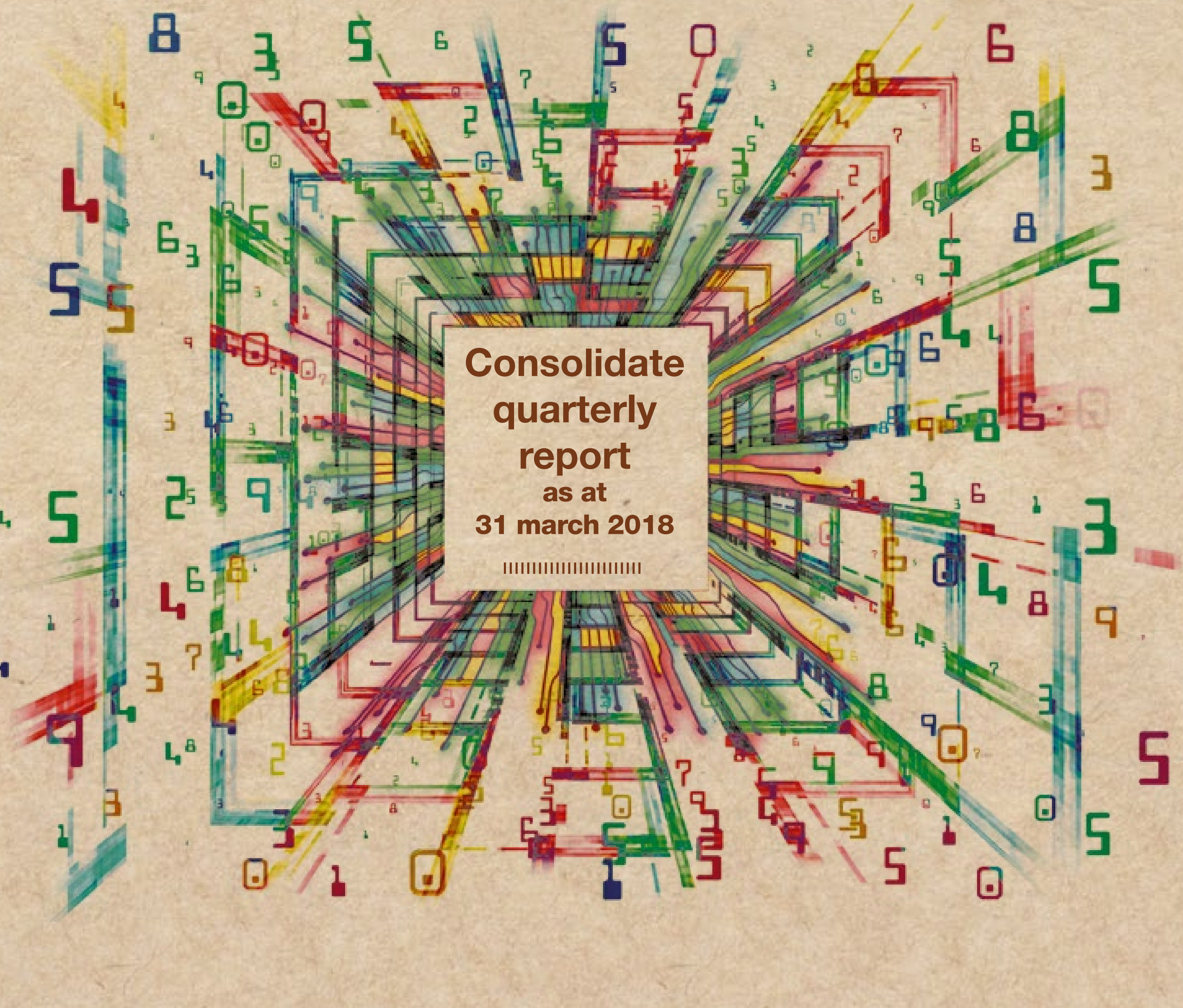

Consolidate quarterly report

as at 31 march 2018

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	Federica Seganti
Ethics Committee	
Chairman	Massimo Giusti
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 of forging strong links with the areas in which it operates 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 richness represent the promise of a sustainable future; and suppliers, key elements in the value chain and partners for growth.

1

Directors' Report

984,6
million
Ebitda

266,8
million
Net profit

396,2
million
Investments

ROE 9,9 %
Return
on Equity

ROI 9,2 %
Return
on Investment

2,56 x
Net debt/Ebitda
ratio

1.01

Overview of Group management performance and definition of alternative performance measures

Operating APMs and investments

Financial APMs (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Revenues *	**1,741.3**	**1,577.8**	**+163.5**	**+10.4%**
EBITDA	**322.7**	**306.8**	**+15.9**	**+5.2%**
EBITDA/Revenues ratio *	18.5%	19.4%	-0.9 p.p.	
EBIT	**197.6**	**187.3**	**+10.3**	**+5.5%**
EBIT/Revenues ratio *	11.3%	11.9%	-0.6 p.p.	
Net profit	**125.9**	**115.3**	**+10.6**	**+9.2%**
Net profit/revenues ratio *	7.2%	7.3%	-0.1 p.p.	
Net investments **	**84.6**	**154.1**	**-69.5**	**-45.1%**

* The amount of revenues at March 2017 has been adjusted (with no effect on results) due to the reclassification of former green certificates. For details, see paragraph "1.01.01 Operating and financial results".
** For the data used in calculating net investments, see notes 13, 14, 15, 16 in the explanatory notes and paragraph 1.01.02 of the overview of Group management.

Financial APMs

Operating APMs and equity (mn€)	mar-18	Dec-17	Abs. Change	% Change
Net non-current assets	5,792.4	5,780.6	+11.8	+0.2%
Net working capital	92.3	23.2	+69.1	+297.8%
Provisions	(576.7)	(574.8)	-1.9	-0.3%
Net invested capital	5,308.0	5,229.0	+79.0	+1.5%
Net financial debt	**(2,502.1)**	**(2,523.0)**	**+20.9**	**+0.8%**

Alternative performance measures (APMs)

The Hera Group uses Alternative Performance Measures (APMs) to more effectively convey information about the profitability of the businesses in which it operates, as well as its equity and financial situation. In accordance with the guidelines published on 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415) and in keeping with the provisions of Consob communication no. 92543 of 3 December 2015, the content of and the criteria used in defining the APMs used in this financial statement are explained below.

Operating APMs and investments

EBITDA is a measure of operating performance and is calculated by adding together "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 at the level of 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 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 at the level of 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 results are calculated by subtracting from pre-tax results, as described above, the taxes shown in the balance sheets minus the special fiscal items described in the detailed table at the end of this paragraph.

Results from special items (if present in the report being illustrated) are an APM aimed at drawing attention to the result of the special item entries that, 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, operating profit on revenues and net income on revenues are used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and measure the Group's operating performance by representing a proportion, expressed as a percentage, of EBITDA, operating profit and net profit 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 at the level of each business unit), also allowing for a comparison with previous periods. This measure makes it possible to analyze trends.

Financial APMs

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, including 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 cope 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 determined 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 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 debt.

Funds from operations (AFFO) are calculated beginning with EBITDA, subtracting provisions for doubtful accounts, financial charges, uses of provisions for risks and severance pay and taxes, net of the fiscal effects deriving from the special items, if present, described in the detailed table at the end of this paragraph. This indicator is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents an indicator of the ability of operating assets to generate cash.

The **FFO/NetDebt** index, 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 debt.

Adjusted ROI, or return on net invested capital, is defined as the ratio between EBIT, as described above, and net invested capital, and is 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, and is 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, net of provisions for special items, if present), to which the following are added:

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

(*) net of the effect of discounting pursuant to accounting principles Ias 37 and Ias 19, and of the profits coming from related companies and joint ventures, plus the dividends received from the latter.
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 a 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, at the end of the first quarter of 2018, achieved operating results that outperformed those seen in the corresponding period of the previous year. Ebitda settled at € 322.7 million, up 5.2%, Ebit amounted to € 197.6 million, up 5.5%, and, lastly, net profits reached € 125.9 million, up 9.2%. From a financial point of view as well, positive results were seen: net financial debt, coming to € 2,502 million, dropped by 0.8%.

These results were obtained through the Hera Group's consolidated multi-business strategy, which balances regulated and free-market activities. The Hera Group pursues this model by calibrating internal growth and the opportunities offered by the market, with development through external growth.

The main corporate and business operations having an effect on the first quarter of 2018 can be summarised as follows:

- In December 2017, Herambiente Spa's acquisition of a further 40% of Aliplast Spa's shares was completed. With this operation, the amount of Aliplast Spa shares held by the Group rose to 80%. The remaining 20% of these shares, as stipulated in the agreement signed in January 2017, will be acquired within June 2022. The Aliplast Group became part of the Hera Group's consolidated scope during the second quarter of 2017.
- On 6 July 2017, Hera Comm Marche Srl acquired a full holding of the company Verducci Servizi Srl, which is active in the natural gas and electricity supply market.
- On 20 December 2017, effective as of 1 January 2018, through EnergiaBaseTrieste Srl, 13,000 protected electricity customers served in the municipality of Gorizia were acquired, previously pertaining to Eni gas e luce Spa.
- In execution of the binding agreement signed on 21 December 2017, on April 6, 2018 Hera Spa proceeded with the transfer to Italgas Spa of all shares held in Medea Spa. In this consolidated financial statement, the latter company has been recorded pursuant to Ifrs 5 - Assets held for sale.
- On 8 February 2018, 100% of the shares held in Blu Ranton Srl, a company involved in sales of gas and electricity to end customers, were acquired by Hera Comm Marche Srl. The company serves roughly 17,000 gas and electricity customers in Teramo, Pescara and Macerata, and will be entirely consolidated during the current financial year.
- On 20 March 2018, Hera Comm Srl acquired 49% of Sangro Servizi Srl, a company involved in sales of gas, electricity and other energy products, with roughly 7,000 gas customers served in the province of Chieti.

This consolidated income statement reflects the application of accounting principle Ifric 12 "Service concession arrangements". The effect of applying this principle, which leaves the results unchanged, is that investments made in goods granted under concession, only including network services, are acknowledged in the income statement.

As of 2017, accounting principle Ifrs 15 “Revenue from contracts with customers”, which only has an impact in electricity sales in particular regulated market segments, came into force.

Note that in order to be more easily compared, the first quarter of 2017 has been adjusted to reflect the reclassification among “Other operating revenues” of feed-in-premium contributions, formerly green certificates, originally included among “Revenues”. The value of this reclassification, which has no effect on results, amounts to € 26.8 million.

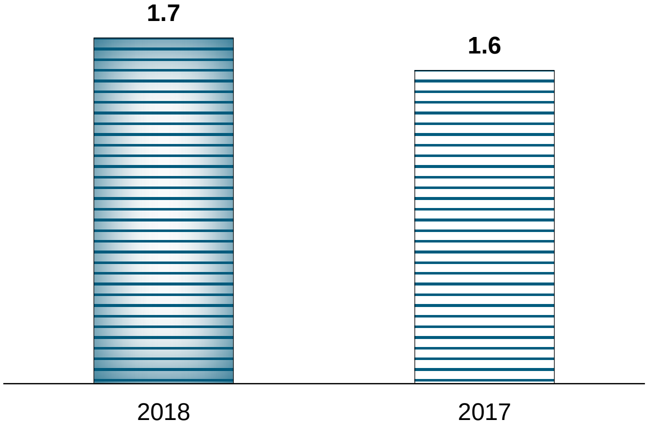
The following table shows operating results at 31 March 2018 and 2017:

Constant and increasing growth

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs. Change	% Change
Revenues	1,741.3		1,577.8		+163.5	+10.4%
Other operating revenues	95.3	5.5%	89.8	5.7%	+5.5	+6.1%
Raw materials	(831.4)	-47.7%	(732.2)	-46.4%	+99.2	+13.5%
Service costs	(538.5)	-30.9%	(488.8)	-31.0%	+49.7	+10.2%
Other operating costs	(12.7)	-0.7%	(12.0)	-0.8%	+0.7	+5.8%
Personnel costs	(140.0)	-8.0%	(137.2)	-8.7%	+2.8	+2.0%
Capitalised costs	8.7	0.5%	9.4	0.6%	-0.7	-7.5%
EBITDA	**322.7**	**18.5%**	**306.8**	**19.4%**	**+15.9**	**+5.2%**
Amort. & Prov.	(125.0)	-7.2%	(119.6)	-7.6%	+5.4	+4.5%
EBIT	**197.6**	**11.3%**	**187.3**	**11.9%**	**+10.3**	**+5.5%**
Financial operations	(17.5)	-1.0%	(23.1)	-1.5%	-5.6	-24.3%
Pre-tax profit	**180.1**	**10.3%**	**164.2**	**10.4%**	**+15.9**	**+9.7%**
Taxes	(54.2)	-3.1%	(48.9)	-3.1%	+5.3	+10.8%
Net profit of the period	**125.9**	**7.2%**	**115.3**	**7.3%**	**+10.6**	**+9.2%**
Attributable to:						
Shareholders of the Parent Company	**120.5**	**6.9%**	**109.9**	**7.0%**	**+10.6**	**+9.6%**
Non-controlling interests	5.4	0.3%	5.4	0.3%	-0.0	-0.1%

Revenues for the first quarter of 2018 came to € 1,741.3 million, up € 163.5 million or 10.4% over the € 1,577.8 million seen in the equivalent period of 2017. Revenues for the first quarter of 2018 benefitted from changes in the scope of operations coming to € 23.5 million overall, involving the Aliplast Group, with € 26.4 million, Verducci Servizi Srl, for € 0.8 million and the transfer of Medea, with € 3.7 million. Not including these changes, growth in revenues amounted to € 140.0 million, mainly due to an increase in trading, coming to roughly € 43 million, higher revenues in gas and electricity sales, due to a rise in the price of commodities, amounting to roughly € 6 million, higher system charges and volumes transmitted for roughly € 50 million and higher volumes of gas and electricity sold for roughly € 61 million. Also note the higher revenues in the waste management area coming to roughly € 4 million, in spite of the end of the urban hygiene management service in 13 Municipalities in the Forlì area as of 1 January 2018. The decrease in revenues that offsets the growth described above is due to lower revenues for electricity production amounting to € 19 million and the application of accounting principle Ifrs 15, totalling € 4.0 million.
For further details, see the analysis of each single business area.

Revenues (bn€)



Other operating revenues increased compared to the same period in the previous year by € 5.5 million or 6.1%. This growth is mainly due to higher revenues from energy efficiency certificates amounting € 7.2 million for the higher price per unit, changes in the scope of operations coming to roughly € 0.4 million and higher recovery of insurance and reimbursements amounting to roughly € 1.5 million, in spite of the lower Ifric 12 revenues coming to € 4.5 million.

Costs for raw and other materials rose by € 99.2 million over 31 March 2017, up 13.5%; this increase, not including changes in scope of operations coming to roughly € 14,4 million, is due to an increase in trading, a higher price for electricity as a raw material, greater volumes of gas and electricity sold and the higher cost per unit of energy efficiency certificates.

Other operating costs increased by € 50.4 million overall (€ 49,7 million in higher costs for services and € 0.7 million in higher operating expenses). Not including changes in the scope of operations, coming to roughly € 3.9 million, mention must also go to roughly € 45 million in higher costs per system charges and volumes transmitted, roughly € 3.0 million in higher costs in ICT activities and roughly € 4 million in higher costs in the waste management area. The higher costs mentioned hereto were only partially offset by roughly € 6.5 million in higher Ifric 12 commissions.

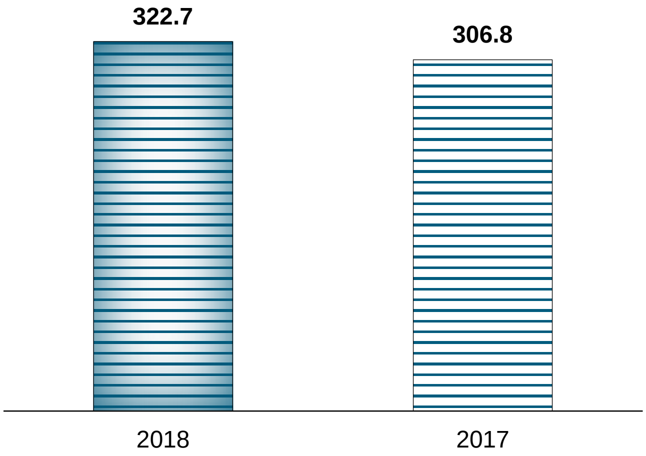
Personnel costs rose by € 2.8 million or 2.0%. This increase was tied to changes in the scope of operations, which had a € 3.5 million impact, and increases in retribution foreseen by the national labour contract. These effects were only partially offset by a lower average presence and by the transfer of resources for carrying out collection activities in the Forlì area, as mentioned above.

Capitalised costs fell by € 0.7 million or 7.5% at 31 March 2018, owing to lesser works on plants and work on assets belonging to the Group.

Ebitda settled at € 322.7 million, up € 15.9 million or 5.2% over March 2017. This increase in Ebitda can be attributed to the good performance seen in almost all business areas. The gas area mainly contributed to the growth, thanks to a higher result coming to € 12.6 million, due to higher volumes sold and higher earnings in trading. Results were also positive for the waste management, integrated water cycle and other services areas. The electricity area fell by € 3.1 million, owing to the application of Ifrs 15 and lower earnings in electricity production.

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

Ebitda (mn€)

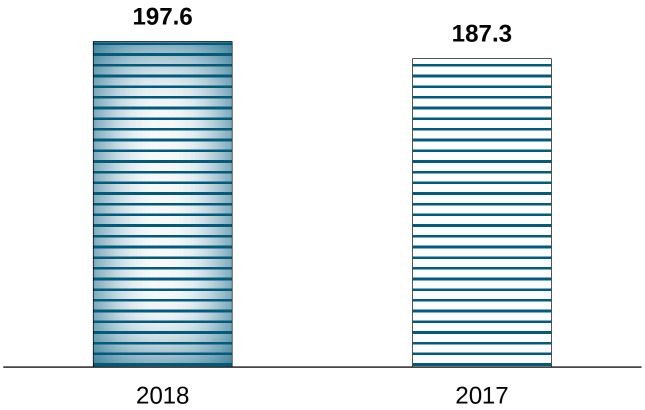


€ 322.7
million Ebitda
(+5.2%)

Amortisation and provisions rose by € 5.4 million or 4.5%, going from the € 119.6 million seen in the previous year to € 125.0 million. Amortisations increased thanks to new investments in operations and the change in scope of operations involving the Aliplast Group and sales companies. Provisions for doubtful debts dropped, in particular in the sales company Hera Comm Srl.

Ebit came to € 197.6 million at 31 March 2018, up € 10.3 million or 5.5%, compared to the € 187.3 see one year earlier.

Ebit (mn€)



€ 197.6

million Ebit (+5.5%)

Good performance in financial management

The results of financial management at the end of the first quarter of 2018 came to € 17.5 million, improving by € 5.6 million or 24.3% over the same period in 2017. The good performance is due to efficiency in interest rates and higher income for default indemnities for safeguarded customers. In the first three months of 2018, compared to the same period in 2017, the Group furthermore benefitted from income from dividends paid to the affiliated company Veneta Sanitaria, amounting to roughly € 2.9 million.

Pre-tax results grew by € 15.9 million, going from the € 164.2 million recorded at 31 March 2017 to the € 180.1 million seen in the first quarter of 2018.

Tax rate in line

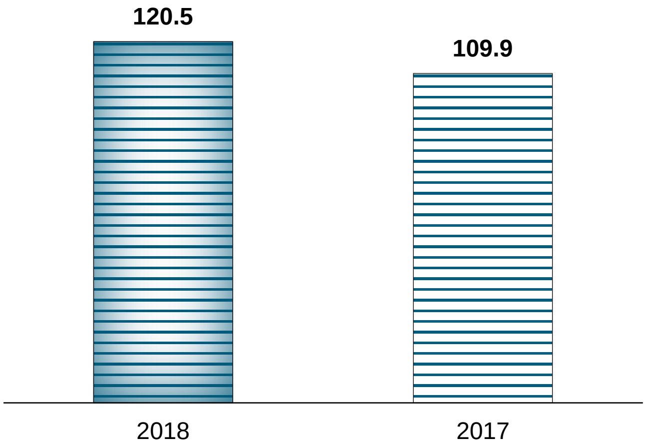
Income taxes pertaining to the first quarter of 2018, coming to € 54.2 million, defined a tax rate of 30.1%, in line with the same period of 2017. Mention must go, in this first quarter as well, to the Group's continuous commitment to grasping the benefits recognised by law, with particular reference to tax relief concerning large and extremely large amortisations, prolonged for all of 2018 by law 205/17, concerning consistent investments made in instrumental goods serving a technological and digital transformation along the lines of "Industry 4.0", in addition to tax credits for research and development and the final balance of previously acquired benefits (patent box).

+9.2% Net profits

Net profits thus rose by 9.2% or € 10.6 million, going from € 115.3 million in the first quarter of 2017 to € 125.9 million in the same period of 2018.

Group net profits came to € 120.5 million, up € 10.6 million compared to the amount seen at 31 March 2017.

Net profit post minorities (mn€)



€ 120.5

million net profit post minorities (+9.6%)

1.01.02

Analysis of the Group's financial structure and investments

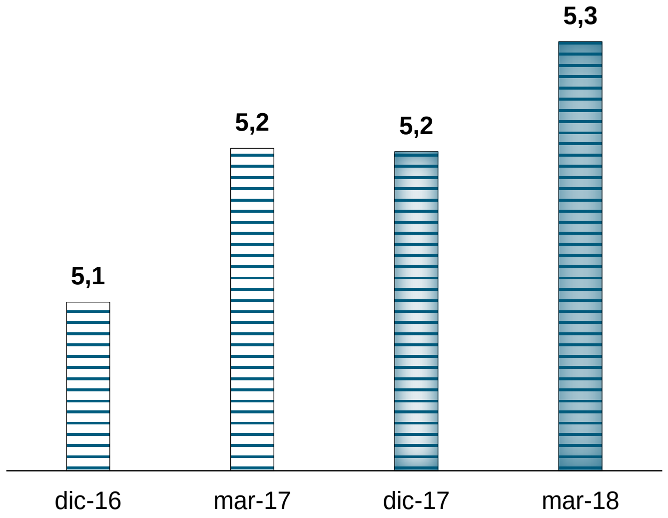
What follows in an analysis of trends in the Group's net invested capital and sources of financing for the period ended 31 March 2018.

The Group's solidity increases

Invested capital and sources of financing (mn€)	mar-18	% Inc.	Dec 17	% Inc.	Abs. Change	% Change
Net non-current assets	5,792.4	109.1%	5,780.6	110.5%	+11.8	+0.2%
Net working capital	92.3	1.7%	23.2	0.4%	+69.1	+297.8%
(Provisions)	(576.7)	-10.9%	(574.8)	-11.0%	-1.9	-0.3%
Net invested capital	**5,308.0**	**100.0%**	**5,229.0**	**100.0%**	**+79.0**	**+1.5%**
Equity	(2,805.9)	52.9%	(2,706.0)	51.7%	-99.9	-3.7%
Long-term borrowings	(2,739.9)	51.6%	(2,735.4)	52.3%	-4.5	-0.2%
Net current debt	237.8	-4.5%	212.4	-4.1%	+25.4	+12.0%
Net debt	(2,502.1)	47.1%	(2,523.0)	48.3%	+20.9	+0.8%
Total sources of financing	**(5,308.0)**	**-100.0%**	**(5,229.0)**	**100.0%**	**-79.0**	**-1.5%**

At 31 March 2018, net invested capital (NIC) came to € 5,308.0 million, with a 1.5% change compared to the € 5,229.0 million recorded in December 2017. The higher amount is mainly linked to the increase in NOC that ensued from climatic factors typical of the first three months of the year and the higher volumes of electricity sold. A contribution to the change in invested capital also came from the increase in net fixed assets owing to the acquisition of holdings in Blu Ranton Srl and Sangroservizi Srl, albeit to a lesser degree.

Net invested capital (bn€)



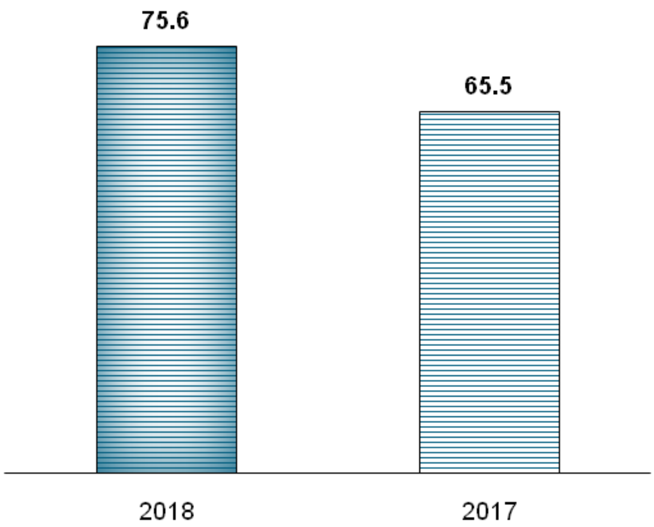
€ 5.3

billion in net invested capital

In the first quarter of 2018, Group investments amounted to € 84.6 million, including € 9.0 million in financial holdings in the companies Blu Ranton srl and Sangroservizi srl. Excluding these financial holdings, net working investments came to € 75.6 million, up € 10.1 million over the previous year. Among financial holdings, 2017 saw the final balance of € 88.5 million for the acquisition of the Aliplast Group, which then became part of its consolidated scope as of April 2017.

Net working investments come to € 75.6 million, up € 10.1 million

Total net working investments (mn€)



€ 75.6

million net working investments (+10.1 million)

The following table shows a subdivision by sector, with separate mention of capital grants:

Total investments (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Gas area	17.9	18.6	-0.7	-3.8%
Electricity area	4.6	4.9	-0.3	-6.1%
Water cycle area	28.0	33.4	-5.4	-16.2%
Waste management area	12.1	5.8	+6.3	+108.6%
Other services area	3.7	4.1	-0.4	-9.8%
Headquarters	14.4	9.4	+5.0	+53.2%
Total operating investments	**80.7**	**76.2**	**+4.5**	**+5.9%**
Capital grants	5.1	10.8	-5.7	-52.8%
of which FoNI (New Investment Fund)	1.9	1.3	+0.6	+46.2%
Total net operating investments	**75.6**	**65.5**	**+10.1**	**+15.4%**
Total financial investments	9.0	88.7	-79.7	-89.9%
Total gross investments	**89.7**	**164.9**	**-75.2**	**-45.6%**
Total net investments	**84.6**	**154.1**	**-69.5**	**-45.1%**

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

Capital grants amounted to € 5.1 million, of which € 1.9 million for FNi investments as foreseen by the tariff method for the integrated water service, down € 5.7 million compared to the previous year. Not including capital grants, Group investments came to € 89.7 million.

Group working investments, including capital grants, came to € 80.7 million, up 5.9% compared to the previous year, and mainly involved interventions on plants, networks and infrastructures. To this, one must add regulatory upgrading concerning above all gas distribution, with a large-scale substitution of metres, and the purification and sewerage areas.

Remarks on investments in each single business area are included in the analyses below.

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 increased by € 5.0 million compared to the same period in the previous year.

In the first three months of 2018, provisions amounted to € 576.7 million, with a slight increase compared to the end of the previous year. This result is mainly due to an increase in adjusting post-mortem landfill provisions and reinstating third party goods due to the application of accounting principle Ias 37.

576.7 million in provisions

Equity rose from € 2,706.0 million in 2017 to € 2,805.9 million in March 2018, going to the benefit of the Group's financial structure. This change is a consequence of the positive result for the period, coming to € 125.9 million.

2.8 billion euro equity

1.01.03

Analysis of net cash (net borrowings)

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

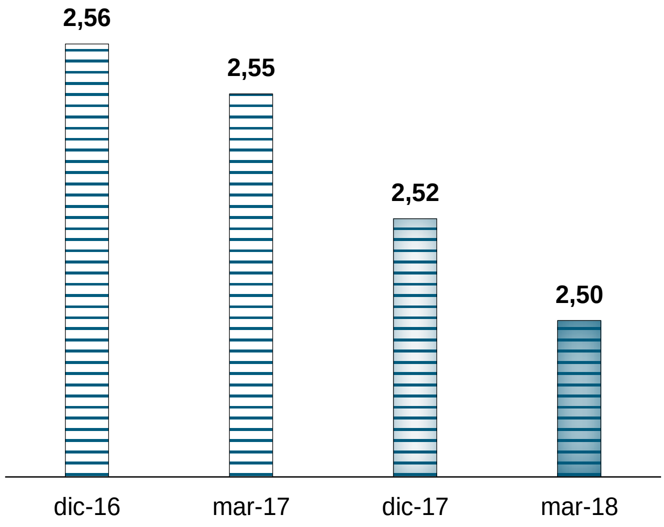
A solid financial position

mn€		Mar 18	Dec 17
a	**Cash and cash equivalents**	**485.9**	**450.5**
b	**Other current financial receivables**	**34.3**	**41.5**
	Current bank debt	(192.8)	(187.0)
	Current bank debt	(54.6)	(55.3)
	Other current financial liabilities	(33.0)	(35.3)
	Finance lease payments maturing within 12 months	(1.9)	(2.0)
c	**Current financial debt**	**(282.3)**	**(279.6)**
d=a+b+c	**Net current debt**	**237.8**	**212.4**
	Non-current bank debt and bonds issued	(2,830.1)	(2,825.3)
	Other non-current financial liabilities	(21.2)	(21.4)
	Finance lease payments maturing after 12 months	(13.5)	(13.9)
e	**Non-current debt**	**(2,864.8)**	**(2,860.6)**
f=d+e	**Net financial position - CONSOB Communication No**	**(2,627.0)**	**(2,648.3)**
g	**Non-current financial receivables**	**124.9**	**125.2**
h=f+g	**Net debt**	**(2,502.1)**	**(2,523.0)**

The overall amount of net financial debt, € 2,502.1 million, improved by roughly € 20.9 million compared to the previous year. The Group’s financial structure at 31 March 2018 shows current financial debt coming to € 282.3 million, of which € 54.6 million in bank loans reaching maturity within the year and € 192.8 million in current bank debt. The latter consists of roughly € 156.9 million in usage of current credit lines and € 35.9 million in accruals for passive interest on financing. The amount concerning non-current bank debt and bonds issued is essentially unchanged with respect to the previous year. At 31 March 2018, medium- and long-term debt was largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (78.6% of the total), with repayment at maturity.
The total debt shows an average time to maturity of over seven years, with 66.3% of the debt maturing after over five years.

Net financial debt went from € 2,523.0 million in 2017 to € 2,502.1 million in March 2018. This positive change is partially natural, tied to seasonal factors, and is thus a consequence of the positive working cash flow recorded at the end of the first quarter.

Net financial debt (bn€)



€ 2.50

billion in net financial debt

1.02

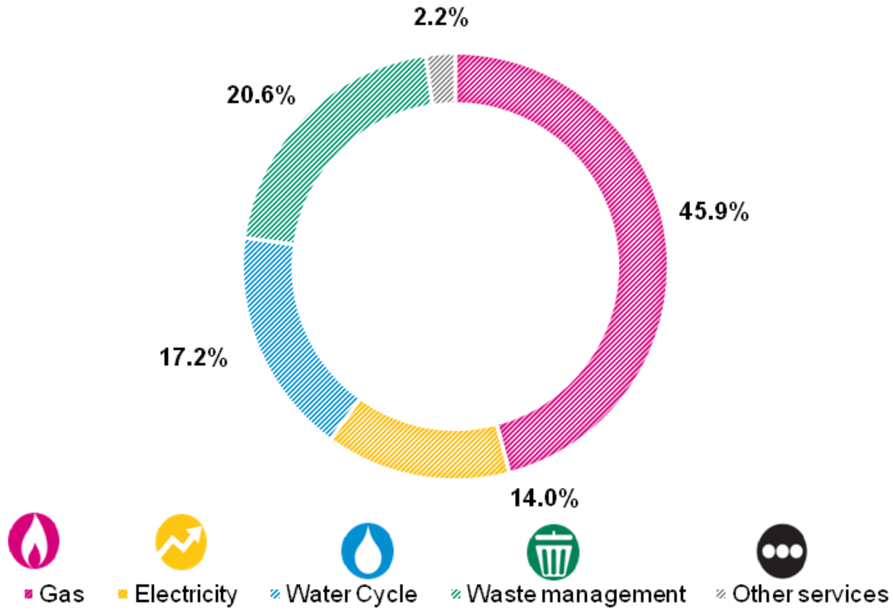
Analysis by business area

Multi-business strategy

An analysis of the results achieved by management in the various business areas in which the Group operates 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 production, 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, recovery and disposal; the other services area, which covers services in public lighting and telecommunications, as well as other minor services.

Ebitda March 2018

In the first quarter, the energy areas amounted to 60% of overall Ebitda, as is natural for the seasonal trends of these businesses



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

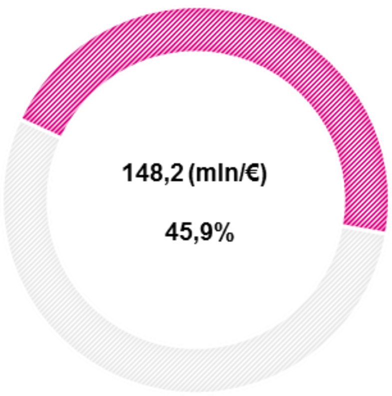
The following analyses of the single business areas take into account all increased revenues and costs, having no impact on Ebitda, related to the application of Ifric 12. The business areas affected by IFRIC 12 are: natural gas distribution services, electricity distribution services, all integrated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

1.02.01
Gas

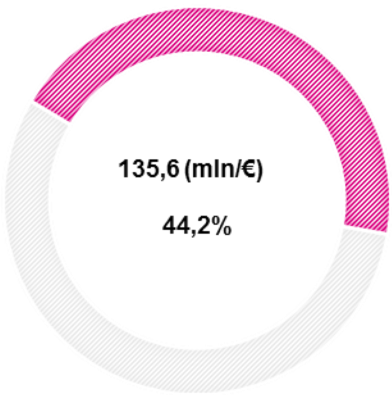
The first quarter of 2018 showed significant growth over the same period in the previous year, in terms of both Ebitda and volumes sold. This result was obtained thanks to lower temperatures, commercial development and a higher amount of trading.

Ebitda rises

2018 Gas area Ebitda



2017 Gas area Ebitda



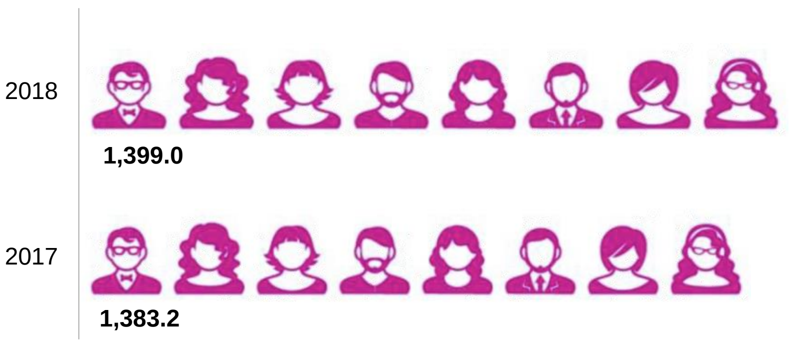
The following table shows the changes occurred in terms of Ebitda:

9.3% growth in Ebitda

(mn€)	Mar-18	Mar-17	Abs. Change	% Change
Area EBITDA	**148.2**	**135.6**	**+12.6**	**+9.3%**
Group EBITDA	322.7	306.8	+15.9	+5.2%
Percentage weight	45.9%	44.2%	+1.7 p.p.	

The number of gas customers rose by 15.8 thousand, or 1.1%, over the first quarter of 2017. This increase was due to both initiatives involving marketing, maintaining and developing the customer base, which accounted for 77% of the growth seen, and broadening it, through the acquisition of Verducci Servizi Srl, which contributed with roughly 3.6 thousand customers.

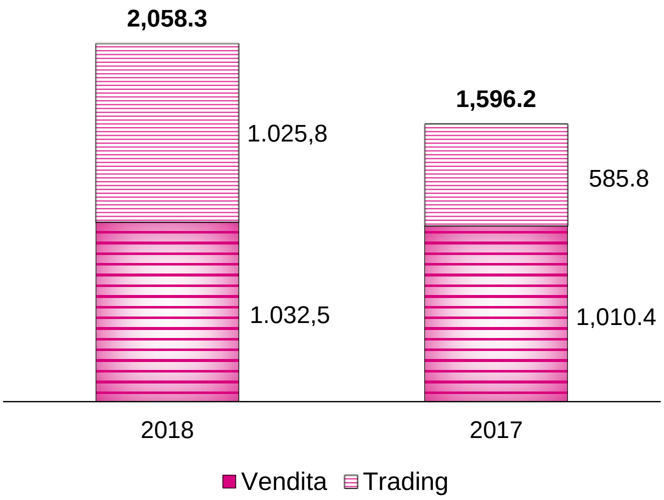
Customers (k)



1.4
million gas customers

Volumes of gas sold rose by 462.1 million m^3, or 29.0%, going from 1,596.2 million m^3 in March 2017 to 2,058.3 in the first quarter of 2018, in which the heating degree days increased by 12% over the previous period. Trading volumes showed growth coming to 440.0 million m^3 (27.6% of total volumes) owing to greater activity abroad, in particular on the TTF. The volumes sold to end customers showed a 1.4% increase over the first quarter of 2017, or 22.1 million m^3, thanks to the colder temperatures and the increased customer base, which accounted for roughly 20.5 million m^3, and the contribution coming from Verducci Servizi Srl, amounting to roughly 1.6 million m^3.

Volumes sold (million m^3)



+29.0%

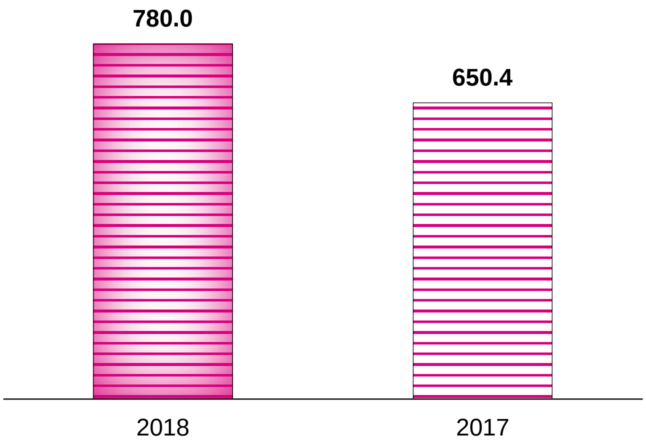
growth in volumes sold

The following table summarises the operating results for the gas area:

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs. Change	% Change
Revenues	780.0		650.4		+129.6	+19.9%
Operating costs	(604.3)	-77.5%	(488.4)	-75.1%	+115.9	+23.7%
Personnel costs	(30.2)	-3.9%	(30.6)	-4.7%	-0.4	-1.3%
Capitalised costs	2.7	0.3%	4.2	0.7%	-1.5	-35.4%
EBITDA	**148.2**	**19.0%**	**135.6**	**20.9%**	**+12.6**	**+9.3%**

Revenues went from € 650.4 million in March 2017 to € 780.0 million in the first quarter of 2018, showing a growth of € 129.6 million or 19.9%. The main reasons for this involve the sales and trading business, with higher revenues coming from trading coming to roughly € 101 million, a higher price of the raw material gas amounting to roughly € 21 million, higher volumes of gas sold coming to € 6.9 million and the acquisition of Verducci Servizi Srl, amounting to roughly € 0.5 million. Revenues for energy efficiency certificates also rose, following an increase in market price, coming to roughly € 5.6 million. This growth was contained by lower revenues from the company Medea, coming to € 3.7 million, which was transferred on 6 April 2018 and recorded according to accounting principle Ifrs 5 – assets held for sale.

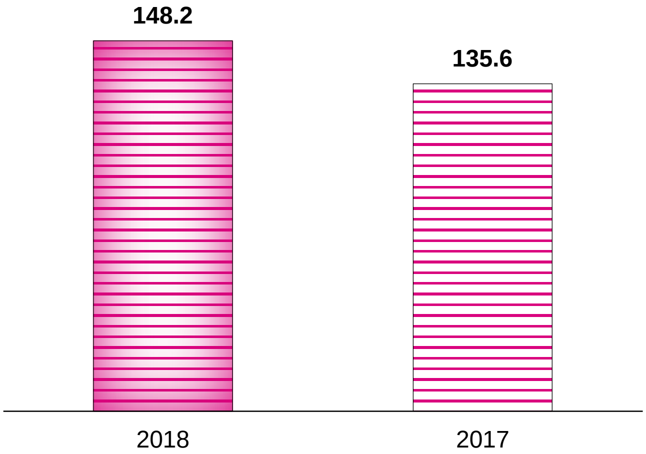
Revenues (mn€)



The increase in revenues was proportionally reflected by a rise in operating costs, which went from € 488.4 million in March 2017 to € 604.3 million at the same date in 2018, thus showing an overall growth of € 115.9 million. This trend is mainly due to higher trading activities, a rise in volumes sold, a higher cost of raw materials and the higher cost per unit of energy efficiency certificates.

Ebitda rose by € 12.6 million or 9.3%, going from € 135.6 million in the first quarter of 2017 to € 148.2 million at 31 March 2018, thanks to higher earnings in trading and greater volumes sold.

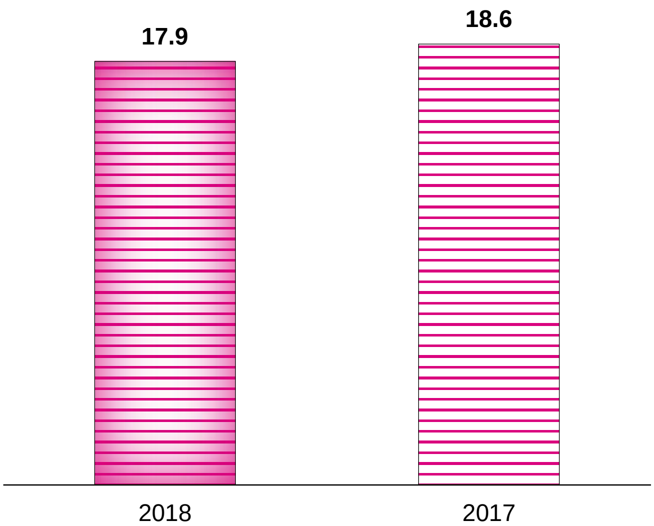
Ebitda (mn€)



€ 148.2
million Ebitda

In the first quarter of 2018, net investments in the gas area came to € 17.9 million, down € 0.7 million compared to the same period in the previous year. A € 1.1 million increase in gas distribution was seen, mainly due to higher non-recurring maintenance of networks and plants, while the request for new connections showed a slight drop compared to the first quarter of the previous year.
Investments fell by € 1.8 million in district heating and heat management, mainly due to the considerable work carried out the previous year in district heating at the Bologna Barca plant. New connections for district heating were in line with the same period in the previous year.

Net investments gas (mn€)



€ 17.9
million net investments in gas

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

Gas (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Networks and plants	16.1	15.0	+1.1	+7.3%
RH/Heat management	1.8	3.6	-1.8	-50.0%
Total Gas Gross	**17.9**	**18.6**	**-0.7**	**-3.8%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total Gas Net	**17.9**	**18.6**	**-0.7**	**-3.8%**

1.02.02

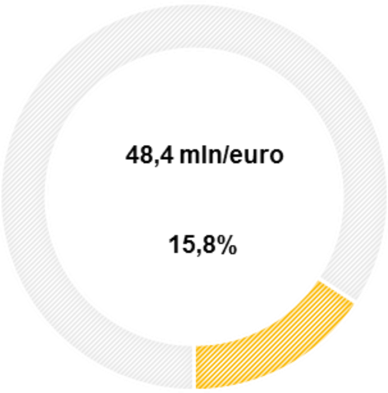
Electricity

A slight drop was seen in the electricity area's Ebitda compared to the same period in the previous year, owing to both the application of accounting principle Ifrs 15, which caused lower revenues amounting to € 4.0 million, and a phase dedicated to the maintenance of a power plant held by the Group.

Ebitda decreases

Electricity area Ebitda 2018

Electricity area Ebitda 2017



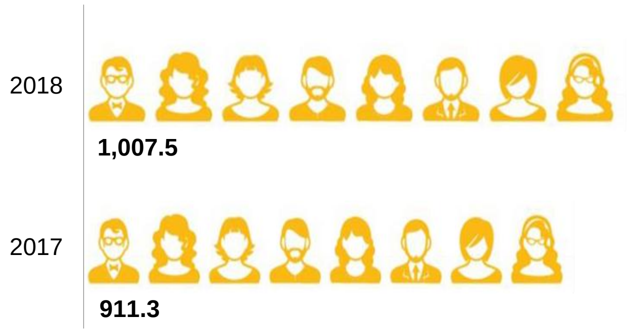
The following table shows the changes occurred in terms of Ebitda:

-6.5%
Ebitda falls

(mn€)	Mar-18	Mar-17	Abs. Change	% Change
Area EBITDA	**45.3**	**48.4**	**-3.1**	**-6.5%**
Group EBITDA	322.7	306.8	+15.9	+5.2%
Percentage weight	14.0%	15.8%	-1.8 p.p.	

The number of electricity customers reached the target of 1.0 million supply points for the first time, rising by 10.6% (96.2 thousand) over the first quarter of 2017. This significant growth came about both on the free market, which accounted for 9.3% of the total, as an effect of the reinforced marketing initiatives, in particular in areas of Central Italy, and in the widened customer base, thanks to the newly supplied protected customers in the municipality of Gorizia, coming to roughly 13 thousand customers.

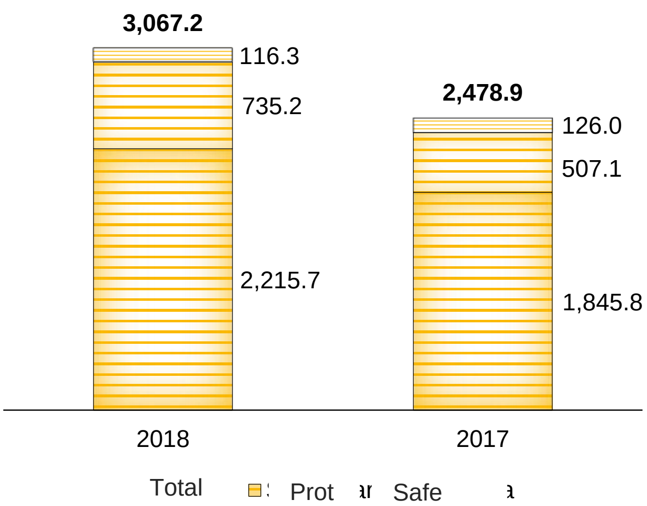
Customers (k)



1.0
million electricity customers

The volumes of electricity sold went from 2,478.9 GWh at 31 March 2017 to 3,067.2 GWh at 31 March 2018, with an overall rise of 23.7%, or 588.3 GWh. Volumes sold on the free market increased by 14.9% out of the total, while safeguarded volumes increased by 9.2% compared to the total.

Volumes sold (GWh)



3.1
TWh sold

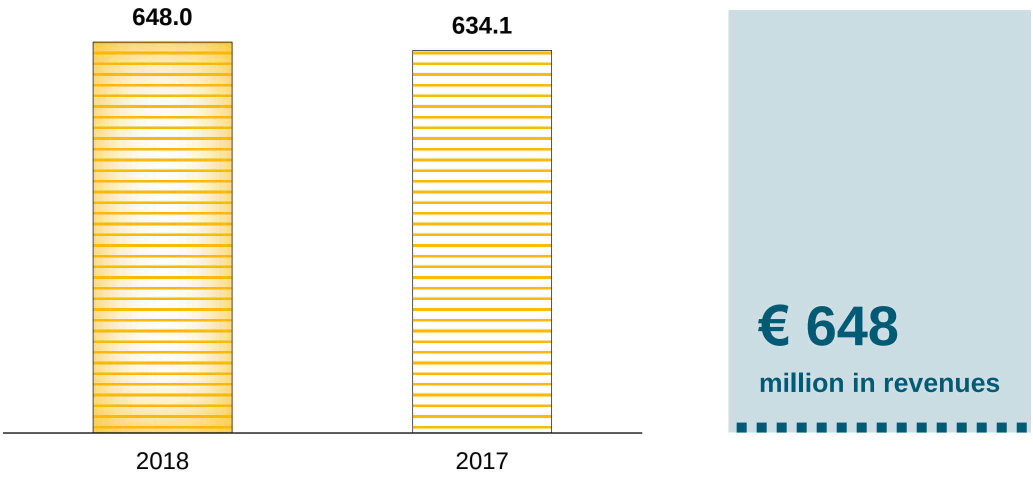
The following table summarises operating results for the area:

Ebitda drops by € 3.1 million

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs. Change	% Change
Revenues	**648.0**		634.1		+13.9	+2.2%
Operating costs	**(594.3)**	-91.7%	(577.2)	-91.0%	+17.1	+3.0%
Personnel costs	**(10.9)**	-1.7%	(10.9)	-1.7%	+0.0	+0.0%
Capitalised costs	**2.4**	0.4%	2.4	0.4%	+0.0	+0.0%
EBITDA	**45.3**	**7.0%**	**48.4**	**7.6%**	**-3.1**	**-6.5%**

Revenues rose by 2.2%, going from € 634.1 million in March 2017 to 648.0 in the same period of 2018. The main reasons underlying this growth are the € 54 million increase in revenues for volumes sold and the € 50 million extra-network transportation and for system charges, with no effect on costs. This trend was offset by lower revenues for trading amounting to roughly € 54 million, the lower price of raw materials coming to roughly € 15 million and lower revenues for electricity production for the Teverola plant maintenance mentioned above. Lastly, the application of accounting principle Ifrs15 reduced revenues by € 4.0 million.

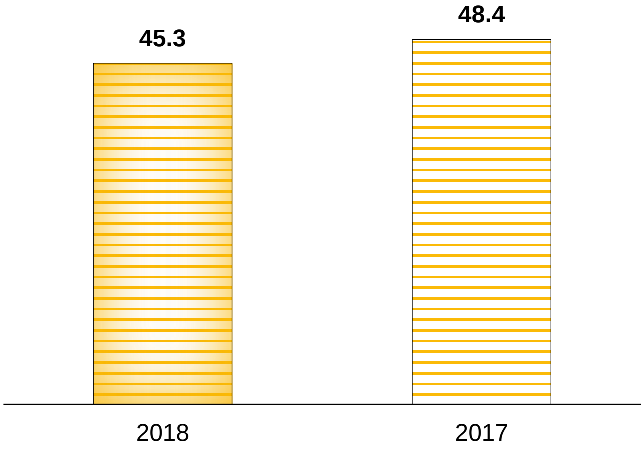
Revenues (mn€)



The increase in revenues was proportionally reflected in operating costs, which rose from € 577.2 million in the first quarter of 2017 to € 594.3 million in the same period in 2018, thus showing an overall increase of € 17.1 million. This change is mainly due to the higher volumes sold, in spite of the lower price for raw materials and the lesser activity in electricity production.

At 31 March 2018, Ebitda fell by € 3.1 million, or 6.5%, going from € 48.4 million in 2017 to € 45.3 million in 2018, owing to lower earnings in electricity production on account of the reasons mentioned above and the effects of applying Ifrs 15, in spite of the higher earnings coming from volumes sold in the safeguarded market.

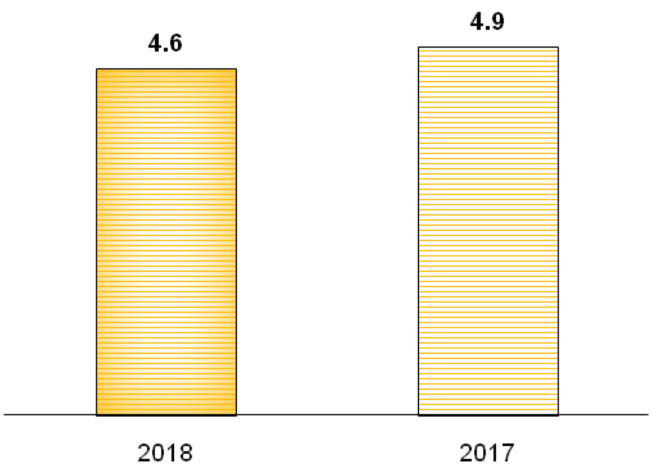
Ebitda (mn€)



€ 45.3
million
Ebitda

Investments in the electricity area came to € 4.6 million in the first quarter of 2018, with a slight drop compared to the € 4.9 million seen in the first quarter of the previous year.
The interventions mainly concerned non-recurring maintenance of plants and distribution networks in the areas surrounding Modena, Imola, Trieste and Gorizia.
Compared to the first quarter of the previous year, less significant interventions were seen in network extensions and less non-recurring maintenance was done on the Imola Cogen plant.
Request for new connections were fundamentally in line with March of the previous year.

Net investments electricity (mln/euro)



€ 4.6
million net investments in the electricity area

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

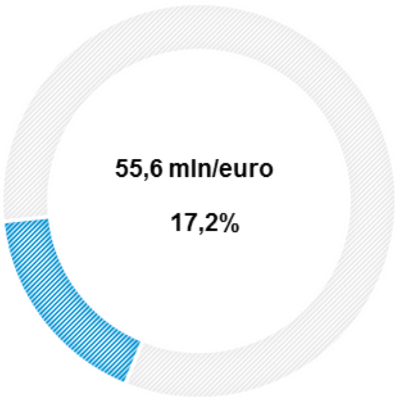
Eletricity (mn€)	Mar-18	Mar-17	Abs. Change	%Change
Networks and plants	4.6	4.9	-0.3	-6.1%
Total Electricty Gross	**4.6**	**4.9**	**-0.3**	**-6.1%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total Electricity Net	**4.6**	**4.9**	**-0.3**	**-6.1%**

1.02.03
Integrated water cycle

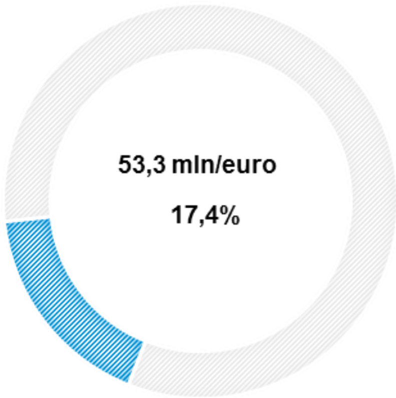
In the first quarter of 2018, the integrated water cycle area recorded a € 2.3 million or 4.3% growth in Ebitda. From a regulatory point of view, note that 2018 is the third year in which the tariff method defined by the Authority for 2016-2019 (resolution 664/2015) was applied, and that in both financial years the revenue covering the underlying cost of amortisation related to investments is recognized on an accrual basis.

Growing results in the first quarter of 2018

2018 Water cycle Ebitda



2017 Water cycle Ebitda



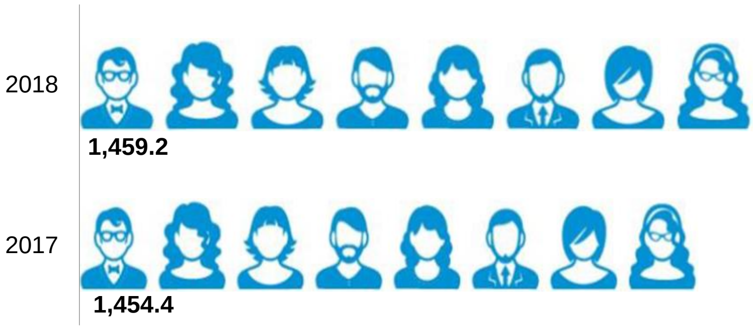
The following table shows the changes occurred in terms of Ebitda:

4.3% rise in Ebitda

(mn€)	Mar-18	Mar-17	Abs. Change	% Change
Area EBITDA	**55.6**	**53.3**	**+2.3**	**+4.3%**
Group EBITDA	322.7	306.8	+15.9	+5.2%
Percentage weight	17.2%	17.4%	-0.2 p.p.	

The number of water customers settled at 1.5 million, increasing by 4.8 thousand or 0.3% compared to the first quarter of 2018, confirming the moderate trend of growth seen in the localities served by the Group, mainly in the Emilia-Romagna area, served by Hera Spa.

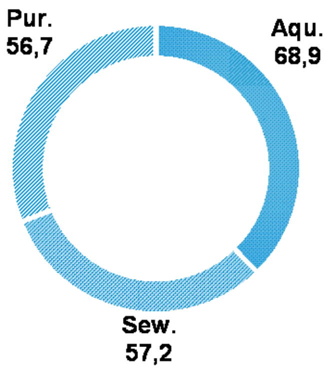
Customers (k)



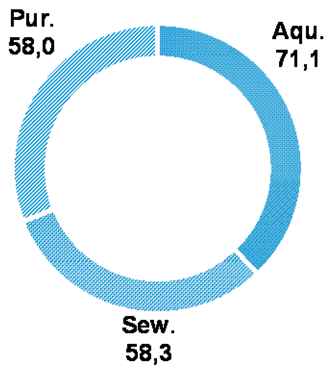
1.5
million customers in the integrated water cycle

The main quantitative indicators of the area are as follows:

69 million m³ managed in the aqueduct



Quantity managed 2018 (mn/m³)



Quantity managed 2017 (mn/m³)

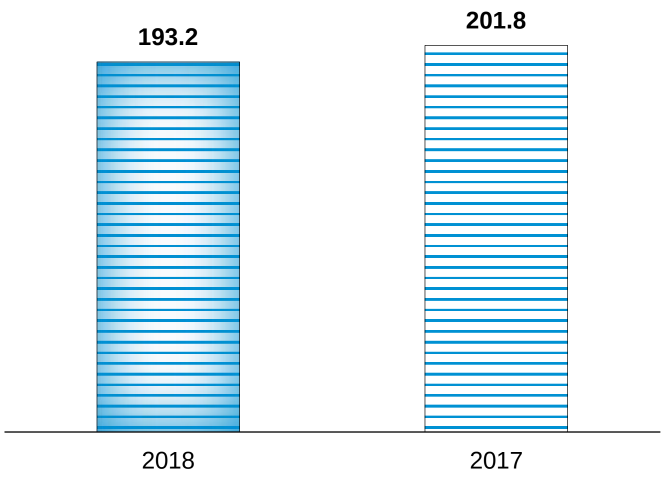
The volume dispensed in the aqueduct showed a 2.2 million m³ or 3.1% decrease, mainly due to the higher amount of rain and snow seen in the first quarter of 2018 compared to the same period in the previous year. Furthermore, a drop was recorded in the quantity managed in sewerage (coming to 1.9%) and purification (roughly 2.2%) compared to the quantities seen in March 2017. The volumes dispensed, following the Authority's resolution no. 664/2015, are an indicator of the activities of the areas in which the Group operates and are subject to equalisation thanks to regulations that call for regulated revenues to be recognised independently of volumes distributed.

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

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs.Change	% Change
Revenues	193.2		201.8		-8.6	-4.3%
Operating costs	(96.3)	-49.8%	(106.5)	-52.8%	(10.2)	(9.6%)
Personnel costs	(42.5)	-22.0%	(42.9)	-21.2%	(0.4)	(0.9%)
Capitalised costs	1.2	0.6%	0.8	0.4%	+0.4	+48.7%
EBITDA	**55.6**	**28.8%**	**53.3**	**26.4%**	**+2.3**	**+4.3%**

Revenues, not including a different representation of interventions and works capitalised among Group companies, amounting to roughly € 11 million and passing to costs, showed a € 2.4 million or 1.2% increase. This trend is due to the higher revenues from dispensing coming to roughly € 1.5 million, as a result of the tariffs provided for by the Authority for the three-year period 2016-2019 and a recognition of contract quality bonuses, ensuing from improved standards compared to the ones foreseen by the Authority. Furthermore, higher revenues for subcontracted works in the first quarter of 2018 came to roughly € 1.0 million.

Revenues (mn€)



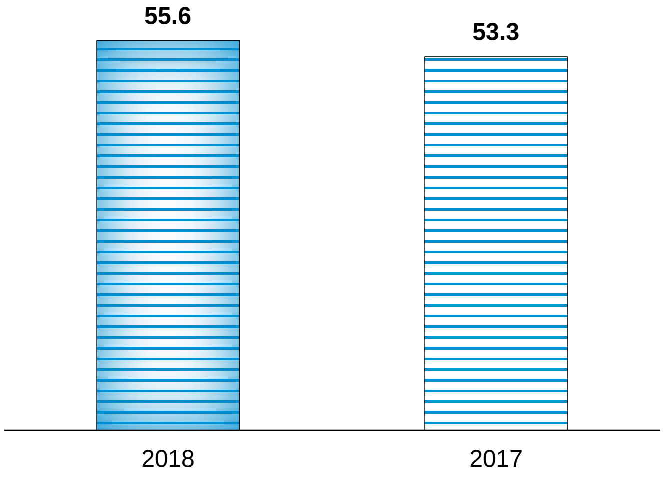
€ 193.2

million revenues in the integrated water cycle

Operating costs, not including the aforementioned interventions and works capitalised among Group companies, rose by € 0.8 million or 0.8% overall. Note the higher costs for subcontracted works amounting to € 1.0 million overall.

Ebitda showed a € 2.3 million or 4.3% increase, going from € 53.3 million in March 2017 to € 55.6 million in the same period in 2018, mainly due to the higher revenues from dispensing.

Ebitda (mln/euro)

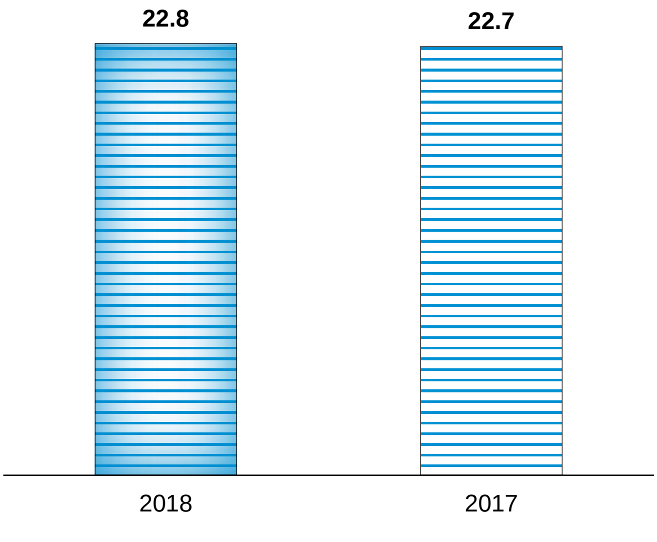


€ 55.6

million Ebitda in the integrated water cycle

In the first quarter of 2018, net investments in the integrated water cycle area amounted to € 22.8 million, essentially in line with the same period of the previous year. Including the capital grants received, which dropped by € 5.7 million, the investments made decreased by € 5.4 million and came to € 28.0 million, as compared to the € 33.4 million seen in the first quarter of the previous year.
Investments mainly concerned extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage.
Investments were made amounting to € 14.1 million in the aqueduct, € 10.2 million in sewerage and € 3.6 million in purification.

Net investments water cycle (mln/euro)



€ 22.8

million net investments in the water cycle

Among the more significant works, note in particular: in the aqueduct, upgrading interconnections in the Modena area water system, upgrading hanging reservoirs and more extensive interventions in the Padua and Trieste areas; 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, the lower investments compared to the previous year depended above all on the significant work done in upgrading the Servola purification plant, in the area served by AcegasApsAmga, carried out in the first quarter of the previous year.
Requests for new water and sewerage connections dropped compared to the previous year.
Capital grants amounting to € 5.1 million included € 1.9 million pertaining to the tariff component provided for by tariff method for the New Investments Fund (FoNI) and fell compared to the previous year, mainly due to the amount concerning the Servola purifier.
Details of operating investments in the integrated water cycle area are as follows:

Water Cycle Area (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Aqueduct	14.1	12.8	+1.3	+10.2%
Purification	3.6	12.8	-9.2	-71.9%
Sewage	10.2	7.8	+2.4	+30.8%
Total Water Cycle Gross	**28.0**	**33.4**	**-5.4**	**-16.2%**
Capital grants	5.1	10.8	-5.7	-52.8%
of which FoNI (New Investment Fund)	*1.9*	*1.3*	+0.6	+46.2%
Total Water Cycle Net	**22.8**	**22.7**	**+0.1**	**+0.4%**

Significant operating investments in the aqueduct, sewerage and purification

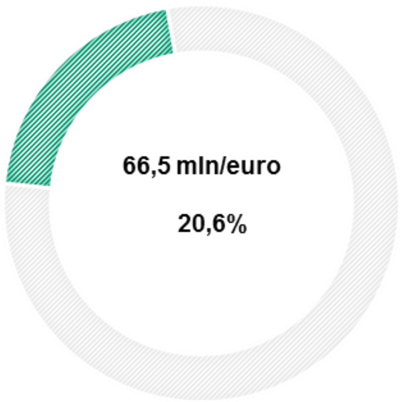
1.02.04

Waste management

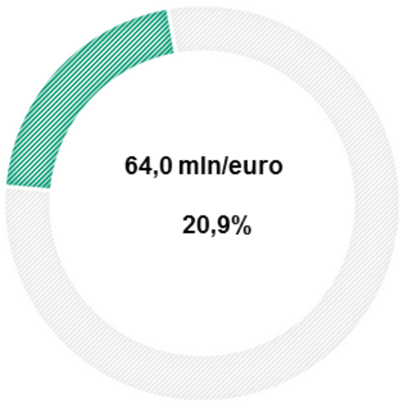
In March 2018 the waste management area accounted for 20.6% of the Hera Group's Ebitda, with an area Ebitda increasing over the same period in 2017. Compared to the first quarter of 2017, the waste management area benefitted both from the entry in April 2017 of the Aliplast Group, a leader in plastic recycling, and from a rise in prices for market waste.

Ebitda rises

2018 Waste management Ebitda



2017 Waste management Ebitda



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

Growth in Ebitda: +3.9%

(mn€)	Mar-18	Mar-17	Abs. Change	% Change
Area EBITDA	**66.5**	**64.0**	**+2.5**	**+3.9%**
Group EBITDA	322.7	306.8	+15.9	+5.2%
Percentage weight	20.6%	20.9%	-0.3 p.p.	

An analysis of the volumes marketed and treated by the Group during the first quarter of 2018 is provided in the following table:

Quantative data (mgl/t)	Mar-18	Mar-17	Abs. Change	% Change
Urban waste	523.8	527.7	-3.9	-0.7%
Market waste	551.5	571.0	-19.5	-3.4%
Wasted marketed	**1,075.2**	**1,098.7**	**-23.5**	**-2.1%**
Plant by-products	846.3	588.3	+258.0	+43.9%
Waste treated by type	**1,921.5**	**1,687.0**	**+234.5**	**+13.9%**

As of the first quarter of 2018, urban waste also takes in certain commercial volumes previously included in market waste. The data from the first quarter of 2017 has been restated, with a different distribution between urban and market waste, in order to reflect the classification of the current year.

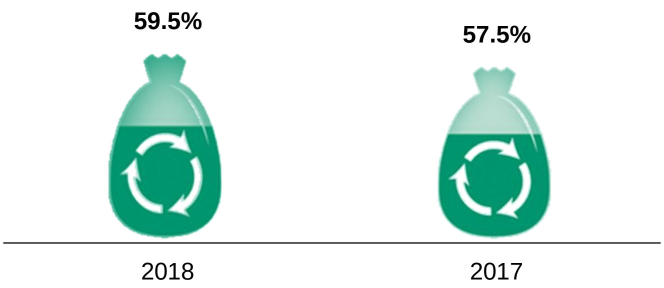
Market waste down by 3.4%

An analysis of the quantitative data shows a 2.1% drop in waste marketed, mainly due to a decrease in market waste coming to 3.4%. This reduction in market volumes ensued from a drop in the amount disposed in the Group's landfills and lesser activity in intermediation.

Urban waste fell slightly, while sub-products from plants increased owing to a higher production of leachate in landfills, caused by the higher degree of rainfall in the first quarter of 2018 compared to the same period in 2017.

Sorted urban waste showed further progress, going from 57.5% in the first quarter of 2017 to 59.5% in the same period of the current year. In March 2018, sorted urban waste collection rose by 1.5% in the areas served by Hera Spa, by 9.0% in the areas served by Marche Multiservizi Spa and by 1.2% in the Triveneto area.

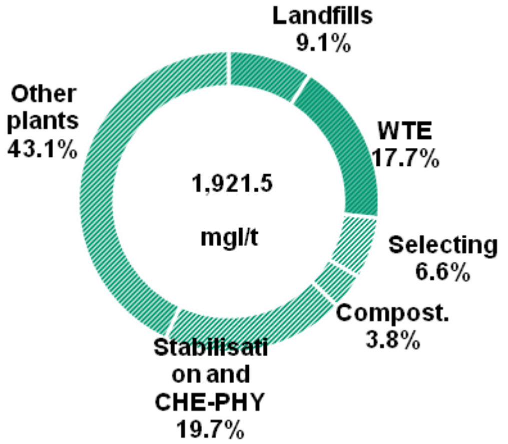
Sorted waste (%)



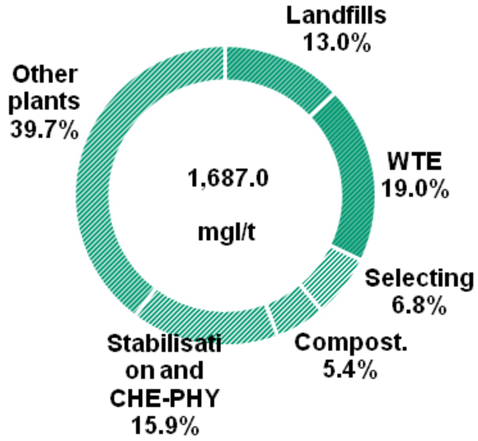
+2.0
sorted waste

Decreased use of landfills

Waste disposed of by type of type of plant March 2018



Waste disposed of by



plant March 2017

Quantative data (mgl/t)	mar-18	mar-17	Abs.Change	% Change
Landfills	174.0	220.1	-46.1	-20.9%
Waste-to-energy plants	340.2	320.7	+19.5	+6.1%
Selecting plant and other	127.4	115.3	+12.1	+10.5%
Composting and stabilisation plants	73.9	91.8	-17.9	-19.5%
Stabilisation and chemical-physical plants	377.8	269.0	+108.8	+40.4%
Other plants	828.3	670.2	+158.1	+23.6%
Waste treated by plant	**1,921.5**	**1,687.0**	**+234.5**	**+13.9%**

The Hera Group operates in the entire waste cycle, with 89 plants used for urban 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. The entry of the Aliplast Group in the second half of 2017 contributed with six selecting plants and three material transformation plants.

Waste treatment saw growth coming to 13.9% compared to the first quarter of 2017, with lower quantities disposed of in landfills. Concerning waste to energy plants, the increase in waste treated is mainly due to a different scheduling of plant suspensions and planned maintenance compared to the same period in 2017. The rise in selection plants can be ascribed to the higher quantities treated, mainly at the Castiglione delle Stiviere plant. The lower quantities in the composting and stabilising plants are mainly due to planned maintenance activities on some plants for regulatory upgrading. The higher quantities in the chain of inertisation and chemical-physical plants is due to an increase in leachate from landfills, owing to higher rainfall. Lastly, the set of subcontracted/other plants benefitted from the acquisitions of the Aliplast Group, the higher quantities treated by Waste Recycling and an increase in sub-products treated in subcontracted plants.

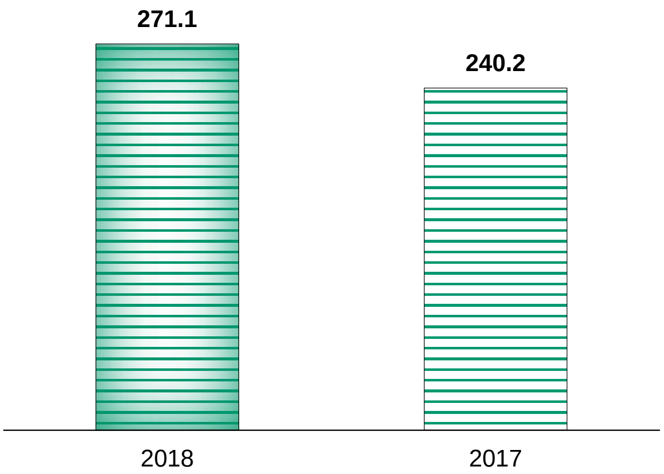
The table below summarises the operating results in this area:

Ebitda rises

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs. Change	% Change
Revenues	271.1		240.2		+30.9	+12.9%
Operating costs	(155.1)	-57.2%	(130.0)	-54.1%	+25.1	+19.3%
Personnel costs	(51.4)	-18.9%	(47.6)	-19.8%	+3.8	+8.0%
Capitalised costs	1.8	0.7%	1.4	0.6%	+0.4	+28.5%
EBITDA	**66.5**	**24.5%**	**64.0**	**26.6%**	**+2.5**	**+3.9%**

Revenues in march 2018 rose by 12.9% or € 30.9 million, going from € 240.2 million at 31 March 2017 to € 271.1 million in the first quarter of 2018. Not including the change in scope of operations concerning the Aliplast Group, which contributed with roughly € 27.0 million, the waste management area showed revenues growing by roughly € 4 million over March 2017. This increase is due to the positive trend in the price of special waste, which offset the lower volumes treated, lower revenues from electricity production and the end of urban hygiene management in 13 Municipalities in the Forlì area as of 1 January 2018.

Revenues (mn€)



€ 271.1

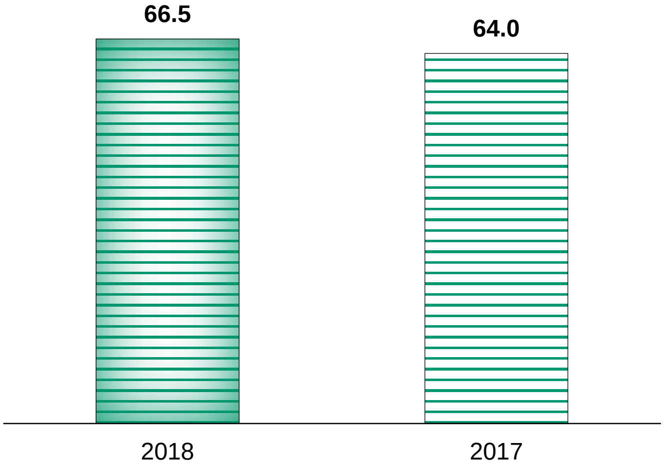
million revenues in waste management

Operating costs in the first three months of 2018 rose by 19.3% or € 25.1 million, going from € 130.0 million in March 2017 to € 155.1 million in the first quarter of 2018. Not including the Aliplast Group, which contributed with roughly € 20.0 million, the waste management area showed costs rising by roughly € 5.1 million compared to March 2017. This trend is due to higher costs in the business of waste treatment tied to the development of sub-product recovery and externalisation and the development of new projects in sorted waste, and was partially offset by lower costs in WTE plant maintenance and lower costs involved in the Forlì area, as mentioned above.

The cost of personnel, not including the changes in scope of operations due to the entry of the Aliplast Group, and the transfer of resources for carrying out collection activities in the Forlì area, as mentioned above, showed a growth of 1.6%.

Ebitda went from € 64.0 million in the first quarter of 2017 to € 66.5 million in the same period of 2018, showing a 2,5 million or 3.9% growth. This trend is due to the Aliplast Group, for roughly € 3.0 million, and to higher prices for special waste, in spite of the lower volumes in the treatment business and lower revenues from electricity production.

Ebitda (mn€)

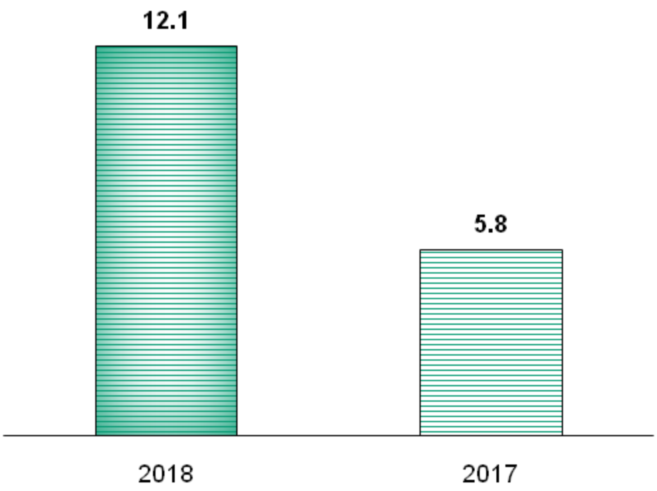


€ 66.5

million waste management Ebitda

Net investments in the waste management area concerned plant maintenance and upgrading interventions amounting to € 12.1 million, up € 6.3 million over the first quarter of the previous year.
La composter/digester chain showed a remarkable increase in investments, coming to € 4.4 million, mainly due to interventions on the Sant'Agata Bolognese composter, for activities involved in the creation of the biomethane plant.
The decrease in investments in landfills, coming to € 0.5 million, can mainly be attributed to the work done in 2017 in creating the 9th sector of the Ravenna landfill, new interventions on the Cordenons plant and other work with a lower overall value.
In the WTE chain, a slight decrease was seen due to work on the Padova and Trieste plants, amounting to an overall value lower than the interventions seen in the first quarter of 2017 for the project of modifying the Pozzilli vapour generator and the maintenance interventions on the Rimini and Forlì plants.
The chain of ecological islands and collection equipment saw investments rising by € 0.5 million, mainly in the area served by the company Hera Spa, while the increase in the selection and recovery plant chain, coming to € 1.9 million, is mainly due to investments in the plants of the Aliplast Group, in particular concerning the company Alimpet's PET line.

Net investments waste management (mn€)



€ 12.1

million net investments in waste management

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

Waste Management (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Composting/Digestors	4.7	0.3	+4.4	+1466.7%
Landfills	1.3	1.8	-0.5	-27.8%
WTE	1.4	1.6	-0.2	-12.5%
RS Plants	0.4	0.3	+0.1	+33.3%
Ecological areas and gathering equipment	1.4	0.9	+0.5	+55.6%
Transshipment, selection and other plants	2.8	0.9	+1.9	+211.1%
Total Waste Management Gross	**12.1**	**5.8**	**+6.3**	**+108.6%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total Waste Management Net	**12.1**	**5.8**	**+6.3**	**+108.6%**

Operating investments increase

1.02.05

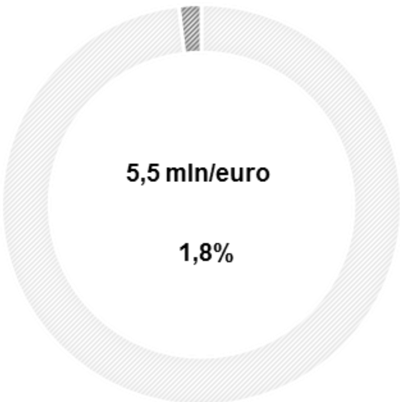
Other services

Ebitda rises

The other services area brings together all minor services managed by the Group, including public lighting, telecommunications and cemetery services. In the first three months of 2018, area results increased by 30.8% compared to the same period in the previous year: Ebitda in fact went from € 5.5 million in the first quarter of 2017 to € 7.2 million in the same period of 2018.

2018 Other services Ebitda

2017 Other services Ebitda



The changes occurred in Ebitda are as follows:

(mn€)	Mar-18	Mar-17	Abs. Change	% Change
Area EBITDA	**7.2**	**5.5**	**+1.7**	**+30.8%**
Group EBITDA	322.7	306.8	+15.9	+5.2%
Percentage weight	2.2%	1.8%	+0.4 p.p.	

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

Quantative data	Mar-18	Mar-17	Abs. Change	% Change
Public lighting				
Lighting points (thousands)	521.8	499.6	+22.2	+4.4%
of which led	13.0%	6.5%	+6.5 p.p.	
Municipalities served	165.0	157.0	+8.0	+5.1%

521.8 thousand lighting points

An analysis of the data regarding public lighting shows a growth of 22.2 thousand lighting points and the acquisition of 8 new Municipalities managed. Over the first three months of 2018, the Hera Group acquired roughly 28 thousand lighting points 14 new Municipalities. The most significant acquisitions were in Abruzzo, with roughly 10 thousand lighting points, Lazio with roughly 7 thousand lighting points and the Triveneto area with roughly 10 thousand lighting points, mainly in the Provinces of Udine and Venice. These increases fully offset the loss of roughly 6 thousand lighting points and 6 Municipalities managed, mainly in the Provinces of Forlì and Padua. The percentage of lighting points using led light bulbs also grew, settling at 13.0% in the first quarter of 2018, up 6.5%. This trend is indicative of the Group's constant attention towards an increasingly efficient and sustainable management of public lighting.

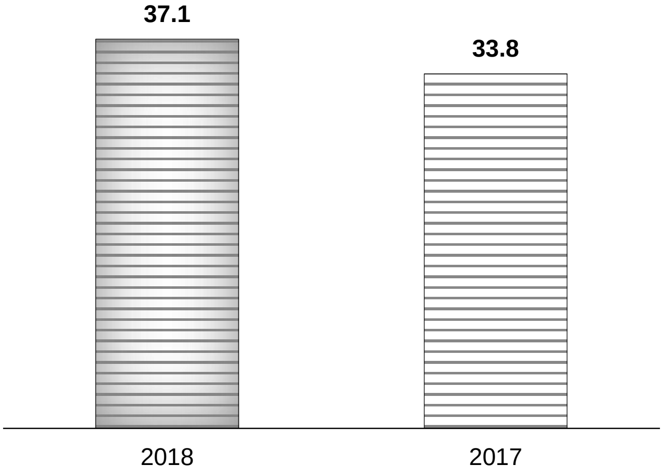
The operating results of the area are as follows:

Area grows

Income statement (mn€)	Mar-18	% Inc.	Mar-17	% Inc.	Abs. Change	% Change
Revenues	37.1		33.8		+3.3	+9.8%
Operating costs	(25.5)	-68.7%	(23.6)	-69.8%	+1.9	+8.1%
Personnel costs	(5.0)	-13.6%	(5.2)	-15.4%	-0.2	-3.8%
Capitalised costs	0.6	1.6%	0.5	1.6%	+0.1	+18.4%
EBITDA	**7.2**	**19.3%**	**5.5**	**16.4%**	**+1.7**	**+30.8%**

Revenues for the area increased over March 2017 by € 3.3 million, going from € 33.8 million to € 37.1 million in March 2018. This growth is due to the positive contribution coming from public lighting, whose revenues were up roughly € 1.7 million due to the good outcome of participation in public tenders, and from telecommunications, whose revenues increased thanks to more external marketing collaborations and the contribution coming from digitalisation and innovations processes introduced by the Hera Group.

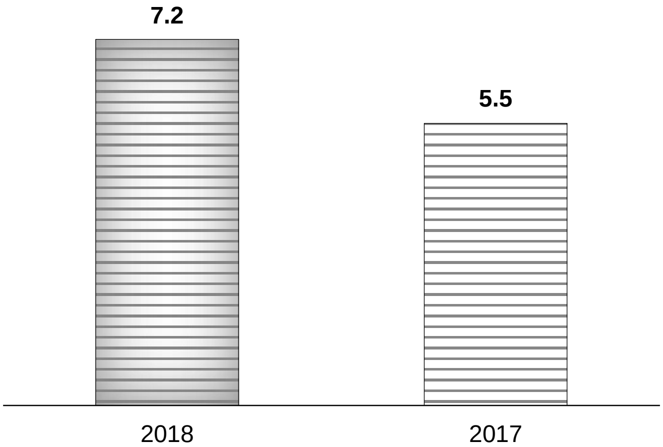
Revenues (mn€)



€ 37.1
million revenues in Other services

Ebitda showed a € 1.7 million growth over the first quarter of 2017, due to higher earnings in public lighting and telecommunications services.

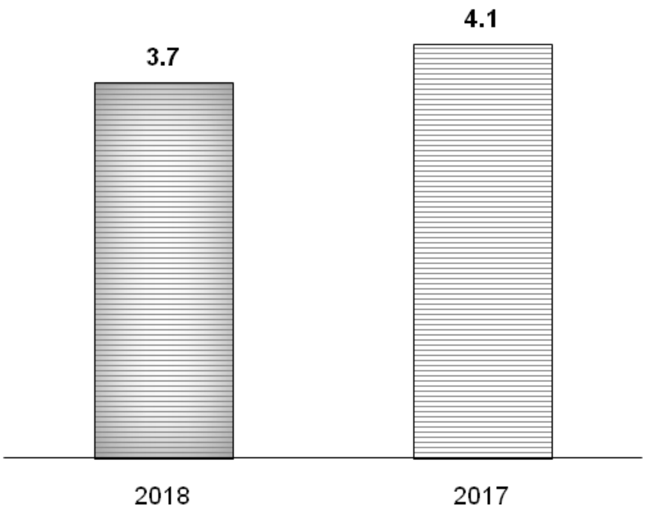
Ebitda (mn€)



€ 7.2
million Ebitda Other services

Investments in the other services area came to € 3.7 million, falling by € 0.4 million compared to the previous year.
In telecommunications, € 2.0 million of investments were made in networks and Tlc and Idc (Internet data centre) services, falling compared to the first quarter of 2017, while in the public lighting services, investments amounting to € 1.8 million concerned maintenance, enhancement and modernisation of lampposts, with a € 0.5 million increase that mainly concerned managing services in Marche Multiservizi, for interventions in the Municipality of Pesaro.

Net investments other services (mn€)



€ 3.7
million net investments in other services

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

Other Services (mn€)	Mar-18	Mar-17	Abs. Change	% Change
Tlc	2.0	2.9	-0.9	-31.0%
Lighting and Street Lights	1.8	1.3	+0.5	+38.5%
Total Other Services Gross	**3.7**	**4.1**	**-0.4**	**-9.8%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total Other Services Net	**3.7**	**4.1**	**-0.4**	**-9.8%**

1.03
Share performance and investor relations

During the first quarter of 2018, all main global stock indexes, after an encouraging beginning sustained by a general improvement in the macroeconomic context, fell back into negative figures, showing increasing nervousness, clearly visible in the peaks of volatility witnessed during some trading sessions. Expectations for faster growth in inflation rates, sustained among other things by the substantial fiscal reform launched by the United States administration, were at the root of a change in the outlook of financial operators, who in their evaluations began to include the effects of a rapid reduction of the central banks' expansionist monetary policies.

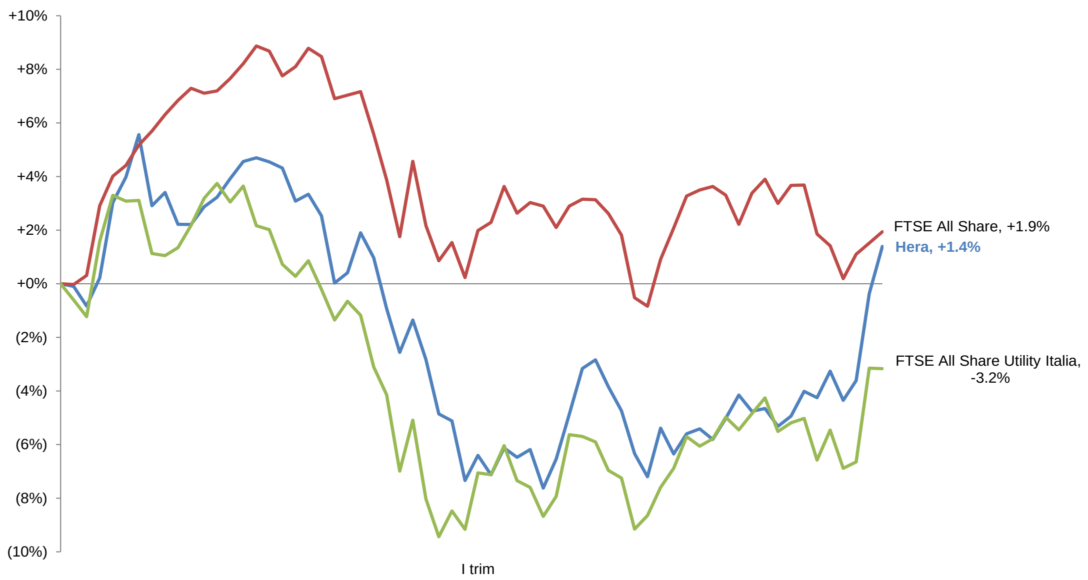
Global stock markets fall in the first quarter of 2018: only the Italian stock exchange shows positive figures

The Italian market stood out for having closed the quarter in a reverse trend compared to the other European markets, thanks to a notable exposure to the financial sector, that recorded a positive performance as the main beneficiary of a scenario including a rise in interest rates. The utilities sector, instead, felt the impact of a higher return on bonds, which made the dividends it pays less attractive and drives investors to profit from stock that showed a better market trend over 2017.

In this context, Hera stock constantly outperformed its reference sector, for the entire period in question, closing the quarter with positive results (+1.4%, at 2.97 euro), quite close to the Italian stock market index. The trend shown by the price of Hera stock was sustained by the Group's strategy, clearly oriented towards growth, as outlined in the Business plan to 2021 and presented to the financial community in the months of January and February as part of an international road show. The valid bases of this strategy were confirmed by the publication of yearly results in the month of March.

Negative trend for utilities: Hera's performance shows a reverse trend compared to the sector

1Q 2018 Hera stock, utility sector and Italian market performance comparison



Hera's Board of Directors, that met on 27 March 2018 to approve the yearly results for 2017, decided to put to the attention of the Shareholders Meeting a proposal for the payment of a 9.5 cent/share dividend, up 5.6% over the one paid in 2017 and in line with the indications contained in the Business plan. Following the shareholders' approval, which was granted during the Meeting held on 26 April 2018, the ex-dividend date has been set at 18 June, with payment on 20 June.

9.5 cent
dividend to be paid in June

The joint effect of continuous payments made to shareholders through dividends and an increase in the price of the stock allowed 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 +228.3%.

+228%
total shareholders' return since the Ipo

The financial analysts covering the company (Banca Akros, Banca IMI, Equita Sim, Intermonte, Kepler Cheuvreux, MainFirst and Mediobanca) expressed a clear prevalence of positive judgements, with almost all recommendations defined as buy/outperform. At the end of the quarter, the consensus target price came to 3.37 euro, above the 3.15 euro recommended at the end of 2017. During the first quarter, Equita Sim improved its rating from hold to buy and raised the objective price from 3.20 euro to 3.50 euro.

Breakdown of Group Shareholders at 31 March 2018

At 31 March, 49.5% of the corporate structure consisted of shares belonging to 118 public shareholders located across the geographical areas served and regulated by a stockholders' agreement (signed on 26 June 2015 and in force for three years), while 50.5% of the shares were floating.

49.5%:
the share capital pertaining to the public shareholders' stockholders agreement

Since 2006, Hera has adopted a share buyback program, renewed by the Shareholders Meeting of 26 April 2018 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 17.4 million treasury shares.

After the publication of the new 2017-2021 Business plan, Hera's senior management took part in a road show covering the main European and North American financial markets, to illustrate the Group's growth targets to investors. This timely communication campaign met with significant interest from institutional investors, and proved to bear positive results for the stock's performance during the period in question.
The intense dialogue cultivated by Hera with investors and all stakeholders has helped reinforce its market reputation and represents an intangible asset that favours Hera stock and stakeholders.

Dialogue 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

According to the latest Top Utility report drafted by Althesys, the public utilities sector plays a leading role within the Italian economy, accounting for approximately 7% of the country's Gross domestic product (GDP). This result, however, represents levels of service and efficiency that differ greatly across the country on account of the high level of fragmentation among operators. The most recent census, carried out by the government in 2014, counted no less that 1,500 of the latter, a figure which is quite distant from the standards seen in other European Union countries. With the goal of improving the efficiency and transparency seen in these services, 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 expected 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 more wide-reaching investment plans. The areas concerned by the tenders have in fact been geographically widened, now covering provinces instead of municipalities, as was previously the case. It follows that, according to estimates made by sector professionals, a reduction should be seen in the number of companies, from over 200 to twenty or thirty.

In late 2017, the government also established that regulations for the waste management sector were to pass over to the Authority for electricity, gas and the water service, which was thus renamed as the Regulatory authority for energy, networks and the environment (Arera, Autorità di regolazione per energia reti e ambiente). With this reform, the executive branch expects a higher degree of uniformity to be reached in tariffs and service quality nationwide, for example by defining the mechanisms used in tenders for granting concessions for street cleaning and urban waste collection. Thanks to this change, similar to the one introduced for water services, the government aims at achieving, over the medium term, a rationalisation of this sector, which is currently the only one lacking modern and rational regulations.

In liberalised businesses, 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 1 July 2019 was included in the 2017 Competition Bill. 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.

Hera's model of aggregation

In this context, marked in all sectors by various factors encouraging the consolidation of smaller operators, Hera operates with a 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. Since its establishment, 25 companies in bordering regions have been merged, allowing Hera to achieve nationally significant market positions and quintupling its Ebitda. This process has been favoured among other things by an amply diversified corporate structure that entrusts the Group's management to a governance inspired by an industrial and managerial type of rationale.

Hera is growing in more than one direction

The results for 1Q 2018 also bear the mark of this strategic approach. As regards external growth, in the year in question Hera brought to conclusion a few important acquisitions in liberalised markets. In the energy sales business, Hera Comm Srl, the Group's trading company, completed its acquisition of Blu Ranton Srl, a gas and electricity sales company operating in the Abruzzo and Marche regions with roughly 17,000 customers. Thanks to this transaction, which follows up on the acquisitions made over the last three years (Verducci Servizi Srl, Alento Gas Srl, Julia Servizi Più Srl, Fucino Gas Srl and Gran Sasso Srl), the Group is now the one of the foremost operators in these regions, with approximately 225,000 customers. In the same period, a customer portfolio was purchased from Eni in the province of Gorizia, where the group already provides gas and electricity distribution services.

Internal growth was pursued by extracting efficiencies and synergies from the businesses managed, in line with the track record built up over the last five years, during which roughly 90 million euro in accumulated savings were recorded. This result was partially obtained thanks to the development of a few innovative projects, such as satellite searches for leakage in the water network or the digitalisation of the process of urban waste collection (HergoAmbiente project). Continued growth was furthermore seen in free markets, where a wider customer base was obtained through commercial actions and an enlargement of the regions involved in last resort services. 2018 is in fact the second year of the two-year grants in safeguarded electricity and default gas services, which the Group had been awarded in late 2016, gaining national co-leadership.

The Group's growth strategy, effectively and continuously pursued in the first quarter of 2018 as well, maintained a perfect balance between regulated and liberalised activities in its core businesses. This balanced portfolio mix heralds the sustained presence of a high risk diversification.

The new business plan to 2021

In early January 2018 the new business plan to 2021 was presented, the fifteenth since the Group's establishment, geared towards further growth. Thanks to a macroeconomic scenario expected to improve and the development opportunities offered by the rationalisation of the sector, Ebitda is expected to grow by 218 million euro, reaching in 2021 the target of 1.135 billion euro, higher than the one set down 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 2.9 billion euro, with a sharp acceleration (+62%) compared to the investments made in the last five years. The Group's strategy, indeed, calls for an efficient allocation of capital, fully financed by the generation of cash flow and largely dedicated to networks, which will allow the Group to conserve its current low risk profile.

The objective of maintaining financial solidity was also confirmed, with a target of a 2.9 net debt to Ebitda ratio. The 17% increase in dividends per share, to be implemented progressively until 2021, in any case, leaves ample room with which to finance any possible opportunities for future growth.

In line with the content of the previous business plan, this strategy will be supported by the usual five development levers: growth, efficiency, innovation, excellence and agility. This orientation, which has already proven its validity in recent years, is at the root of all projects envisaged for the next four years, which match the main directions in which the sector is currently evolving: circular economy, utility 4.0 and customer experience.

Circular economy

The strategy through to 2021 also proves to be in line with the idea of a circular economy, pushing sustainable management beyond simply reusing and recycling materials coming from sorted waste. The Group, that in this area has reached the targets set by supranational organisations (EU and UN) well ahead of time, will take a decisive step in the upcoming five-year period towards directly producing goods that can be relocated on the market, through the use of recycled materials.

Utility 4.0

The Group furthermore intends to move towards utility 4.0, through the use of digital technologies in all its business areas. Intelligent networks, big data analysis and the internet of things indeed represent opportunities for processes and infrastructures to be managed more efficient and to concretely contribute to a smart development of the cities served.

Customer experience

A great deal of attention is expected to be given to customer experience and all related activities, which encourage customer relationship management tools to evolve. The target is an ever-increasing capacity and velocity in big data analysis in order to provide a structure for strategies aimed at improving the quality of the services offered, as well as to define the marketing offers that best meet customer requests.

Creation of shared value

The plan presents targets and projects that the Group wishes to pursue in a sustainable way, creating value for all stakeholders. The first to do so in Italy, in 2017 Hera reported its creation of shared value (Csv). This indicator calculates the Group's Ebitda deriving from activities in line with the global objectives set out in the UN Agenda and, more specifically, those that meet the call to action of 10 of the 17 points presented, i.e.: efficient use of resources, intelligent use of resources, innovation and territorial development. In 2016, shared value accounted for roughly 30% of Group EBITDA, and this amount is expected to rise to 40% in 2021, considering that two thirds of the growth foreseen in the plan is related to projects in line with the UN's global Agenda.

1.05
Human resources organization

As at 31 March 2018 the open-ended contract employees of the Hera Group are 8,588 (consolidated companies) broken down by role as follows:
executives(149), managers (531), office workers (4,588), bule collar workers (3,299). This structure was the result of the following operations: hires (72) and leaves (114) and of the change in the scope of consolidation due to the exit of Forlì Alea Ambiente (53) and Medea (21).

	31-mar-18	31-dic-17	Change
Executive managers	149	154	-5
Middle managers	531	537	-6
Clerks	4,588	4,612	-24
Workers	3,299	3,380	-81
Total	8,567	**8,683**	**-116**

In details, the effective operations are as follows:

Ressource as of 31 December 2017	**8,683**
Entries	72
Leaving	-114
Net flows	**-42**
Change of scope (*)	-74
Total	**8,567**

(*) Forlì Alea Ambiente and Medea

The changes for the period are mainly due to:

- fixed-term contracts becoming open-ended contracts
- new professional figures integrated into the Group
- the decrease in the number of workers is balanced by the hiring of similar fixed-term employees gradually converted into open-ended contracts.

2

Consolidated Financial Statements of the Hera Group

2.01
FINANCIAL STATEMENT FORMATS

2.01.01
Income statement

million euro	31 March 2018 (3 months)	31 March 2018 (3 months)
Revenues	1,741.3	1,577.8
Other operating revenues	95.3	89.8
Use of raw materials and consumables	(831.4)	(732.2)
Service costs	(538.5)	(488.8)
Personnel costs	(140.0)	(137.2)
Other operating costs	(12.7)	(12.0)
Capitalized costs	8.7	9.4
Amortisation, depreciation, provisions	(125.1)	(119.5)
Operating profit	**197.6**	**187.3**
Portion of profits (loss) pertaining to joint ventures and associated companies	6.0	6.5
Financial income	25.0	23.3
Financial expense	(48.5)	(52.9)
Financial transactions	**(17.5)**	**(23.1)**
Earnings before taxes	**180.1**	**164.2**
Taxes	(54.2)	(48.9)
Net profit for the financial period	**125.9**	**115.3**
Attributable to:		
shareholders of the parent company	120.5	109.9
non-controlling interest	5.4	5.4
Earnings per share		
basic	**0.082**	**0.075**
diluted	**0.082**	**0.075**

2.01.02
Statement of financial position

million euro	31 March 2018	31 December 2017
ASSETTS		
Non-current assets		
Property, plant and equipment	2,000.1	2,015.7
Intangible assets	3,130.9	3,127.0
Goodwill	384.1	384.1
Non-controlling interest	161.2	148.8
Non-current financial assets	124.9	125.2
Deferred tax assets	160.7	150.5
Financial instruments derivatives	73.0	66.1
Total non-current assets	**6,034.9**	**6,017.4**
Current assets		
Inventories	93.5	121.2
Trade receivables	2,024.0	1,760.9
Current financial assets	34.3	41.5
Current tax assets	32.6	29.8
Other current assets	381.8	303.3
Financial instruments derivatives	27.6	40.2
Cash and cash equivalents	485.9	450.5
Total current assets	**3,079.7**	**2,747.4**
Assets held for sale	22.9	22.9
TOTAL ASSETTS	**9,137.5**	**8,787.7**

million euro	31 March 2018	31 December 2017
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,470.2	1,473.6
Reserves	1,049.3	820.2
Profit (loss) for the financial period	120.5	251.4
Group equity	**2,640.0**	**2,545.2**
non-controlling interests	165.9	160.8
Total equity	**2,805.9**	**2,706.0**
Non-current liabilities		
Non-current financial liabilities	2,904.0	2,892.2
Post employment and other benefits	139.4	142.3
Provisions for risks and charges	437.3	432.5
Deferred tax liabilities	44.6	45.5
Financial instruments derivatives	33.8	34.5
Total non-current liabilities	**3,559.1**	**3,547.0**
Current liabilities		
Current financial liabilities	282.3	279.6
Trade payables	1,376.4	1,395.9
Current tax liabilities	89.2	37.9
Other current liabilities	984.5	769.4
Financial instruments derivatives	34.2	46.0
Total current liabilities	**2,766.6**	**2,528.8**
TOTAL LIABILITIES	**6,325.7**	**6,075.8**
Liabilities that could be connected to assetts held for sale	5.9	5.9
TOTAL NET EQUITY AND LIABILITIES	**9,137.5**	**8,787.7**

2.01.03
Cash flow statement

million euro	31 March 2018	31 March 2018
Pre-tax profit	**180.1**	**164.2**
Adjustments to reconcile net profit to the cash flow from operating activities		
Amortisation and impairment of property, plant and equipment	40.8	41.2
Amortisation and impairment of intangible assets	51.5	46.4
Allocations to provisions	32.8	31.9
Effect of valuation using the equity method	(6.0)	(6.5)
Financial expense (income)	23.5	29.6
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(1.4)	(4.8)
Changes in provisions for risks and charges	(7.5)	(6.2)
Changes in provisions for employees' benefits	(3.7)	(1.9)
Total cash flow before changes in net working capital	**310.1**	**293.9**
(Increase) decrease in inventories	27.7	30.5
(Increase) decrease in trade receivables	(304.4)	(303.4)
(Increase) decrease in trade payables	(19.5)	(35.9)
Increase/decrease of other current assets/liabilities	141.0	217.8
Change in working capital	**(155.2)**	**(91.0)**
Dividends collected	2.9	-
Interests income and other financial income collected	8.2	6.8
Interests expense and other financial charges paid	(42.2)	(43.0)
Taxes paid	(11.6)	-
Cash flow from (for) operating activities (a)	**112.2**	**166.7**
Investments in property, plant and equipment	(26.4)	(18.7)
Investments in intangible assets	(56.3)	(57.7)
Investments in companies and business units net of cash and cash equivalents	(9.2)	(45.4)
Sale price of property, plant and equipment and intangible assets	0.9	0.2
Increase/decrease of other current investment activities	9.1	-
Cash flow from (for) investing activities (b)	**(81.9)**	**(121.6)**
Repayments and other net changes in borrowing	14.0	5.4
Lease finance payments	(0.6)	(0.7)
Earnings from the sale of non-controlling shares	1.8	-
Change in treasury shares	(10.1)	5.3
Cash flow from (for) financing activities (c)	**5.1**	**10.0**
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	**-**
Increase / (Decrease) Cash (a+b+c+d)	**35.4**	**55.1**
Cash and cash equivalents at the beginning of the financial period	450.5	351.5
Cash and cash equivalents at the end of the financial period	485.9	406.6

2.01.04

Statement of changes in equity

million euro	Share capital	Reserves	Reserves derivative instruments recognized at fair value	Reserve actuarial income (loss) post-employment benefits	Profit for the financial period	Net equity	non-controlling interests	Total
Balance at 31 December 2016	**1,468.1**	**772.4**	**(0.4)**	**(29.5)**	**207.3**	**2,417.9**	**144.2**	**2,562.1**
Profit for the financial period					109.9	109.9	5.4	115.3
Other components of comprehensive income:								
Fair Value of derivatives, change in the period						-		-
Comprehensive income for the financial period	**-**	**-**	**-**	**-**	**109.9**	**109.9**	**5.4**	**115.3**
Change in treasury shares	2.1	3.2				5.3		5.3
Other operations						-	0.1	0.1
Breakdown of earnings:								
allocation to reserves		207.3			(207.3)	-		-
Balance at 31 March 2017	**1,470.2**	**982.9**	**(0.4)**	**(29.5)**	**109.9**	**2,533.1**	**149.7**	**2,682.8**
Balance at 31 December 2017	**1,473.6**	**847.8**	**4.1**	**(31.7)**	**251.4**	**2,545.2**	**160.8**	**2,706.0**
Profit for the financial 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
Comprehensive income for the financial period	**-**	**-**	**1.0**	**-**	**120.5**	**121.5**	**5.4**	**126.9**
Change in treasury shares	(3.4)	(6.7)				(10.1)		(10.1)
Change in equity interest		1.5				1.5	0.3	1.8
Ifrs 9 transition		(18.1)				(18.1)	(0.6)	(18.7)
Breakdown of earnings:								
allocation to reserves		251.4			(251.4)	-		-
Balance at 31 March 2018	**1,470.2**	**1,075.9**	**5.1**	**(31.7)**	**120.5**	**2,640.0**	**165.9**	**2,805.9**

2.01.05

Abbreviated explanatory notes

Reporting principles

In compliance with the provision of article 82-ter “Informazioni finanziarie periodiche aggiuntive” (periodic additional financial information) of the Issuers Regulation, the Hera Group has voluntarily decided to disclose the consolidated quarterly report as of 31 March 2018.

This consolidated quarterly report has not been prepared in compliance with the accounting standard concerning interim financial reporting (IAS 34 "Interim Financial Reporting").

In preparing the quarterly report, estimates and assumptions were made that had an impact on the values of revenues, costs, assets and liabilities in the financial statements at the date in question. If in the future, these estimates and assumptions, based on the management best assessment, should differ from the actual circumstances, they will be modified accordingly in order to accurately represent management events. It should also be noted that certain evaluation processes, in particular the most complex ones, such as determining possible decreases in the value of non-current assets, are generally carried out in full only for preparing the annual financial statements, except in the presence of impairment indicators that require an immediate assessment of any loss in value.

Income taxes are recognized on the basis of the best estimate of the weighted average tax rate expected for the entire financial year.

The data in this consolidated quarterly report are comparable with the corresponding data of the previous periods, taking into account the specifications of the following paragraph "Adoption of Ifrs 9". It should also be noted that, beginning from the consolidated financial statements as at 31 December 2017, the incentives for the production of electricity with the feed in-premium mechanism were accounted for as " Other operating revenues " in order to improve consistency in the reporting of financial statements. In the first quarter of the previous year these incentives were still classified under "Revenues", thus the Group restated the income statement as of 31 March 2017, in order to enable a suitable and appropriate comparison between the two periods. In particular, the restated report showed an increase of the item "Other operating revenues" and a decrease of the item "Revenues" for 7.7 million euro.
In comparing the individual items of the income statement and statement of financial position, the changes in the scope of consolidation indicated in the dedicated paragraph must also be taken into account.

FINANCIAL STATEMENT FORMATS

The formats used are the same as those used for the consolidated financial statements as at 31 December 2017. 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 also in the Statement of changes in equity. The Statement of financial position makes the distinction between current and noncurrent 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 accounting tables included in this quarterly consolidated financial statements are expressed in million euro, except when it is specified differently.

Ifrs 9 adoption

The new international accounting standard IFRS 9, issued by the IASB on 24 July 2014 to replace the previous IAS 39, is to be applied beginning 1 January 2018, as a result of the approval of Regulation 2067/2016.
The standard introduces new criteria for classifying and measuring financial assets and liabilities. In particular, in relation to financial assets, the new standard uses a single approach based on the financial instruments managing methods and on the characteristics of the contractual cash flows of financial assets themselves in order to determine their evaluation criterion, replacing the different rules provided for by the IAS 39. In relation to financial liabilities, however, the main change occurred involves how to account for changes in the fair value of a financial liability designated as a financial liability measured at fair value through the income statement, in the event that these changes are due to changes in creditworthiness of the issuer of the liability itself. According to the new standard, these changes must be recorded in the statement of comprehensive income rather than in the income statement. Another significant change concerns the methods for recording evaluation differences in the event that payments or collections estimates are reassessed in relation to financial assets and financial liabilities measured at depreciated cost. In fact, the new approach provides for the adjustment to be recorded as income or expense in the profit (loss) for the period.
The new standard requires that the estimate of credit losses be made on the basis of the expected losses model (rather than on the incurred losses model employed by IAS 39) using information that can be supported and that can be obtained without unreasonable charges or efforts, including historical, current and future data. The standard requires that this valuation criterion applies to all financial instruments, ie financial assets measured at depreciated cost, at fair value through other components of the comprehensive income, loans deriving from rental contracts and trade receivables.
Finally, the standard introduces a new model of hedge accounting in order to adapt the requirements of the current IAS 39, which have sometimes been considered too stringent and not suitable for reflecting the company's risk management policies. The main novelties of this document concern:

- the increase in the methods of transactions eligible for hedge accounting, including the risks of non-financial assets / liabilities eligible to be managed in hedge accounting;
- the change in the method of accounting for forward contracts and options when included in a hedge accounting report in order to reduce the volatility of the income statement;
- changes to the effectiveness test implemented by replacing the current methods based on the 80-125% parameter with the principle of the economic relationship between the hedged item and the hedging instrument; furthermore, an evaluation of the retrospective effectiveness of the hedging relationship will no longer be required.

The greater flexibility of the new accounting regulations is counterbalanced by additional requirements in the reporting on risk management activities.
The Group opted to apply the new standard with a retrospective approach, except for cases in which the standard itself did not provided for restating previous years. Furthermore, it should be noted that due to the nature of its operating activities, the Group has not changed the classification and valuation of financial assets.
The impacts on the accounting values deriving from applying the new standard as at 1 January 2018 are shown below:

the recalculation of the depreciated cost value of financial liabilities to reflect the new methods of recording the adjustments due to the payment estimates reassessment (in relation to restructuring operations carried out in previous years) led to the recognition of a higher value of liabilities for 5.3 million euro. Therefore in future financial years, consistently with the duration of the loans, there will be less financial charges of the same amount;

with reference to the impairment model based on the expected credit loss provided by IFRS 9, the Group developed a new model of credit management during the previous financial periods, which made it possible to analytically determine the different risks associated with the exigibility of loans from customers as soon as they form and progressively according to their increasing seniority. This information was used by the Group in determining the provision for depreciation fund according to the impairment model based on the expected credit loss, which led to an increase in its value, with particular reference to receivables not yet due, for an amount equal to 18.2 million euro.

Finally, as provided for by the standard, the Group has maintained all the hedging relationships active as at 31 December 2017 defined in accordance with the provisions of the previous IAS 39, as they are not affected by the new hedge accounting criteria envisaged by IFRS 9.

Scope of consolidation

The consolidated financial statements as at 31 December 2018 include the financial statements of the Parent Company Hera Spa and those of its subsidiaries. Control is obtained when the Parent Company has the power to affect the results of the subsidiary company, by way of currently valid rights, in such a way as to obtain the capacity to direct the company's significant activities. Investments in joint ventures, in which the Group holds joint control with other shareholders, are consolidated using the equity method. Equity investments in companies over which the Group holds significant influence are also valued using the equity method. Companies whose size is irrelevant and for which no recent financial information is available are valued at cost.

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

Changes in the scope of consolidation

There were no changes in the scope of consolidation in the first quarter of 2018 compared to the consolidated financial statements as at 31 December 2017.

Changes in equity interest

Effective beginning 1 January 2018 Marche Multiservizi Spa sold to Hera Comm Marche Srl the business unit involved commercial customer support activities.

On 26 March 2018, Hera Comm Srl sold to the minority shareholder Walter Sadori Srl 2.88% of its share capital in Hera Comm Marche Srl, resulting in a change in the Group's stake in the company from 86.88% to 84%.

In all previous transactions, the difference between the amount adjusted for the minority shareholdings and the fair value of the amount paid was recorded directly in the shareholders' equity and allocated to the shareholders of the subsidiary..

Other corporate operations

With effect beginning 1 January 2018 Amga Calore & Impianti Srl merged by incorporation into Sinergie Spa, both wholly held by the Group; the new company name is AcegasApsAmga Servizi Energetici Spa.

With effect beginning 1 January 2018, the Centro Idrico di Novoledo Srl company sold its business unit called "Laboratorio di analisi" to Heratech Srl.

On 8 February 2018 Hera Comm Marche Srl purchased the entire share capital of Blu Ranton Srl, a company active in the sale of gas and electricity. It was not possible to carry out consolidation as at the date of this quarterly report in that the company's economic and financial information is not yet available.

On 20 March 2018 Hera Comm Srl, after winning the public auction held by the municipalities of Atessa, San Vito Chietino and Paglieta, purchased 49% of Sangroservizi Srl, a company operating in the sale of natural gas. It was not possible to carry out consolidation as at the date of this quarterly report in that the company's economic and financial information is not yet available.

Earnings per share

The chart outlining earnings per share, calculated on the basis of the economic outcome that can be paid to the holders of ordinary shares of the parent company.

	31 March 2018 (3 months)	31 March 2018 (3 months)
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	120.5	109.9
weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
basic (B)	1,470,937,737	1,470,855,758
diluted (C)	1,470,937,737	1,470,855,758
Earnings (loss) per share (euro)		
basic (A/B)	**0.082**	**0.075**
diluted (A/C)	**0.082**	**0.075**

Additional information

This consolidated quarterly report as of 31 March 2018 was prepared by the Board of Directors and approved by the shareholders meeting on 10 May 2018.

2.02

LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Name	Registered office	Share capital (euro) unless otherwise indicated	Percentage 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%
Alipackaging Srl	Zero Branco (TV)	20,000		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%
AliplastPolska Spoo	Zgierz (Poland)	200,000 PLN		75.00%	75.00%
Amga Energia&Servizi Srl	Udine	600,000		100.00%	100.00%
AresGasEad	Sofia (Bulgaria)	22,572,241 Bulgarian Lev		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Bulgarian Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Bulgarian Lev		100.00%	100.00%
Cerplast Srl	Formigine (MO)	100,000		75.00%	75.00%
EnergiaBaseTrieste Srl	Trieste	180,000		100.00%	100.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
FrulloEnergiaAmbiente Srl	Bologna	17,139,100		38.25%	38.25%
Gran Sasso Srl	PratolaPeligna (AQ)	162.810		100.00%	100.00%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
HerambienteServiziIndustriali Srl	Bologna	1,748,472		75.00%	75.00%
Hera Comm Srl	Imola (BO)	53,536,987	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		84.00%	84.00%
Hera Luce Srl	San Mauro Pascoli (FC)	1,000,000		100.00%	100.00%
Hera ServiziEnergia Srl	Forlì	1,110,430		57.89%	57.89%
Heratech Srl	Bologna	1,000,000	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%
InreteDistribuzioneEnergia Spa	Bologna	10,000,000	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	13,484,242	49.59%		49.59%
Marche MultiserviziFalconara Srl	Falconara Marittima (AN)	100,000		49.59%	49.59%
Medea Spa*	Sassari	4,500,000	100.00%		100.00%
Sigas doo	Pozega (Serbia)	263,962,537 Rsd		95.78%	95.78%
SviluppoAmbiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%

Umbro PlastSrl	GualdoCattaneo (PG)	98,800		75.00%	75.00%
UniflotteSrl	Bologna	2,254,177	97.00%		97.00%
VariplastSrl	Quinto di Treviso (TV)	50,000		75.00%	75.00%
VerducciServiziSrl	Gulianova (TE)	50,000		86.88%	86.88%
Waste Recycling Spa	Santa Croce sull'Arno (PI)	1,100,000		75.00%	75.00%

* Shareholdings sold as at 6 April 2018.

Jointly controlled companies

Name	Registered office	Share capital (euros)	Percentage held		Total interest
			direct	indirect	
EnomondoSrl	Faenza (RA)	14,000,000		37.50%	37.50%
EstEnergy Spa	Trieste	1,718,096		51.00%	51.00%

Associated companies

Name	Registered office	Share capital (euros)	Percentage held		Total interest
			direct	indirect	
Aimag Spa**	Mirandola (MO)	78,027,681	25.00%		25.00%
Q.tHermoSrl	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%
SgrServizi Spa	Rimini	5,982,262		29.61%	29.61%
TamareteEnergiaSrl	Ortona (CH)	3,600,000	40.00%		40.00%

** The Company's share capital is composed of 67,577,681 euros ordinary shares and10,450,000 euro related shares.

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Tax code/VAT and Bologna Business Reg. no. 04245520376