2015, are an indicator of activity in the areas in which the Group operates and are subject to equalisation owing to legislation that calls for regulated revenues to be recognised independently from volumes distributed.

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

Income statement (mn€)	March 19	% Inc.	March 18	% Inc.	Abs. Change	% change
Revenues	203.9		193.2		+10.7	+5.5%
Operating costs	(102.7)	-50.3%	(96.3)	-49.8%	+6.4	+6.6%
Personnel costs	(43.5)	-21.3%	(42.5)	-22.0%	+1.0	+2.4%
Capitalised costs	1.1	0.6%	1.2	0.6%	(0.1)	(8.6%)
Ebitda	**58.9**	**28.9%**	**55.6**	**28.8%**	**+3.3**	**+6.0%**

Revenues showed growth coming to 10.7 million euro or 5.5%, going from 193.2 million euro in the first quarter of 2018 to 203.9 million euro in the same period of 2019. This result is due to higher revenues for commissions and subcontracted works carried out in the first quarter of 2019, amounting to roughly 9.0 million euro, and higher revenues for new connections coming to roughly 1.0 million euro. Lastly, note the higher other revenues mainly involving grants received, amounting to roughly 1.0 million euro. Distribution revenues reflecting the overall effect of the tariffs established by the Authority for 2016-2019 and the recognition of bonuses for contract quality were essentially in line with the first quarter of 2018.

Revenues (mn€)

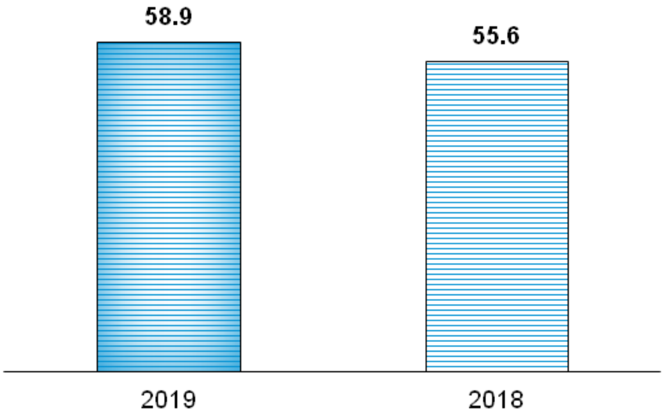


203.9
million euro revenues in the integrated water cycle

Operating costs showed a 6.4 million or 6.6% growth, going from 96.3 million euro in the first quarter of 2018 to 102.7 million euro in the same period of 2019. Not including the higher costs involved in the works carried out, as described under revenues, coming to 9.0 million euro overall, operating costs showed a 2.6 million euro decrease. This trend is mainly due to the lower cost of the raw material water, amounting to roughly 1.0 million euro, and the lower cost ensuing from the application of accounting standard Ifrs 16, coming to roughly 1.0 million euro.

Ebitda saw a 3.3 million euro or 6.0% increase, going from 55.6 million euro in March 2018 to 58.9 million euro in the same period of 2019, thanks to higher revenues from new connections and lower operating costs.

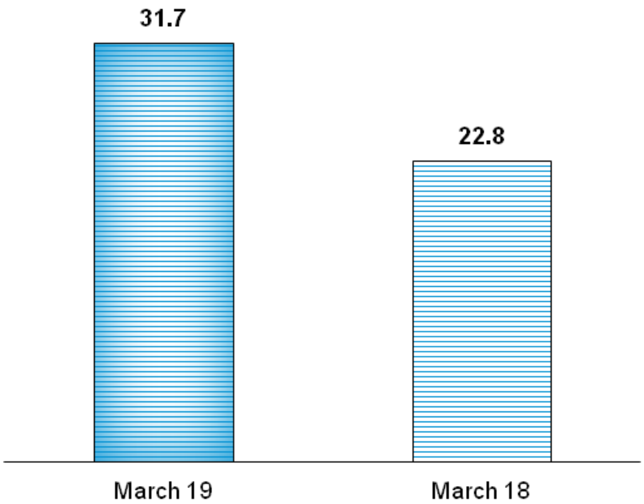
Ebitda (mn€)



58.9
million euro Ebitda integrated water cycle

In the first quarter of 2018, net investments in the water cycle area amounted to 31.7 million euro, up 8.9 million euro over the same period in the previous year. Including capital grants received, which fell by 1.5 million euro, the investments made rose by 7.3 million euro and came to 35.3 million euro, compared to the 28.0 million euro seen one year earlier.
Investments mainly involved extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage.
Investments coming to 20.0 million euro were made in the aqueduct, 10.4 million euro in sewerage and 4.8 million euro in purification.

Net investments water cycle (mn€)



31.7
million euro
net investments water cycle
(+8.9 million euro)

The more significant works include: in the aqueduct, increased activity in network improvement required by Arera resolution 917/2017 on the regulation of the technical quality of integrated urban water management, upgrading interconnections in the Modena area water system and interventions for dividing the networks into districts; in sewerage, continued progress was made in the important works for the Rimini seawater protection plan, in addition to redevelopment of the sewerage network in other areas; in purification, constructing the second line and the first flush diverter in the Sasso Marconi purifier, in addition to interventions on plants in areas served by the AcegasApsAmga Group.
Requests for new water and sewerage connections increased over the previous year.
Capital grants amounting to 3.6 million euro included 2.9 million euro deriving from the tariff component called for by the New Investments Fund (FoNI) tariffary method and fell by 1.5 million euro compared to the previous year, mainly due to the portion concerning sewerage works involved in the Rimini seawater protection plan.

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

Integrated water cycle (mn€)	March 19	March 18	Abs. change	% change
Aqueduct	20.0	14.1	+5.9	+41.8%
Purification	4.8	3.6	+1.2	+33.3%
Sewerage	10.4	10.2	+0.2	+2.0%
Total integrated water cycle gross	**35.3**	**28.0**	**+7.3**	**+26.1%**
Capital grants	3.6	5.1	-1.5	-29.4%
of which FoNI (New Investment Fund)	*2.9*	*1.9*	+1.0	+52.6%
Total integrated water cycle net	**31.7**	**22.8**	**+8.9**	**+39.0%**

Significant operating investments in aqueducts, sewerage and purifiers

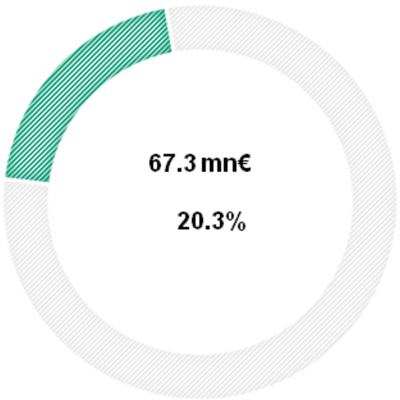
1.02.04

Waste management

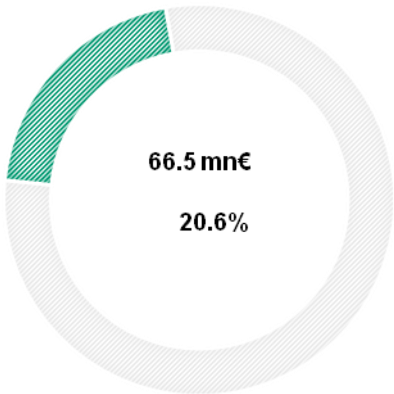
At 31 March 2019, the waste management area accounted for 20.3% of Group Ebitda, with an area Ebitda increasing over the same period in 2018. As regards waste treatment and recovery, in the first quarter of 2019 the Hera Group consolidated its national leadership by deploying complete and integrated marketing offers, shaping commercial partnerships with the sector's main players and remaining constantly present in calls for tenders, in addition to maintaining an avant-garde set of plants able to offer effective and sustainable solutions that support a circular economy. As examples of the latter point, note recent inauguration of the biomethane production plant in Sant'Agata Bolognese and further reinforcement of Aliplast spa's outstanding activity in plastic recycling. Environmental resource protection was confirmed as a priority goal for the first quarter of 2019 as well, along with optimising reuse, as is demonstrated by the Group's particular focus on promoting sorted waste in all areas served.

Ebitda grows

Ebitda waste management area 2019



Ebitda waste management area 2018



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

(mn€)	March 19	March 18	Abs. change	% change
Area Ebitda	**67.3**	**66.5**	**+0.8**	**+1.2%**
Group Ebitda	330.8	322.7	+8.1	+2.5%
Percentage weight	20.3%	20.6%	-0.3 p.p.	

Increase in Ebitda: +1.2%

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

Quantity (k/tonnes)	March 19	March 18	Abs. change	% change
Municipal waste	521.6	523.8	-2.2	-0.4%
Commercial waste	488.6	551.5	-62.9	-11.4%
Waste marketed	**1,010.2**	**1,075.2**	**-65.0**	**-6.0%**
Plant by-products	614.9	846.3	-231.4	-27.3%
Waste treated by type	**1,625.1**	**1,921.5**	**-296.4**	**-15.4%**

An analysis of this data shows a 6.0% drop in waste marketed, mainly involving commercial waste, which fell by 11.4%. The decrease in commercial waste is a consequence of the temporarily lower amount of plant capacity

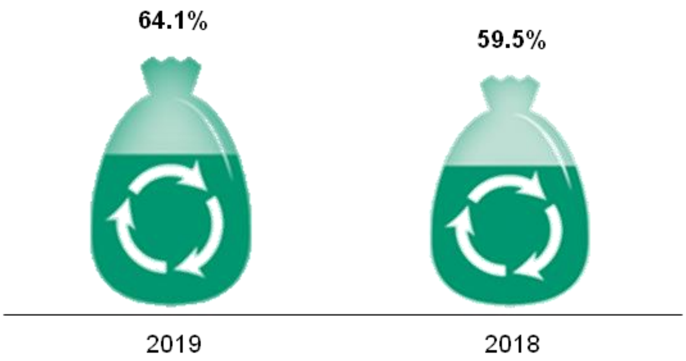
Commercial waste: -11.4%

available.

A slight fall was seen in municipal waste, coming to 0.4%, and plant by-products showed a decrease due to the lower amount of leachate produced in landfills owing to lesser rainfall seen in the first quarter of 2019 compared to the same period in 2018.

Sorted urban waste showed further progress, going from 59.5% in the first quarter of 2018 to 64.1% in the same period of the current year. In March 2019, sorted waste increased by 5.1% in the areas served by Hera Spa and by 3.6% in the areas served by Marche Multiservizi Spa, while in the Triveneto region growth settled at 1.3%.

Sorted waste (%)

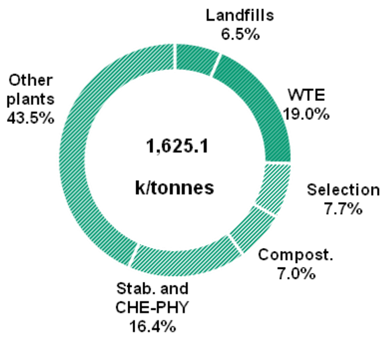


+4.6 p.p.

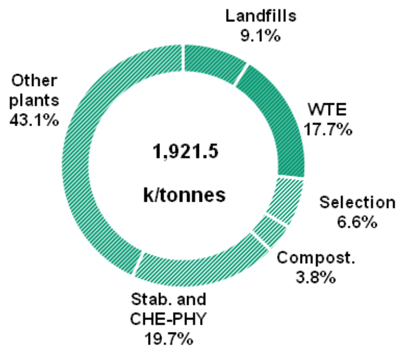
sorted waste

Lower use of landfills

Waste disposed of by type of plant March 2019



Waste disposed of by type of plant March 2019



Quantity (k/tonnes)	March 19	March 18	Var. Ass.	Var. %
Landfills	105.4	174.0	-68.6	-39.4%
WTE	308.2	340.2	-32.0	-9.4%
Selecting plants and other	124.4	127.4	-3.0	-2.4%
Composting and stabilisation plants	113.2	73.9	+39.3	+53.2%
Stabilising and chemical-physical plants	267.0	377.8	-110.8	-29.3%
Other plants	706.8	828.3	-121.5	-14.7%
Waste treated by plant	**1,625.1**	**1,921.5**	**-296.4**	**-15.4%**

The Hera Group operates in the entire waste cycle, with 89 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 10 waste to energy plants, 11 composters/digesters and 15 selecting plants.

Waste treatment showed a 15.4% drop compared to the first quarter of 2018. Note in particular the lower quantity in landfills, while in the chain of waste-to-energy plants the decrease in quantity treated is mainly due to a different scheduling of plant suspension and planned maintenance compared to the same period in 2018. The larger quantity seen in composting and selecting plants is due to the higher volumes treated in the Sant'Agata plants and in the new Ostellato line of plants. The lower quantity in stabilisation and chemical-physical plants can be traced to a reduction in landfill leachate due to a drop in the amount of rainfall. Lastly, subcontracted and other plants fell due to a decrease in by-products, mainly waste water, treated in subcontracted plants.

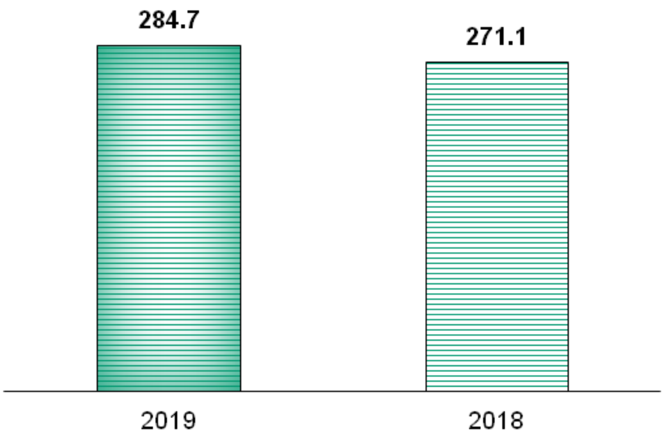
The table below summarises the area's operating results:

Ebitda increases

Income statement (mn€)	March 19	% Inc.	March 18	Inc.%	Abs. change	% change
Revenues	284.7		271.1		+13.6	+5.0%
Operating costs	(167.1)	-58.7%	(155.1)	-57.2%	+12.0	+7.7%
Personnel costs	(51.6)	-18.1%	(51.4)	-18.9%	+0.2	+0.4%
Capitalised costs	1.2	0.4%	1.8	0.7%	-0.6	-32.7%
Ebitda	**67.3**	**23.6%**	**66.5**	**24.5%**	**+0.8**	**+1.2%**

Revenues rose by 5.0% or 13.6 million euro, going from 271.1 million euro at 31st March 2018 to 284.7 million euro in the first quarter of 2019. Note the positive trend seen in the price of special waste and higher revenues from for electricity generation caused by an increase in the price of market energy, the higher recognition of the percentage for the "Grin" incentives for the Ferrara Wte plant and the attainment of "Guarantee of Origin" certificates. The latter were obtained when some Group plants were certified as suitable for producing, form renewable sources, energy introduced into the national electricity grid. Compared to the first quarter of 2018, also note the contribution coming from the Sant'Agata Biomethane plant, which became operative in late 2018, and the higher quantities managed and sold by Aliplast Spa. These positive effects, along with higher revenues for increased sorted waste in urban waste collection, were only partially offset by the decrease in volumes treated.

Revenues (mn€)

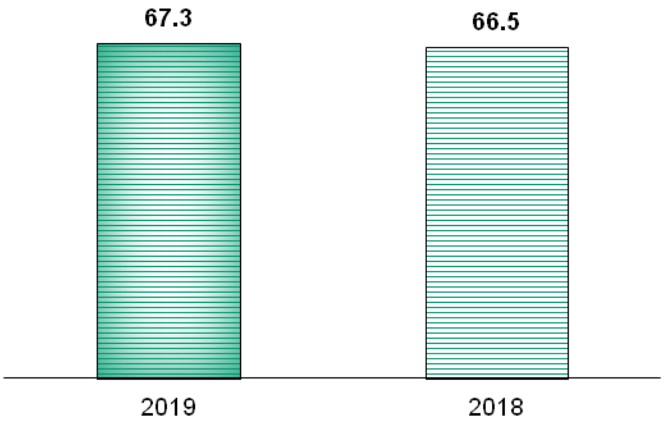


284.7
million euro revenues waste management

Operating costs for the first quarter of 2019 rose by 7.7% or 12.0 million euro, going from 155.1 million euro at 31st March 2018 to 167.1 million euro at the same date in 2019. Note the higher costs in the waste treatment business linked to an advancement in upgrading activities and to subcontracting by-product disposal, as well as an increase in purchasing costs on the PET sustained by Aliplast Spa and related to the higher revenues mentioned above. As regards municipal waste, note the higher costs involved in developing new projects for sorted waste. These trends were mitigated by lower costs caused by the internalisation of operating flows due to the fully operational status of the new Ostellato line of composters and the Sant'Agata plant. Lastly, note the lower cost deriving from the application of accounting standard Ifrs 16, amounting to roughly 1.6 million euro.

Ebitda went from 66.5 million euro in the first quarter of 2018 to 67.3 million euro in the same period of 2019, showing a 0.8 million euro or 1.2% growth. This trend was sustained by higher prices for special waste treatment, higher revenues from electricity generation, the lower cost deriving from the application of accounting standard Ifrs 16 and the contribution coming from Aliplast Spa in the urban waste collection business. These positive changes proved able to more than offset the lower revenues ensuing from the decrease in volumes treated.

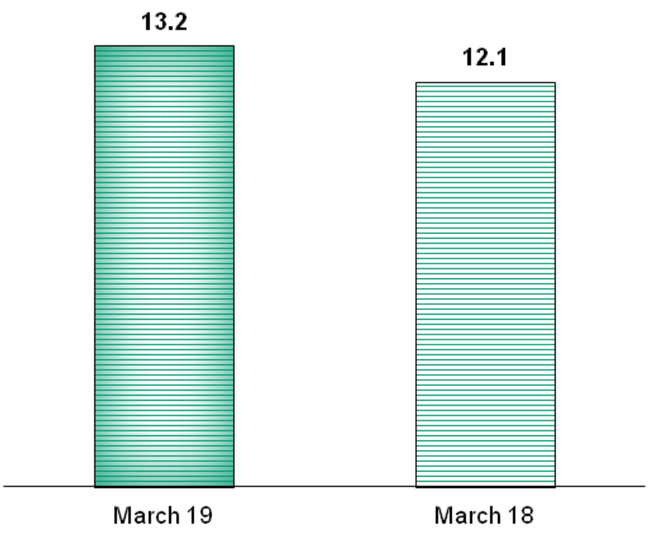
Ebitda (mn€)



67.3
million euro waste management Ebitda

Net investments in the waste management area concerned plant maintenance and upgrading and amounted to 13.2 million euro, up 1.1 million euro over the first quarter of the previous year.
The composter/digester sector showed a 3.2 million euro decrease, due to the significant work done the previous year on the Sant'Agata Bolognese composting plant involved in the creation of the biomethane plant, in addition to other interventions, including upgrading the Tre Monti mechanical biological treatment plant.
Investments in landfills rose by 4.1 million euro due to interventions on the Cordenons plant, the tenth sector of the Ravenna landfill and plants belonging to the company Marche Multiservizi.
The WTE plants sector saw a 1.7 million euro increase in investments, involving non-recurring maintenance on plants in Padua, Trieste and Rimini.
Increased investments in the Special waste plants sector mainly concerned maintenance on the Ravenna plants.
Investments in the ecological islands and collection equipment sector were essentially in line with the previous year, while the 1.5 million euro decrease in the selection and recovery plants sector is largely explained by lower investments made by the Aliplast Group, due to the significant interventions carried out the previous year on the company Alimpet Srl's Pet line.

Net investments waste management (mn€)



13.2
million euro

Net investments waste management

(+1.1 million euro)

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

Waste management (mn€)	March 19	March 18	Abs. change	% change
Composting/digestors	1.5	4.7	-3.2	-68.1%
Landfills	5.4	1.3	+4.1	+315.4%
WTE	3.1	1.4	+1.7	+121.4%
RS Plants	0.7	0.4	+0.3	+75.0%
Ecological islands and collection equipment	1.3	1.4	-0.1	-7.1%
Transshipment, selection, and other plants	1.3	2.8	-1.5	-53.6%
Total waste management gross	**13.2**	**12.1**	**+1.1**	**+9.1%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total waste management net	**13.2**	**12.1**	**+1.1**	**+9.1%**

Operating investments increase

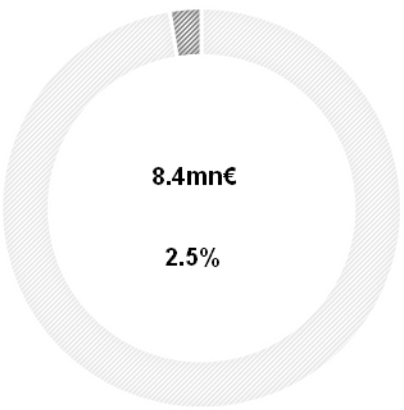
1.02.05

Other services

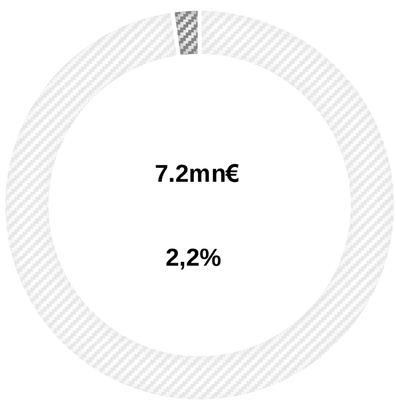
Ebitda rises

The other services area covers all minor businesses managed by the Group, including public lighting, telecommunications and cemetery services. In the first quarter of 2019, this area's results showed a 16.7% increase over the previous year, with Ebitda going from 7.2 million euro in the first quarter of 2018 to 8.4 million euro in the same period of 2019.

Other services Ebitda 2019



Other services Ebitda 2018



The changes occurred in terms of Ebitda are as follows:

(mn€)	March 19	March 18	Abs. change	% change
Area Ebitda	**8.4**	**7.2**	**+1.2**	**+16.7%**
Group Ebitda	330.8	322.7	+8.1	+2.5%
Percentage weight	2.5%	2.2%	+0.3 p.p.	

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

530.0 thousand lighting points

Quantity	March 19	March 18	Abs. change	% change
Public lighting				
Lighting points (k)	530.0	521.8	+8.2	+1.6%
of which led	18.1%	13.0%	+5.1 p.p.	
Municipalities served	174.0	165.0	+9.0	+5.5%

An analysis of the data regarding public lighting shows an increase of 8.2 thousand lighting points and an increase of 9 new municipalities. Over the first quarter of 2019, the Hera Group acquired roughly 19 thousand lighting points in 15 new municipalities. The most significant of these were: roughly 4 thousand lighting points in Abruzzo; roughly 6 thousand lighting points in Lombardy; roughly 5 thousand lighting points in the Triveneto region; roughly 4 thousand lighting points in the areas served by Marche Multiservizi, following the entry of Megas Net Spa. The increases seen during the quarter fully offset the loss of roughly 11 thousand lighting points and 6 municipalities served, mainly in the provinces of Bologna, Ravenna, Forlì, Rimini and Padua. The percentage of lighting points using led light bulbs also increased, settling at 18.1% at the end of the first quarter of 2019, up 5.1 percentage points. This growth reflects the constant attention shown by the Group towards an increasingly efficient and sustainable management of public lighting.

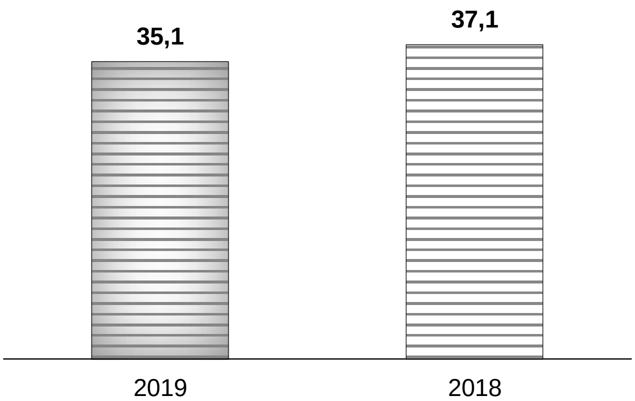
The area’s operating results are provided in the table below:

Area grows

Income statement (mn€)	March 19	% Inc.	March 18	% Inc.	Abs. change	% change
Revenues	35.1		37.1		-2.0	-5.4%
Operating costs	(22.1)	-63.0%	(25.5)	-68.7%	-3.4	-13.3%
Personnel costs	(5.1)	-14.5%	(5.0)	-13.6%	+0.1	+2.0%
Capitalised costs	0.5	1.5%	0.6	1.6%	-0.1	-16.4%
Ebitda	**8.4**	**24.0%**	**7.2**	**19.3%**	**+1.2**	**+16.7%**

Revenues for the area fell compared to March 2018 by 2.0 million euro, going from 37.1 million euro to 35.1 million euro in March 2019. Not including the higher revenues recorded in 2018 for assets in consignment, involved in the project for a disaster recovery data centre, coming to 2.3 million euro (with an equal effect on costs), revenues would show a 0.3 million euro increase. This growth is due to higher revenues in telecommunications, which offset lower revenues in public lighting.

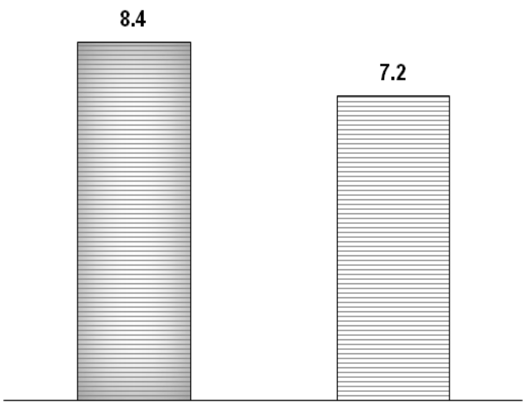
Revenues (mn€)



35.1
million euro revenues other services

A 1.2 million euro increase in Ebitda was seen over the first quarter of 2018. This trend is due to higher income from telecommunications services and lower costs ensuing from the application of accounting principle Ifrs 16, coming to roughly 1.0 million euro.

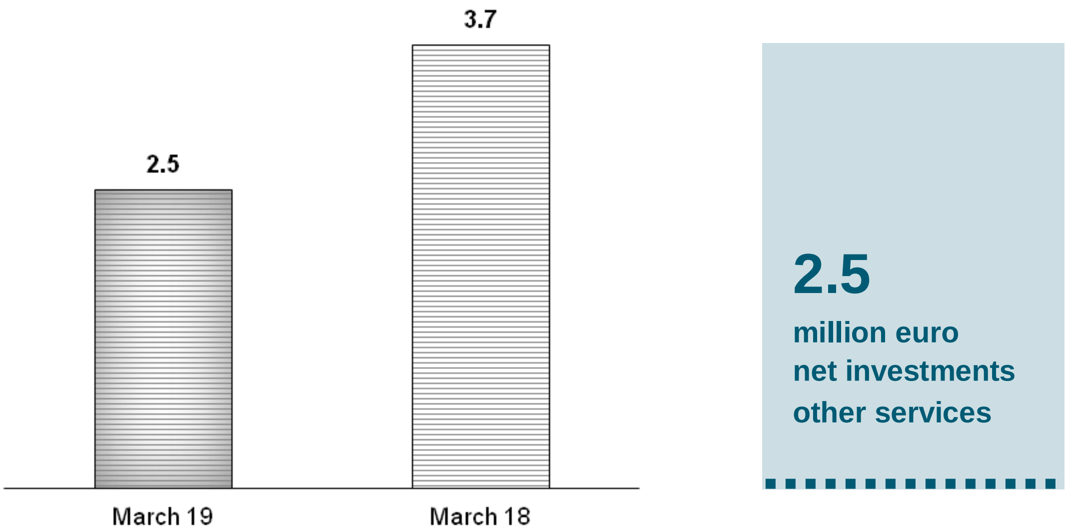
Ebitda (mn€



8.4
million euro other services Ebitda

Investments in the other services area came to 2.5 million euro, falling compared to the first quarter of the previous year.
Investments totalling 1.7 million euro were made in networks and Tlc and Idc (Internet data centre) services, down 0.3 million compared to 2018. The 0.9 million euro of investments in the public lighting service concerned maintenance, upgrading and modernising lampposts in the areas served, less than the previous year due to the higher investments made during the first quarter of the previous year in the municipality of Pesaro by the company Marche Multiservizi, and delays in a few interventions made by the company Hera Luce in the province of Padua and in San Giovanni in Persiceto, in the province of Bologna.

Net investments other services (mn€)



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

Other services (mn€)	March 19	March 18	Abs. Change	% change
Tlc	1.7	2.0	-0.3	-15.0%
Public lighting and street lights	0.9	1.8	-0.9	-50.0%
Total other services gross	**2.5**	**3.7**	**-1.2**	**-32.4%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total other services net	**2.5**	**3.7**	**-1.2**	**-32.4%**

1.03
Share performance and investor relations

The first quarter of 2019 came to a close with a strong uptrend seen on all main world stock exchanges, which recovered from the negative performances recorded over 2018. The slowdown in the world economy and the ongoing trade war between the United States and China, which negatively influenced investors' confidence last year, indeed persuaded the central banks (the Fed and the Central European Bank) to continue adopting expansive monetary policies, in a change of direction compared to expectations for a gradual elimination of this kind of stimulus. More accommodating and patient central banks, and the beginning of negotiations between the United States and China, were thus at the root of a renewed tendency to invest in the first quarter of the year.

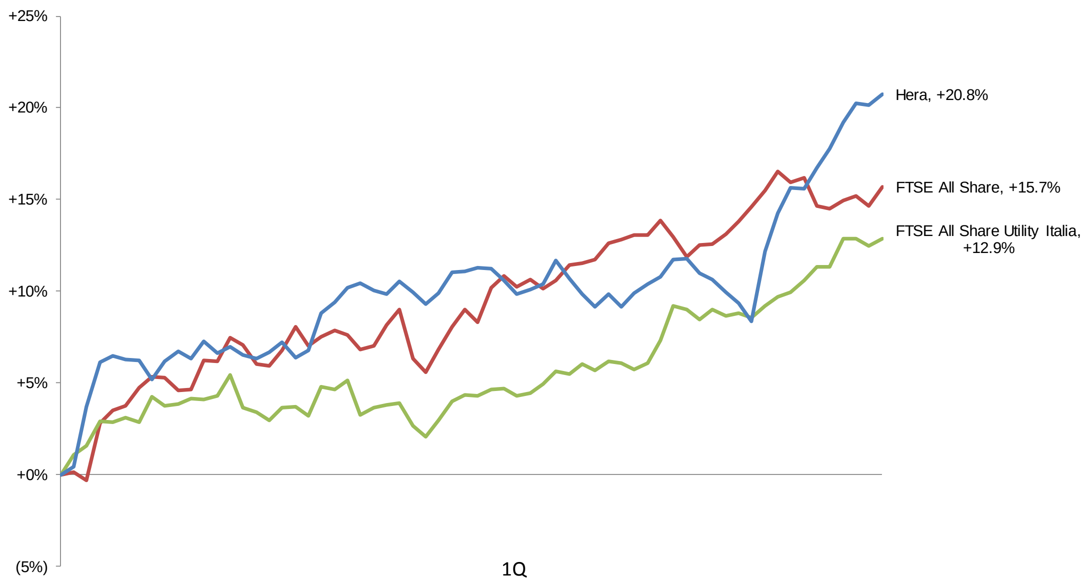
Uptrend seen in global stock markets in 1Q 2019: the Italian market also benefits from the climate of confidence

The Italian market also benefitted from the confidence felt once again on financial markets, with the spread between Italian and German state bonds diminishing after the high points seen in late 2018 following the tension between the Italian government and the European Commission concerning the approval of Italy's budget. In a context marked by an economic slowdown and a reduction in return on bonds, the utilities sector showed positive and resilient trends, making the most of a widespread desire to invest in sectors considered more defensive and less influenced by the trends witnessed in the global economy.

In the period in question, Hera stock, which became part of the FTSE Mib index on 18 March, outperformed both the Italian stock exchange and its own sector, with a rise coming to +20.8% that led it to reach an official price of 3.228 euro. The trends seen in the price per share reflected both the strategy clearly geared towards growth contained in the business plan to 2022, presented to the financial community in the months of January and February in an international road show, and the validity of the Group's essential points as confirmed by the year-end results released in March.

Positive trend for the utility sector: Hera stock becomes part of the FTSE Mib and outperforms the market and its own sector

1Q 2019 Hera stock, local utility sector and Italian market performance comparison



The Hera Board of Directors, which met on 27th March 2019 to approve the Group's 2018 year-end results, decided to put a 10.0 cent/share dividend to the Shareholders meeting, up 5.3% compared to the dividend most recently paid and in line with the indications provided in the business plan. Following the approval given by the Group's shareholders during the meeting held on 30th April 2019, the ex-coupon date was set at 24th June, with payment on 26 June.

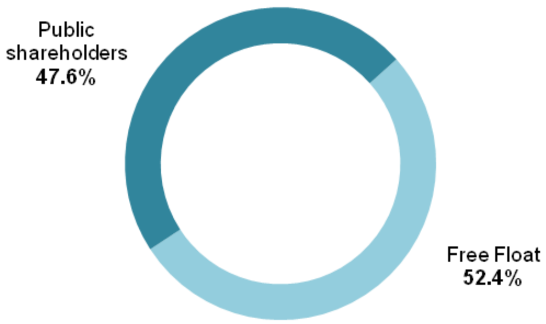
10.0 cents
dividend that will be paid in June

The joint effect of the continuous dividend payments made to shareholders and the rise in the price of the stock led the total shareholders' return accumulated since the company was initially listed to remain positive once again and to settle, at the end of the period in question, at over +256.5%.

+257%
total shareholders' return since the Ipo

The financial analysts covering the company (Banca Akros, Banca IMI, Equita Sim, Fidentiis, Intermonte, Kepler Cheuvreux, MainFirst and Mediobanca) expressed a clear prevalence of positive opinions, with almost all recommendations defined as buy/outperform. At the end of the year, the consensus target price came to € 3.51 euro, higher than the € 3.28 recommended at the end of 2018.

Shareholder breakdown at 31 March 2019



At 31 March, the shareholder breakdown showed 47.6% of the shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders' agreement (signed on 26th June 2018 and in force for three years) and a 52.4% free float.

47.6%
share capital pertaining to the agreement signed by public shareholders

Since 2006, Hera has adopted a share buyback program, renewed by the Shareholders Meeting held on 30th April 2019 for 18 further months, for an overall maximum amount of € 200 million. This plan is aimed at financing M&A opportunities involving smaller companies, and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At the date of the Meeting, Hera held 18.3 million treasury shares.

Following the publication of the new 2018-2022 Business Plan, Hera's Executive Chairman and CEO took part in a Road Show that visited Europe and North America's main financial hubs to illustrate the Group's growth targets to investors. This timely communication initiative met with a great deal of interest from institutional investors, which benefitted the stock's performance in the period in question.
The dedication shown by the Group towards dialoguing with investors contributed to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

Communication with the market
as an intangible asset

1.04
Reference scenario and Group strategy

The utility sector and the authority rationalising the industry and liberalising the market

The public utilities sector plays a leading role within the Italian economy, accounting for approximately 7% of the country's Gross domestic product (GDP; source: Top Utility report drafted by Althesys). This result, however, is reached through levels of service and efficiency that differ greatly across the country on account of the high level of fragmentation among variously sized operators. The most recent census, carried out by the government in 2014, counted no less than 1,500 operators, a figure which is quite distant from the standards seen in other European Union countries. With the goal of improving the efficiency and transparency of these services, over time the government and the national Authority have therefore pursued actions aimed at rationalising the sector.

In gas distribution, for example, tenders for renewing grants are foreseen within the next five years across the entire country. These competitive procedures have been designed to promote greater consolidation among operators, while at the same time favouring the more efficient ones and those able to sustain the widest-reaching investment plans. The areas concerned by the tenders have in fact been geographically widened, now covering provinces instead of municipalities. It follows that, according to estimates made by sector professionals, a reduction should be seen in the number of companies, from over two hundred to no more than twenty or thirty.

During 2018, the Regulatory authority for energy, networks and the environment (Arera, Autorità di regolazione per energia reti e ambiente), began preparations for a definition of the new tariff system, which will come into effect as of 2020 and cover a period of four years. After establishing a higher degree of uniformity in tariffs and service quality nationwide, expectations are that higher efficiency will be achieved and the sector will be rationalised, turning to means including a definition of the mechanisms used in tenders for granting concessions for urban waste collection and street cleaning.

In the environmental sector of (free market) waste treatment, 2018 confirmed the country's persistent undercapacity in the area of plants. This situation has become even more critical by various foreign factors, such as China's import ban on low-quality plastic waste (plastic mix) and an increase in waste exports from the United Kingdom, with the effect of saturating the continent's treatment plants, which were the destination for a significant amount of Italy's waste. In this scenario, considering the persistent difficulties in building new plants over the short term, prices for waste disposal increased for the fourth consecutive year. The pace of this growth over the last year was confirmed over the first quarter of 2019, going to the advantage of operators owning plant capacities.

In the energy sales business, the government's objective is to promote a higher level of market competition, to the advantage of end consumers. To this intent, a prediction for the complete liberalisation of the electricity market as of 1st July 2020 was confirmed by the Milleproroghe Law 91/2018. At present, roughly 20 million users have not yet chosen a free market energy supplier. Launching this process thus represents an opportunity to stimulate competition and give space to companies with the best service levels and the largest scale economies.

An effective model for growth

The scenario seen in the sector is therefore marked by factors pointing towards a higher industrialisation of activities, to be achieved through increasing investment plans and involving a consolidation of smaller businesses. In this context, Hera operates with its usual development model that is geared towards making the most of scale economies and synergies (internal growth) and expanding the geographical extent of its own operations (external growth), by integrating sector enterprises. This strategy has been coherently pursued by the Group since its establishment, and its effectiveness has been proven: over the past sixteen years, its size has quintupled and a position of national leadership has been reached in all areas of activity (the country's first operator in the waste management sector, second in the integrated water service, third in gas distribution and in energy sales to end customers).

Hera grows in more than one direction

The results for the first quarter of 2019 as well are the fruit of this strategic approach. All activities managed contributed to this positive result, confirming the validity and effectiveness of the Group's perfect balance between regulated and free market activities that allows it to maintain a high level of risk diversification. The portfolio's balanced mix, that combines areas with a low return but no risk (in regulated businesses) and areas with a higher return but also risks from which the Group is protected (in free market businesses), makes it possible to obtain an overall return capable of creating value; that is, this portfolio leads to rates of return that exceed the average cost of the financial resources used.

The new Business plan to 2022

The new business plan to 2022, presented in early January 2019 and based on the Group's strong position and acquired leadership, and the good implementation of the 2014-2018 five-year plan which allowed its targets to be exceeded, is aimed at grasping the opportunities arising within the reference scenario and continuing along its path of uninterrupted growth. Ebitda is expected to increase by 200 million euro, reaching the goal of 1.185 billion euro by the end of the period in question, a target higher than the one set in the previous plan..

Relying on the Group's current market position and the availability of accumulated financial resources, growth will also be fuelled by an ambitious investment program coming to roughly 3.1 billion euro, increasing by 260 million over the previous plan. The Group will be able to meet this objective thanks to one of the most solid set of assets seen in the sector and its visibly growing cash generation (+30% Cagr over the last five years).

1.1 billion euro will be exclusively dedicated to growth: investments in new plants and network modernisation, tenders for renewing gas concessions and M&A operations. This strategy calls for an efficient allocation of capital, conserving the Group's current low risk profile, and confirms its objective of maintaining financial solidity, with a net debt/Ebitda target set at 2.9 that leaves further room to finance the growth opportunities not included in the plan.

Three quarters of investments will go to regulated activities: approximately 70% will go into networks and approximately 6% into urban waste collection. It follows that most of the growth foreseen by the plan will fall into these areas, whose overall weight will increase from 51% to 55%. The balanced aspect of this mix will be guaranteed by factors including growth in free market activities. In the waste management sector, the Group – Italy's leading operator in this field – can rely on a wide and diversified set of plants, within the context of a market whose prices are continually rising due to the country's structural lack of disposal capacity. In the energy sector, the Group – which ranks third in the country – counts on expanding its customer base, making the most of both the liberalisation expected in the protected electricity market and initiatives in cross selling its services. In late 2018, tenders were also held for renewing concessions in safeguarded electricity and default gas services, and the Group confirmed its status as Italy's foremost operator for the upcoming two years, gaining roughly 70% of the market.

The new plan also expects dividends to increase (from 9.5 cents in 2018 to 11 cents paid in 2023), showing uniform growth over the five years in question and testifying to a transparent dividend policy benefitting all shareholders. The Group's multi-business model, indeed, allows it to give a significant visibility to cash generation, given that it offers protection from external market factors, as is amply shown by the resilient growth constituting its track record.

Creating shared value

The plan includes targets and projects that the Group intends to pursue in a sustainable way, creating value for all stakeholders. Its strategy has identified lines of development oriented towards pursuing the targets set out in the UN Agenda that can be applied to the activities in which it is involved (covering at least 10 of the 17 goals indicated): almost 3/4 of the growth expected over the five years covered by the plan will be sustained by projects that respond to these ten "calls to action", thus bringing its shared value Ebitda to reach over 470 million euro (40% of overall Ebitda) by 2022.

1.05
Personnel structure

Hera Group employees with open-ended contracts as of March 31st 2019 came to 8,687 (consolidated companies) and are distributed by role as: executive managers (148), middle managers (541), office clerks (4,714), and workers (3,284).
This organization was determined by the following moves: new hires (100) and dismissals (80) as well as the change in the scope due to the entrance of Sangro Servizi (3), CMV (23) and ATR (19).

	Mar-31-19	Dec-31-18	change
executive managers	148	149	-1
middle managers	541	536	5
office clerks	4,714	4,648	66
workers	3,284	3,289	-5
Total	**8,687**	**8,622**	**65**

Specifically, the effective moves are as follows:

Long-term contracts	
Workforce at 31 December 2018	**8,622**
New hires	100
dismissals	-80
Net Flow	**20**
Group change in the period, Entries (*)	45
Total	**8,687**
(*) Sangro Servizi, CMV, ATR	

The changes for the period are mainly due to:
- consolidation of contracts, from short-term to long-term contracts
- addition of new professional positions not previously present in the Group

2

Consolidated Financial Statements of the Hera Group

2.01
FINANCIAL STATEMENT FORMATS

2.01.01
Income statement

mn€	Mar-31-2019 (3 months)	Mar-31-2018 (3 months)
Revenues	1,940.4	1,741.3
Other operating revenues	121.0	95.3
Use of raw materials and consumables	(1,024.6)	(831.4)
Service costs	(556.7)	(538.5)
Personnel costs	(142.9)	(140.0)
Other operating costs	(13.1)	(12.7)
Capitalized costs	6.7	8.7
Amortisation, depreciation and provisions	(125.8)	(125.1)
Operating revenues	**205.0**	**197.6**
Share of profits (losses) pertaining to joint ventures and associated companies	5.7	6.0
Financial income	30.5	25.0
Financial expenses	(57.3)	(48.5)
Financial operations	**(21.1)**	**(17.5)**
Earnings before taxes	**183.9**	**180.1**
Taxes	(54.2)	(54.2)
Profit (losses) for the period	**129.7**	**125.9**
Attributable to:		
Parent company shareholders	124.2	120.5
minority shareholders	5.5	5.4
Earnings per share		
basic	**0.085**	**0.082**
diluted	**0.085**	**0.082**

2.01.02
Statement of financial position

mn€	Mar-31-2019	Dec-31-2018
ASSETS		
Non-current assets		
Property, plant and equipment	1,966.1	2,003.7
Rights of use	112.4	
Intangible assets	3,292.8	3,254.9
Goodwill	382.9	381.3
Equity investments	153.0	149.1
Non-current financial assets	135.6	118.4
Deferred tax assets	167.0	159.2
Derivative financial instruments	47.4	45.3
Total non-current assets	**6,257.2**	**6,111.9**
Current assets		
Inventories	104.8	157.3
Trade receivables	2,207.6	1,842.2
Current financial assets	49.2	37.3
Current tax assets	29.5	34.3
Other current assets	305.1	281.2
Derivative financial instruments	67.8	111.9
Cash and cash equivalents	663.3	535.5
Total current assets	**3,427.3**	**2,999.7**
TOTAL ASSETS	**9,684.5**	**9,111.6**

mn€	Mar-31-2019	Dec-31-2018
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,467.4	1,465.3
Reserves	1,153.5	913.5
Profit (losses) for the period	124.2	281.9
Group net equity	**2,745.1**	**2,660.7**
Non-controlling interests	202.1	186.0
Total net equity	**2,947.2**	**2,846.7**
Non-current liabilities		
Non-current financial liabilities	2,802.7	2,672.4
Non-current financial liabilities	92.8	12.2
Post-employment and other benefits	127.9	129.5
Provisions for risks and charges	463.9	458.6
Deferred tax liabilities	32.1	43.1
Derivative financial instruments	47.9	37.9
Total non-current liabilities	**3,567.3**	**3,353.7**
Current liabilities		
Current financial liabilities	568.7	609.9
Current financial lease payables	17.4	1.7
Trade payables	1,344.8	1,360.4
Current tax liabilities	52.3	6.0
Other current liabilities	1,108.2	866.9
Derivative financial instruments	78.6	66.3
Total current liabilities	**3,170.0**	**2,911.2**
TOTAL LIABILITIES	**6,737.3**	**6,264.9**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**9,684.5**	**9,111.6**

2.01.03

Cash flow statement

mn€	Mar-31-2019	Mar-31-2018
Earnings before taxes	**183.9**	**180.1**
Adjustments to reconcile net profit to the cashflow from operating activities		
Amortisation and impairment of property, plant and equipment	42.6	40.8
Amortisation and impairment of intangible assets	54.3	51.5
Allocations to provisions	28.9	32.8
Effect of valuation using the equity method	(5.7)	(6.0)
Financial expense (income)	26.8	23.5
(Capital gains) losses and other non-monetary elements (including valuation of commodity derivatives)	5.7	(1.4)
Change in provisions for risks and charges	(9.5)	(7.5)
Change in provisions for employee benefits	(2.3)	(3.7)
Total cash flow before changes in net working capital	**324.7**	**310.1**
(Increase) decrease in inventories	52.6	27.7
(Increase) decrease in trade receivables	(360.0)	(304.4)
(Increase) decrease in trade payables	(37.0)	(19.5)
Increase /decrease in other current assets/ liabilities	214.9	141.0
Change in working capital	**(129.5)**	**(155.2)**
Dividends collected	-	2.9
Interests income and other financial income collected	10.4	8.2
Interests expense and other financial charges paid	(43.6)	(42.2)
Taxes paid	(4.5)	(11.6)
Cash flow from operating activities (a)	**157.5**	**112.2**
Investments in property, plant and equipment	(23.9)	(26.4)
Investments in intangible fixed assets	(72.5)	(56.3)
Investments in companies and business units net of cash and cash equivalents	0.2	(9.2)
Sale price of property, plant and equipment and intangible assets	0.8	0.9
(Increase) decrease in other investment activities	(24.6)	9.1
Cash flow from (for) investing activities (b)	**(120.0)**	**(81.9)**
New issues of long-term bonds	125.0	-
Repayments and other net changes in borrowings	(34.8)	14.0
Lease payments	(4.7)	(0.6)
Proceeds from the sale of shares without loss of control	-	1.8
Acquisition of Interests in consolidated companies	(1.1)	-
Change in treasury shares	5.9	(10.1)
Cash flow from (for) financing activities (c)	**90.3**	**5.1**
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	**-**
Increase (Decrease) in cash and cash equivalents (a+b+c+d)	**127.8**	**35.4**
Cash and cash equivalents at the beginning of the period	535.5	450.5
Cash and cash equivalents at the end of the period	663.3	485.9

2.01.04

Statement of changes in net equity

mn€	Share capital	Reserves	Reserves for derivative instruments recognized at fair value	Reserve actuarial income (losses) post-employment benefits	Profit for the period	Net equity	Non-controlling interests	Total
Balance as of December 31st 2017	**1,473.6**	**847.8**	**4.1**	**(31.7)**	**251.4**	**2,545.2**	**160.8**	**2,706.0**
Profit for the period					120.5	120.5	5.4	125.9
Other components of comprehensive income:								
fair value of derivatives, change in the period			1.0			1.0		1.0
Overall profit for the period	**-**	**-**	**1.0**	**-**	**120.5**	**121.5**	**5.4**	**126.9**
Change in treasury shares	(3.4)	(6.7)				(10.1)		(10.1)
Changes in equity investments		1.5				1.5	0.3	1.8
Transition Ifrs 9		(18.1)				(18.1)	(0.6)	(18.7)
Allocation of profit:								
Allocation to reserves		251.4			(251.4)	-		-
Balance as of March 31st 2018	**1,470.2**	**1,075.9**	**5.1**	**(31.7)**	**120.5**	**2,640.0**	**165.9**	**2,805.9**
Balance as of December 31st 2018	**1,465.3**	**926.8**	**16.5**	**(29.8)**	**281.9**	**2,660.7**	**186.0**	**2,846.7**
Profit for the period					124.2	124.2	5.5	129.7
Other components of comprehensive income:								

fair value of derivatives, change in the period			(40.7)			(40.7)		(40.7)
Overall profit for the period	**-**	**-**	**(40.7)**	**-**	**124.2**	**83.5**	**5.5**	**89.0**
Change in treasury shares	2.1	3.8				5.9		5.9
Changes in equity investments		(0.5)				(0.5)	(0.6)	(1.1)
Changes scope of consolidation						-	11.8	11.8
Transition Ifrs 16		(4.5)				(4.5)	(0.6)	(5.1)
Allocation of profit:								
Allocation to reserves		281.9			(281.9)	-		-
Balance as of March 31st 2019	**1,467.4**	**1,207.5**	**(24.2)**	**(29.8)**	**124.2**	**2,745.1**	**202.1**	**2,947.2**

2.01.05

Synthetic explanatory notes

Accounting policies

As set forth in article 82-ter "Informazioni finanziarie periodiche aggiuntive" (additional periodic financial information) of the Issuers Regulation, the Hera Group has voluntarily decided to publish the consolidated three-month report as of March 31st 2019.

This consolidated three-month report was not prepared in accordance with the accounting principle regarding the sub-annual financial statement (IAS 34 "Interim Financial Reporting").

The preparation of this three-month report required estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities as of the reporting date. If, in future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give an accurate representation of management operations. It should also be noted that some measurement methods, particularly the more complex ones, such as detecting any impairment of non-current assets, are generally applied in their entirety only during the preparation of the annual financial statements, unless there are indications of impairment which 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 figures in this consolidated three-month report are comparable to those of previous periods, taking into account the provisions of the following paragraph "Adoption of Ifrs 16".

Financial statement formats

The formats used are the same as those used for the consolidated financial statements as of December 31st 2018, except for the additional items "Rights of use" as well as current and non-current "Financial lease payables" of the Statement of financial position, introduced resulting from the adoption of the international accounting standard Ifrs 16 beginning January 1st 2019. 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, unless otherwise indicated.

Adoption of IFRS 16

The new standard Ifrs 16 - Leases (Regulation 2017/1986), effective beginning January 2019, was published by the IASB on January 13th 2016 to replace the IAS 17 principle "Leases", as well as the IFRIC 4 interpretations "Determining whether an agreement contains a lease", SIC 15 "Operating Leases - Incentives" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease".
This standard provides a new definition of leases and introduces a criterion based on the right of use of an asset to distinguish lease contracts from service contracts, identifying discriminating factors such as: the identification of the property, the right to replace it, the right to obtain essentially all economic benefits deriving from the use of

the property and the right to manage the use of the property named in the contract.
This standard establishes a single model for the reporting and valuation of leasing contracts for lessees, which provides for the entry of leased goods including operating leases among assets, with a financial liability as a balancing entry, while also providing the possibility of not applying this model to contracts relating to low-value assets and leases with a contract duration of 12 months or less (short-term leases). In contrast, the new standard does not include significant changes for lessors.
The Group took advantage of the device provided for in paragraph C3, which allows it to use past results calculated on the basis of Ifric 4 and Ias 17 to qualify operating leases for a specific contract. This device was applied to all contracts, as provided for in paragraph C4.
The Group chose to apply this standard retrospectively, while recognising the aggregate effect of applying the standard in shareholders' equity as at January 1st 2019, in accordance with paragraphs C7-C13. In particular, with regard to the lease contracts previously classified as operating leases, the Group accounted for:

- a financial liability, equal to the present value of the remaining future payments at the transition date, discounted using for each contract the marginal loan rate applicable at the transition date;
- a right of use equal to the net carrying amount that it would have had if the standard had been applied from the beginning of the contract, using the discount rate established at the transition date.

Only for a limited number of contracts for which recovering historical information in a timely manner was not possible, the right of use was set equal to the value of the financial liability at the date of transition, net of any accruals and deferrals relating to the lease and recorded in the balance sheet at the closing date of these financial statements.

The following table shows the impacts that the adoption of IFRS 16 involved at the transition date:

mn€	Impact at the transition date Jan-1-19
Non-current assets	
Right of use Buildings	67.3
Right of use Vehicles	4.8
Right of use plants and technological infrastructure	18.9
Total	**91.0**
Non-current liabilities	
Non-current financial liabilities	82.7
Current liabilities	
Current financial lease payables	13.9
Total	**96.6**
Retained earnings	**5.6**

In adopting Ifrs 16, the Group made use of the exemption granted in paragraph 5 a) in relation to leases lasting less than 12 months for certain contracts for the rental of vehicles.
Similarly, the Group made use of the exemption granted in paragraph 5 b) with regard to leasing contracts with a low value asset as the underlying asset, or when the underlying assets of the lease do not exceed a value of 5,000 euros when new. The contracts for which the exemption has been applied fall mainly into the following categories:

- electronic devices;
- furnishings.

For these contracts, the introduction of Ifrs 16 did not entail recognizing the financial liability of the lease and the related right of use, although the lease payments are recorded in the income statement on a linear basis for the duration of the respective contracts.

In addition, with reference to the transition rules, the Group made use of the following devices:

- used the assessment made as at December 31st 2018 in accordance with the rules of IAS 37 "Provisions, liabilities and contingent assets" when accounting for interest-bearing contracts as an alternative to applying the impairment test on the value of the right of use as at January 1st 2019;
- classified contracts expiring within 12 months of the transition date as short-term leases. For these contracts, the lease fees are recorded to the income statement on a linear base.
- excluded initial direct costs from the measurement of the right of use on January 1st 2019;
- used the information available at the transition date to determine the duration of the contract, with particular reference to extension and early closure options.

Scope of consolidation

The consolidated financial statements as at December 31st 2019 include the financial statements of the Parent Company Hera S.p.A. and those of its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Equity investments in joint ventures in which the Hera Group exercises joint control together with other companies are consolidated with the equity method. The equity method is also used to evaluate equity investments in companies over which a significant influence is exercised. Small-scale subsidiaries of non-significant size and for which recent financial information is not available are carried at cost.

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

Changes in the scope of consolidation

With effect from March 1st 2019, Hera Comm Srl gained control over the gas and electricity sales activities of CMV Energia&Impianti Srl. The transaction was carried out by means of a partial proportional demerger: each shareholder of the demerged company was assigned an equity interest in the beneficiary company. As a consequence of this operation, Hera Comm Srl's interest in the company decreased to 99.89%.

With effect from March 1st 2019, Hera Comm Srl gained control over the gas distribution activity of CMV Servizi Srl, including the whole equity investment in A Tutta Rete Srl by Inrete Distribuzione Energia Spa. The transaction was carried out by means of a partial proportional demerger: each shareholder of the demerged company was assigned an equity interest in the beneficiary company. As a consequence of this operation, Hera Comm Srl's interest in Inrete Distribuzione Energia Spa decreased to 99.09%.

With effect beginning January 1st 2019, Inrete Distribuzione Energia Spa and Hera Comm Srl sold their LPG distribution and sales businesses. From both a financial and an economic point of view, the transaction had a marginal impact.

Changes in equity investments

On February 1st 2019, after having won the public auction, Hera Spa purchased a number of shares from the shareholder Unione Montana Alta Valle del Metauro equal to 0.5% of Marche Multiservizi Spa share capital, thus increasing its stake from 46.2% to 46.7%.

Other corporate operations

With effect from January 1st 2019, Umbro Plast Srl, Cerplast Srl and Variplst Srl was merged by incorporation into Aliplast Spa.

Earnings per share

Here below is the table regarding the profit per share, calculated on the basis of the economic profit to be allocated to the holders of ordinary shares in the parent company.

	Mar-31-2019 (3 months)	**Mar-31-2018 (3 months)**
Profit (loss) for the year attributable to holders of ordinary shares of the Parent Company (A)	124.2	120.5
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
basic (B)	1,468,078,654	1,470,937,737
diluted (C)	1,468,078,654	1,470,937,737
Earnings (loss) per share (in euros)		
basic (A/B)	**0.085**	**0.082**
diluted (A/C)	**0.085**	**0.082**

Other information

This three-month consolidated financial statement as at March 31st 2019 was drawn up by the Board of Directors and approved by the same at the meeting held on May 15th 2019.

2.02
LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euros) where not otherwise specified	Percent held		Total interest
			Direct	Indirect	
Parent company: Hera Spa	Bologna	1,489,538,745			
Acantho Spa	Imola (BO)	23,573,079	77.36%		77.36%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasApsAmga Servizi Energetici Spa	Udine	11,168,284		100.00%	100.00%
Alimpet Srl	Borgolavezzaro (NO)	50,000		75.00%	75.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sarl	La Wantzenau (France)	25,000		75.00%	75.00%
Aliplast Iberia SL	Calle Castilla -Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spoo	Zgierz (Poland)	200,000 PLN		75.00%	75.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
A Tutta Rete Srl	Cento (FE)	100,000		100.00%	100.00%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Lev		100.00%	100.00%
Blu Ranton Srl	Pescara	100,000		84.00%	84.00%
EnergiaBaseTrieste Srl	Trieste	180,000		100.00%	100.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
Hera Comm Srl	Imola (BO)	53,595,899	99.89%		99.89%
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		57.89%	57.89%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	99.09%		99.09%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		46.70%	46.70%
Sangroservizi Srl	Atessa (CH)	10,000	100.00%		100.00%
Sviluppo Ambiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%

Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%
Waste Recycling Spa	Santa Croce sull'Arno (PI)	1,100,000		75.00%	75.00%

* Equity investment divested on April 6th 2018.

Jointly controlled entities

Registered name	Registered office	Share capital (euros)	Percent held		Total interest
			Direct	Indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
EstEnergy Spa	Trieste	1,718,096		51.00%	51.00%

Associated companies

Registered name	Registered office	Share capital (euros)	Percent held		Total interest
			Direct	Indirect	
Aimag Spa**	Mirandola (MO)	78,027,681	25.00%		25.00%
Q.tHermo Srl	Florence	10,000		39.50%	39.50%
Set Spa	Milan	120,000	39.00%		39.00%
So.Sel Spa	Modena	240,240		26.00%	26.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

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

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