Consolidate quarterly report

as at
30 September 2020

GRUPPO HERA

TABLE OF CONTENTS

INTRODUCTION

CHAPTER 1

DIRECTORS REPORT

CHAPTER 2

HERA GROUP CONSOLIDATED FINANCIAL STATEMENTS

Introduction

Mission

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

For Hera, being the best is a way of creating pride and trust for:

our customers, who receive quality services that satisfy their expectations, thanks to Hera's constant responsiveness;

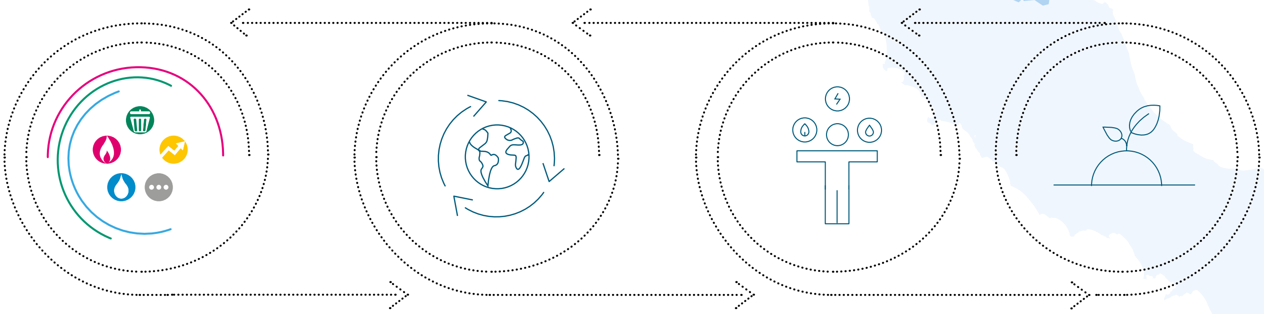
our employees, because the women and men who work for the company, with their skills, engagement and passion, are the foundation of its success;

our shareholders, confident that the economic value of the company will continue to be generated in full respect of the principles of social responsibility;

the local areas served, because economic, social and environmental wealth represents the promise of a sustainable future;

our suppliers, because they are key elements in the value chain and partners in growth.

Strategy



Hera pursues a **multi-business** growth strategy concentrated on three core business areas: **waste management**, **water services** and **energy**. This allows us to maintain a balanced portfolio that includes both regulated and free-market activities, and that lays the foundations for a path of steady growth.

The Group is distinguished by its search for excellent management models that embody the principles of a **circular economy**, making the most of emerging technological innovations.

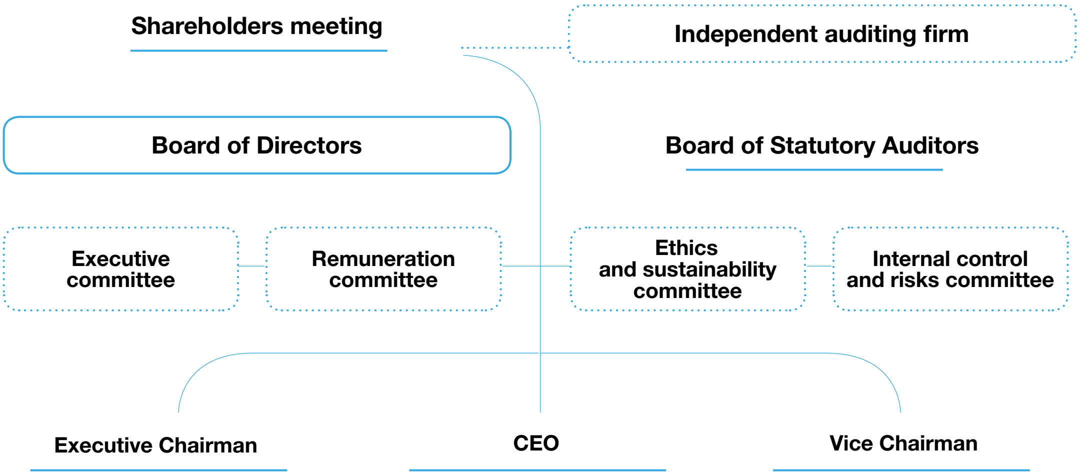
Effective long-term risk management is another characteristic of the Group's strategy, as it is required to guarantee the **fundamental services** it provides to all, even in extreme or extraordinary circumstances.

Measuring the shared value generated for the local area provides tangible, quantifiable evidence that Hera has adopted a **sustainable growth** model.

Overall, the Group's strategy combines business development with the needs of the ecosystem in which it operates, enhancing the reciprocal trust-based relationship it enjoys with its local areas.

Governance system

Hera's corporate governance is aimed at understanding and evaluating the stimuli from an increasingly complex context in order to continue growing and, at the same time, further consolidate the close links with the area served that have distinguished the Group since its establishment. Constant dialogue and specific knowledge of the actors involved have led us to develop an open and transparent way of doing business. This distinctive trait has been implemented over the years thanks to the creation of corporate bodies that are integrated with each other and, in line with the **Corporate governance code** and the **Code of ethics**, enable the expectations of all those interacting with Hera to be satisfied.



Shareholders meeting

Board of Directors | **Board of Statutory Auditors** | **Independent auditing firm**

Member	Office	Executive committee	Remuneration committee	Internal control and risks committee	Ethics and sustainability committee*
Tomaso Tommasi di Vignano	Executive Chairman	C			
Stefano Venier	CEO	M			
Gabriele Giacobazzi	Vice Chairman	M	C	C	
Fabio Bacchilega	Member		M		
Danilo Manfredi	Member				
Alessandro Melcarne	Member	M			
Lorenzo Minganti	Member			M	
Monica Mondardini	Member		M		
Erwin Paul Walter Rauhe	Member			M	
Manuela Cecilia Rescazzi	Member				
Paola Gina Maria Schwizer	Member			M	
Federica Seganti	Member				C
Bruno Tani	Member				
Alice Vatta	Member		M		M
Marina Vignola	Member				

Board of Statutory Auditors
Chairman: Myriam Amato
Standing auditors:
Antonio Gaiani
Marianna Girolomini

Independent auditing firm
Deloitte & Touche Spa

Key

C Chairman of the Committee

M Member of the Committee

* The other members of the Ethics and sustainability committee are Filippo Maria Bocchi and Cristiana Rogate

1

Directors' Report

1.01

Trends and contexts

Global economic and financial trends and projections

The international economy is currently marked by uncertainty as to future developments in the Covid-19 pandemic, which has intensified in recent weeks, and its possible repercussions on household consumption and business activity. As of January 2020, when the effects of the epidemic rapidly spread across the world, measures aimed at containing the virus caused a pervasive shock that concerned at the same time supply (with businesses closed and the value chain interrupted) and demand (with plunge in consumption and a fall in income), with a historically unprecedented speed and intensity. Over the summer months, the exceptional incentives introduced in all main economies made room for signs of recovery. Global GDP for 2020, projected by the International Monetary Fund (IMF) in late June at -5.2%, was adjusted slightly upwards. The IMF estimated a drop in the global economy caused by the Coronavirus amounting to -4.4% compared to 2019, but a 5.2% improvement is expected for 2021. In China, the first country struck by the epidemic, economic activity has reached the level seen before the crisis; the IMF has announced that this country will be the only one to end 2020 with positive growth, coming to +1.9%. The decrease for the USA is estimated at -3.7%, with a positive upswing expected for 2021 between +3.6% and +4.7%. In the Eurozone, the drop in GDP is expected to reach -8%, with a 5% recovery projected for 2021.

Financial markets are feeling the significant effects of global trends in Covid-19 infections and the prospects of negative growth, which have led to increased volatility. The improved conditions of stock prices over the summer months, favoured by the considerable interventions introduced by monetary authorities sustaining liquidity and by the expectations raised by the measures supporting economies, was accompanied by appreciation in the euro's exchange rate compared to the dollar. In order to meet the strong demand for credit coming above all from businesses, the euro system encouraged banks through a broad offer of liquidity and the European Central Bank offered public guarantees and highly favourable conditions for new refinancing transactions. The European Council reached an agreement on the introduction of the Next Generation EU, through which the European Union will be able to obtain resources, issuing debt, to grant transfers and loans to member countries, especially those who suffered the most significant economic consequences of the pandemic. These resources will be provided after satisfactorily indicating intermediate and final targets for recovery and resilience included in national plans.

The measures intended to contain the epidemic furthermore led to a strong fall in the demand for oil, with negative effects on prices. This downturn was accentuated by the end of OPEC agreements (triggered by divergences between Russia and Saudi Arabia), which practically eliminated restrictions on supply. Prices on the Brent, which by the end of the quarter reached their lowest level seen in the last 18 years (with the worst fall since 1991, coming to more than -30%), showed a gradual rise over the summer months, only to fall once again, albeit not as dramatically, beginning in September, feeling the effects of a slowdown in demand and an increase in reserves.

The current situation and the nation's economic prospects

The main data available for Italian businesses showed contrasting signs in economic activity even during periods prior to the Covid-19 emergency. Industrial production recorded a rebound and during the summer months returned to a positive trend, reaching the level seen before the epidemic. Trade in Italy dropped, with goods and services exports decreasing and exports falling, across all sectors with the exception of textile products, sustained by the acquisition of individual protection measure by China. The International Monetary Fund revised downwards its economic projections for Italy during the current year, indicating a fall in GDP coming to -12.8%, while growth in 2021 is expected to reach +6.3%.

Stock prices on Italian financial markets, just as those in other European countries, fell significantly in the early months of the year and began to improve thanks to monetary policy interventions, the expansionary orientation expressed by budget policies and the favourable expectations raised by the agreement on the Next Generation EU introduced in the second and third quarters of the year. The Germany / Italy government bond spread, which increased considerably during the early months of the year within the context of a strong increase in risk aversion and a deterioration in market liquidity, began to fall, dropping slightly lower than prior to the pandemic.
In the first nine months of the year, the consumer price index gradually fell. Based on preliminary estimates, the annual rate of growth in consumer prices dropped to 0.9%. A weaker internal demand and the lower price of oil both affected trends in expectations for inflation. The government confirmed its significant expansionist measures by extending redundancy payment and providing other forms of aid to small and medium businesses.

Energy sector: prices, consumption and demand

Energy prices reflected the economic fragility caused by the pandemic and unfavourable weather conditions, which led to reduced consumption. In the first nine months of 2020, the day-ahead energy market (MGP) saw prices fall by 34% compared to the same period in 2019. According to the data analysed by the company responsible for the national transmission grid (Terna), electricity consumption in the first nine months of the year showed a sharp decrease compared to the same period in the previous year (-6.9%) going from 241.9 TWh to 225.2 TWh. During the same period, 91.7% of the demand was met by national production, which fell compared to the same period in 2019 to 206.4 TWh, while imports amounted to 20.5 TWh.

In the first nine months of 2020, net national generation from renewable sources came to 37.3% of total generation, with overall volume amounting to 77 TWh, higher than the 74.3 TWh generated during the same period in 2019. The amount of consumption satisfied by renewables came to 34.2%, increasing over the 30.7% seen in 2019. More specifically, wind power dropped by 0.3 TWh, but was more than offset by a increase in photovoltaic production and a 1.4 TWh rise in hydroelectric production. Lastly, a significant decrease was seen in thermoelectric production, coming to 11.9 TWh.

The price index for natural gas at the Dutch hub (TTF), considered as representing European short-term spot markets, showed a 45% decrease in the first three quarters of 2020 compared to the same period in 2019. The information provided by the company managing the national gas pipeline network (Snam Rete Gas) for the same half-year furthermore indicates an 8.2% drop in natural gas consumption compared to the same period in the previous year, going from 53.4 billion m^3 to 49.1 billion m^3. The most significant reductions in consumption, in absolute terms, were seen in household consumption, which settled at 20.3 billion m^3, with an 8.0% reduction, and electricity generation, whose volumes came to 18.1 billion m^3, down 8.0%. The drop in industrial consumption, lastly, amounted to 8.9%. During the first nine months of the year, as regards the amount injected into the network and net of the net amount injected into reserves, 94.1% of the demand was met by gas imports and 5.9% by national production, with net injection into reserves.

As regards the waste management business in the areas served by the Group, the measures introduced in March that restricted personal movement and saw many small businesses and large companies close created a significant decrease in waste production, currently estimated at roughly 20% for municipal waste and 40%, varying according to the geographic area, for special waste. This situation led to increased plant availability across Europe and within Italy, and thus a drop in prices for treatment.

Regulated businesses : subsidies for end customers and sales companies

As regards regulatory aspects, instead, the most significant for the Hera Group that emerged in the first nine months of 2020 include:

- the legislative and regulatory measures adopted to face the Covid-19 emergency;
- the measures introduced by the 2020 Budget Law and adopted in Arera's regulations;
- a redefinition of the steps involved in eliminating protected electricity contracts, adopted by the so-called Milleproroghe decree, with Arera's related proposals for "gradual protection services" intended for small businesses.

For information on the specific legislative and regulatory measures, see the 30 June 2020 consolidated half-year report, which provides details on the measures mentioned above.

In the third quarter of 2020, the only significant new element concerns a further postponement of the deadline for defining tariffs and Tari, to 31 October 2020 (resolved by the 30 September 2020 Decree of the Ministry of the Interior, accompanied by a postponement in the deadline for the 2020/2022 budget estimates to be resolved by local authorities).

1.02
Covid-19 emergency management

The Group is making ongoing efforts to proactively manage the current crisis situation, constantly updating its operating plans based on how the context evolves, ensuring that measures intended to support services and safety are respected and guaranteeing a constant flow of information to company personnel and stakeholders, in addition to implementing all containment activities aimed at reducing the economic impact of the crisis.

To guarantee the utmost protection of its workers, the Group developed a regulatory document developed a single regulatory document, implementing the national Protocol signed by the social partners in the presence of the government, presented to and signed by the national trade unions on 15 May 2020. This document represents the set of prevention and protection measures adopted to stop the virus from spreading. In line with the indications provided by health authorities, and as a method for employee protection, a specific procedure was furthermore defined for managing workers with particularly fragile conditions, i.e. those currently or previously experiencing illnesses that make them vulnerable to particularly serious consequences in the event of infection. Given that the emergency is still ongoing, both general protection measures and those specifically introduced by the Group are checked and monitored as to their efficiency and, where necessary, updated or integrated with new measures.

In order to prevent critical points from arising along the supply chain, the essential categories for the Group's activities have been identified, as have a few monitoring indicators. Suppliers are still invited to follow the same worker protection measures adopted by the Hera Group, and the requirements for gaining access to Hera facilities are still strict. To support small and medium enterprises with credits for supplies or services, and give these companies access to an additional source of financing, the Group is still willing to pay these credits, offering all support needed to complete the related factoring procedures.

Customers have been incentivised to give use digital channels, for meter readings as well. All help desks across the areas served have been reopened, ensuring full respect for current legislation concerning social distancing. Note that Arera has adopted specific regulatory measures to protect users of electricity, gas and water services. The Group had in any case decided to act ahead of time, allowing all customers receiving unemployment benefits or income support, along with owners of businesses closed due to national or local restriction, to pay by instalments.

Faced with this crisis situation, the breakdown of the Group's business portfolio, made up of a balanced mix between free market and regulated activities, was an initial element that reduced the economic impact, given that regulated activities were not influenced over the short term by market phenomena linked to the pandemic. The Group's high degree of resilience, not only in terms of infrastructures but also operationally and organisationally, allowed it to maintain its tend of positive growth, containing the operating and financial impact of the crisis and only producing a slight deviation from its preset goals. More specifically, as regards the potential impact on its business, financial situation and operating performance, the Group retains that the projections made for the consolidated half-year report at 30 June 2020, and contained in the respective paragraph, are still valid.

1.03
Overview of operating and financial trends and definition of alternative performance measures

Operating APMs and investments

Operating APMs and investments (mn€)	Sept 20	Sept 19	Abs. change	% change
Revenues	**4,905.9**	**5,063.2**	**-157.3**	**-3.1%**
Ebitda	**806.2**	**785.8**	**+20.4**	**+2.6%**
Ebitda/revenues	16.4%	15.5%	+0.9 p.p.	
Ebit	**414.7**	**405.5**	**+9.2**	**+2.3%**
Ebit/revenues	8.5%	8.0%	+0.5 p.p.	
Net profit	**244.7**	**241.9**	**+2.8**	**+1.2%**
Net profit/revenues	5.0%	4.8%	+0.2 p.p.	
Net investments *	**366.0**	**331.0**	**+35.0**	**+10.6%**

* for the data used in calculating investments, see paragraph 1.03.02 of the directors' report.

Financial APMs

Financial APMs (mn€)	Sept 20	Dec 19	Abs. change	% change
Net non-current assets	6,927.1	6,846.3	+80.8	+1.2%
Net working capital	67.4	87.0	-19.6	-22.5%
Provisions	(643.5)	(649.1)	-5.6	-0.9%
Net invested capital	6,351.0	6,284.2	+66.8	+1.1%
Net debt	**(3,284.5)**	**(3,274.2)**	**+10.3**	**+0.3%**

Alternative performance measures (APMs)

The Hera Group uses alternative performance measures (APMs) to convey as effectively as possible information concerning trends in the profitability of the businesses in which it operates, as well as its equity and financial situation. In accordance with the guidelines published on 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.

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

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

Pre-tax results are calculated by subtracting the financial operations shown in the balance sheets from Ebit, as described above, net of special financial items which, if present, are described in the detailed table at the end of this paragraph.

Net results are calculated by subtracting from pre-tax results, as described above, the taxes shown in the balance sheets minus special fiscal items which, if present, are described in the detailed table at the end of this paragraph.

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

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

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

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

Financial APMs

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

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

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

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

Adjusted net financial debt (at times referred to below as Adjusted net debt) is a measure of the financial structure, calculated as net financial debt minus the amount of the fair value of the put option (held by Ascopiave) and the amount corresponding to dividends to be paid in the future.

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.

The Group uses additional operating-financial alternative performance measures, which however only apply to the year-end report, since they are typically related to operating results for the entire year. See the year-end report for a complete list of the measures adopted by the Group and their continuity with previous reporting periods.

1.03.01
Operating and financial results

Resilience and growth in results

The Hera Group closed the first three quarters of 2020 with improvement over the same period of the previous year in its main operating results. Ebitda settled at 806.2 million euro, up 2.6%, while Ebit came to 414.7 million euro, up 2.3%, and net profits amounted to 244.7 million euro, up 1.1%. Net debt settled at 3,284.5 million euro, up 0.3% compared to 2019, owing to the Group's solid asset structure and a good trend in cash flow.

The Ascopiave partnership and internal growth were the main factors responsible for the results achieved by the Hera Group in the first nine months of 2020. These actions allowed the effects of the Covid-19 emergency to be contained. The Group's multi-business industrial strategy, which balances regulated and free market activities, continues to be a considerable strong point, demonstrating the Group's resilience even at a very difficult moment such as the present.

The main corporate and business operations having an effect on the first nine months of 2020 are as follows:

- On 19 December 2019, with the finalised closing of the corporate transaction between the Hera Group and the Ascopiave Group, the following transactions were completed: shareholdings in the companies Ascotrade Spa, Ascopiave Energie Spa, Blue Meta Spa, Etra Energia Srl, Asm Set Srl and Hera Comm NordEst Srl were transferred to Estenergy Spa, a company controlled by Hera Comm Spa; the shareholding in the company Amgas Blu Srl was transferred to Hera Comm Spa; shareholding in the company AP Reti Gas Nord Est Srl was transferred to Ascopiave Spa. Furthermore, AcegasApsAmga Spa's Gas Distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone Atems, effective as of 31 December 2019, was transferred to AP Reti Gas Nord Est Srl.
- On 30 March 2020, AcegasApsAmga Servizi Energetici Spa acquired 9.72% of Hera Servizi Energia Srl from a third-party shareholder. The percentage of control held in the latter company went from 57.89% to 67.61%.
- On 31 January 2020, Hera communicated its acquisition from the Amber fund of 2.5% of the share capital of Ascopiave Spa, increased to 2.9% during the following months through purchases on the market. On 18 June 2020, Hera communicated its acquisition from A2A of a further 2% of the share capital of Ascopiave Spa, bringing its overall shareholding to 4.9%.
- On 1 July 2020, the company Pistoia Ambiente Srl, responsible for managing the the special waste landfill located in the municipality of Serravalle Pistoiese, was merged into Herambiente Spa, with effects backdated to 1 January 2020.
- On 29 September 2020, the closing was signed for Hera Comm Spa's acquisition of the company Wolmann Srl, specialised in developing specific solutions for those who wish to invest in solar energy as a source of energy for homes and businesses. Hera Comm Spa acquired 85% of this company's share capital, fully underwriting the increase, and 5% directly from the partner, reaching an overall shareholding of 90%. Since the process leading to its integration has just begun, the company is momentarily being valued at cost.

The companies involved in the Ascopiave transaction and the transfer of the gas distribution branch are considered hereinafter as changes in the scope of operations.

The following table shows operating results at 30 September 2020 and 2019:

Growth in results

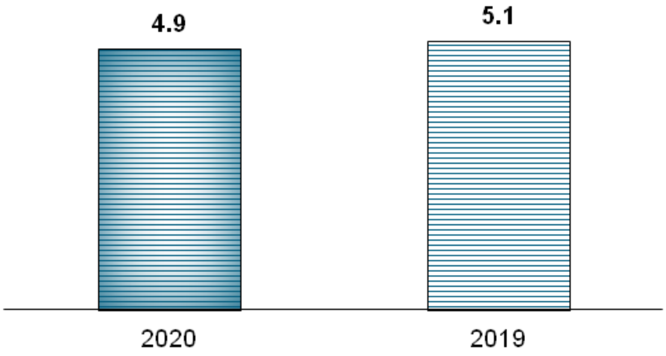
Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	4,905.9		5,063.2		-157.3	-3.1%
Other operating revenues	355.7	7.3%	366.7	7.2%	-11.0	-3.0%
Raw and other materials	(2,314.9)	-47.2%	(2,504.9)	-49.5%	-190.0	-7.6%
Service costs	(1,696.9)	-34.6%	(1,698.4)	-33.5%	-1.5	-0.1%
Other operating expenses	(41.8)	-0.9%	(45.6)	-0.9%	-3.8	-8.3%
Personnel costs	(424.0)	-8.6%	(418.7)	-8.3%	+5.3	+1.3%
Capitalised costs	22.2	0.5%	23.5	0.5%	-1.3	-5.5%
Ebitda	**806.2**	**16.4%**	**785.8**	**15.5%**	**+20.4**	**+2.6%**
Amortisation, depreciation and provisions	(391.5)	-8.0%	(380.3)	-7.5%	+11.2	+2.9%
Ebit	**414.7**	**8.5%**	**405.5**	**8.0%**	**+9.2**	**+2.3%**
Financial operations	(79.5)	-1.6%	(67.1)	-1.3%	+12.4	+18.5%
Pre-tax result	**335.2**	**6.8%**	**338.4**	**6.7%**	**-3.2**	**-0.9%**
Taxes	(90.5)	-1.8%	(96.4)	-1.9%	-5.9	-6.1%
Net profit for the period	**244.7**	**5.0%**	**242.0**	**4.8%**	**+2.7**	**+1.1%**
Attributed to:						
Parent company shareholders	**233.1**	**4.8%**	**230.8**	**4.6%**	**+2.3**	**+1.0%**
Non-controlling interests	11.6	0.2%	11.2	0.2%	+0.4	+3.6%

Revenues fall due to lower prices and volumes, partially offset by changes in scope of operations

Revenues came to 4,905.9 million euro, down 157.3 million euro or 3.1% compared to the 5,063.2 million euro seen in the same period of 2019. Mention must go to the fall in revenues due to trading, generation and electricity and gas sales, amounting to roughly 370 million euro, lower prices of commodities, lower volumes sold and the heat management and district heating services. Furthermore, lower revenues were seen for volumes hosted and system charges, coming to roughly 137 million euro, with an equal effect on costs. Revenues in the waste management sector also dropped owing to lower revenues in generation and lesser waste treated, amounting to roughly 20 million euro. Lastly, revenues in the water cycle dropped due to subcontracted works, coming to roughly 10 million euro, and revenues from dispensing. The drop in revenues was partially contained thanks to the changes in the scope of operations, amounting to roughly 376 million euro, regulated energy revenues, coming to roughly 5 million euro, and revenues for works in public lighting, amounting to roughly 9.1 million euro, no longer recorded as other operating revenues but as revenues.

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

Revenues (bn€)



4.9 billion euro revenues (-3.1%)

Other operating revenues dropped compared to the same period in the previous year by 11.0 million euro or 3.0%. This trend is mainly due to the different way of recording public lighting works, as mentioned above, coming to 9.1 million euro, and activities leaving the scope of operations, coming to roughly 7.2 million euro. Ifric 12 revenues rose by approximately 4.0 million euro.

Fall in costs for raw materials linked to trends in the price of commodities

Costs of raw and other materials fell by 190.0 million euro compared to 30 September 2019, down 7.6%. This decrease is due to lower costs for the price of raw materials and the lower volumes of electricity and gas sold, despite the roughly 197 million euro rise in costs due to changes in the scope of operations.

transmitted amounting to roughly 6 million euro, lower costs for waste treatment totalling roughly 18 million euro and lower costs for the efficiencies introduced by the Group to counter the ongoing health emergency.
Other operating costs fell by 5.3 million euro overall (lower costs for services coming to 1.5 million euro and lower operating expenses coming to 3.8 million euro). Not including the changes in scope of operations, which amounted to roughly 135 million euro, note the higher costs for expenses in the ICT area, coming to roughly 7 million euro for the digitalisation and innovation process currently being implemented by the Hera Group. The higher costs mentioned above were more than offset by lower costs for subcontracted works coming to roughly 10.0 million euro and lower costs for volumes transmitted coming to roughly 137 million euro.

+1.3% increase in the cost of personnel

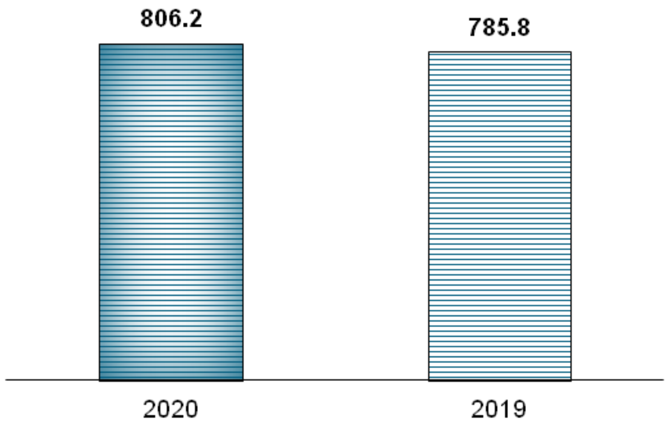
The cost of personnel rose by 5.3 million euro or 1.3%. This increase is due to changes in the scope of operations coming to 6.2 million euro and the increases in remuneration foreseen by the National labour contract, but was contained thanks to the benefit brought by the large-scale plan for holiday leave adopted by the Group due to the health emergency.

Capitalised costs reached 22.2 million euro at 30 September 2020, falling by 5.5% compared to the same date of the previous year owing to a temporary suspension of works during the spring due to the health emergency.

Ebitda settled at 806.2 million euro, up 20.4 million euro or 2.6% compared to the same period in 2019. This growth can be traced to the performance seen in the energy areas, which grew by 25.8 million euro overall, mainly due to the entry of the companies belonging to the EstEnergy Group. The other service area rose by 2.2 million euro, while the water cycle area increased by 1.1 million euro. Lastly, the waste management area fell by 8.7 million euro. The Covid-19 health emergency impacted all areas in the first nine months of 2020, with a reduction in margins coming to roughly 28 million euro overall, entirely involving non-recurring factors.

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

Ebitda (mn€)



806.2

million euro

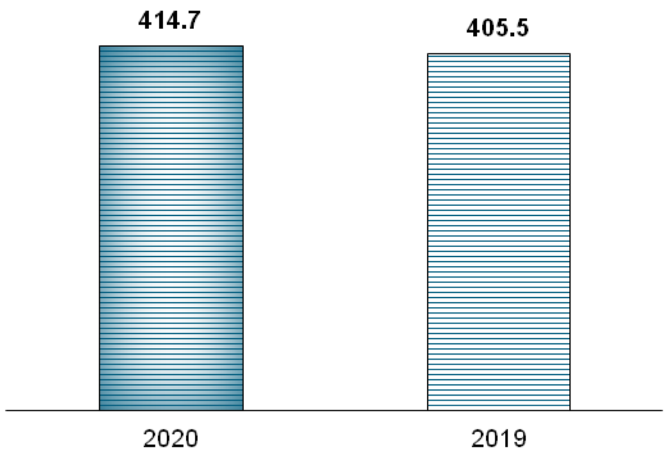
Ebitda (+2.6%)

Amortisation, depreciation and provisions rose by 11.2 million euro, going from 380.3 million euro in the first nine months of the previous year to 391.5 million euro. This higher amortisation was mainly due to changes in the scope of operations, coming to 11.7 million euro, owing to the amortisation of the customer list recorded following the acquisition of Ascopiave's commercial companies, and the higher amounts disposed of in landfills, partially offset by an adjustment carried out during the previous year of in the technical-economic useful lives of assets in the integrated water cycle, in an analysis carried out in collaboration with a company working in asset valuation; following this revision, the amount of amortisation in the integrated water cycle was essentially in line with the rates defined by Arera for the 2020–2023 tariff period. Allocations to the doubtful debt provision dropped in sales companies.

Higher amortisation due to changes in the scope of operations

Ebit for the first nine months of 2020 came to 414.7 million euro, up 9.2 million euro or 2.3% compared to the 405.5 million euro seen in the same period in 2019.

Ebit (mn€)



414.7

million euro

Ebit (+2.3%)

At 30 September 2020, the result of financial operations came to 79.5 million euro, up 12.4 million euro or 18.5% compared to 30 September 2019. This increase is mainly due to higher notional financial charges coming to 16.9 million euro caused by updating the put option held by Ascopiave SpA for its 48% shareholding in EstEnergy Spa (14.5 million euro in notional charges) and 3% in HeraComm Spa (2.4 million euro in notional charges).

Financial operations increase owing to changes in scope of operations

A positive impact came from lower charges for efficiencies in the financial structure, coming to roughly 4.1 million euro, and non-recurring income including active interest involved in a refund for incorrectly paid taxes coming to 2.3 million euro received from the Italian tax authorities in July 2020. This more than offset the increase in the notional charges involved in updating post-mortem costs for landfills in the waste management area, and lower profits from joint ventures due to the impacts of the Covid 19 health crisis on results.

The pre-tax result fell by 3.2 million euro or 0.9%, going from 338.4 million euro at 30 September 2019 to 335.2 million euro in the first three quarters of 2020.

Tax rate falls

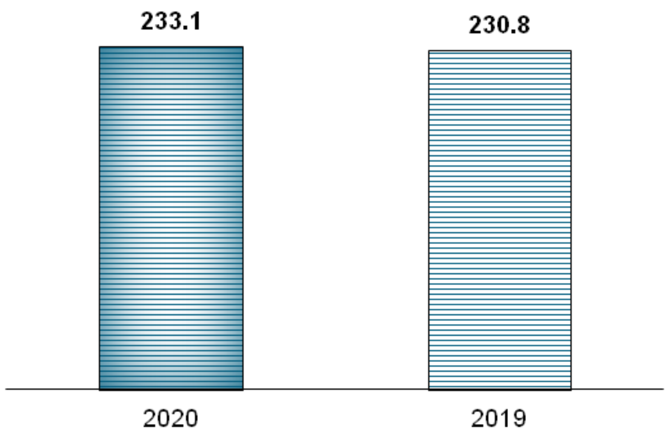
Taxes for the first nine months of the year went from 96.4 million euro in 2019 to 90.5 in 2020. The tax rate came to 27% and thus improved significantly compared to the 28.5% applied to the first nine months of 2019. This result was sustained, as in previous years, by the benefits grasped in terms of large and extremely large amortisations, in addition to the tax credit introduced by the 2020 Budget Law, for the significant investments that the Group has continued to make for some time now in moving towards a technological, digital and environmental transformation. To the latter, one must add the "removal" of the balance for 2019 IRAP, in addition to the first deposit for 2020 IRAP, for companies with revenues lower than 250 million euro, introduced by the Relaunch Decree no. 34 of 19 May 2020, later converted into law.

+1.1%
Net profits

Net profits thus rose by 1.1% or 2.7 million euro, going from 242.0 million euro in the first nine months of 2019 to 244.7 in the same period of 2020.

Profits pertaining to the Group amounted to 233.1 million euro, up 2.3 million euro compsred to the amount seen at 30 September 2019.

Net profit post minorities (mn€)



233.1

million euro

net profit post minorities (+1.0%)

1.03.02

Analysis of the Group's financial structure and investments

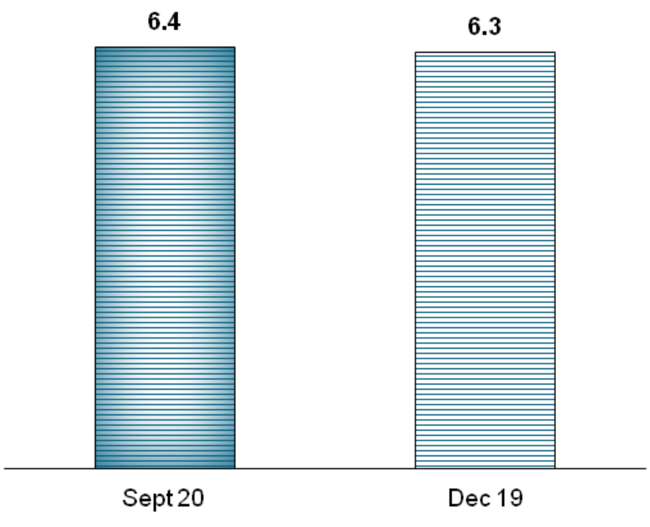
What follows in an analysis of trends in the Group's net invested capital and sources of financing at 30 September 2020.

Group solidity increases

Invested capital and sourcse of financing (mn€)	Sept 20	% inc.	Dec 19	% inc.	Abs. change	% change
Net non-current assets	6,927.1	109.1%	6,846.3	108.9%	+80.8	+1.2%
Net working capital	67.4	1.1%	87.0	1.4%	-19.6	-22.5%
(Provisions)	(643.5)	-10.1%	(649.1)	-10.3%	+5.6	+0.9%
Net invested capital	**6,351.0**	**100.0%**	**6,284.2**	**100.0%**	**+66.8**	**+1.1%**
Equity	(3,066.5)	48.3%	(3,010.0)	47.9%	-56.5	-1.9%
Long-term borrowings	(3,376.3)	53.2%	(3,383.4)	53.8%	+7.1	+0.2%
Net current financial debt	91.8	-1.4%	109.2	-1.7%	-17.4	-15.9%
Net debt	(3,284.5)	51.7%	(3,274.2)	52.1%	-10.3	-0.3%
Total sources of financing	**(6,351.0)**	**-100.0%**	**(6,284.2)**	**100.0%**	**-66.8**	**-1.1%**

At 30 September 2020, net invested capital (NIC) came to 6,351.0 million euro, with a +1.1% change compared to the 6,284.2 million euro recorded in December 2019.
The increase in net non-current assets is mainly due to the investments made during the first three quarters of the year. Note in particular the acquisition of 4.9% of the shareholding in Ascopiave Spa which reinforced the partnership initiated in December 2019.
is mainly due to the increase in debt seen in June for the dividends paid in July 2020 (165.2 million euro), in addition to recurring debts for excise taxes and IVA in line for the reporting period analysed.
Net working capital saw a 19.6 million euro decrease compared to December 2019, and thus did not feel any particular impact coming from the health crisis that marked 2020.

Net invested capital (bn€)



6.4

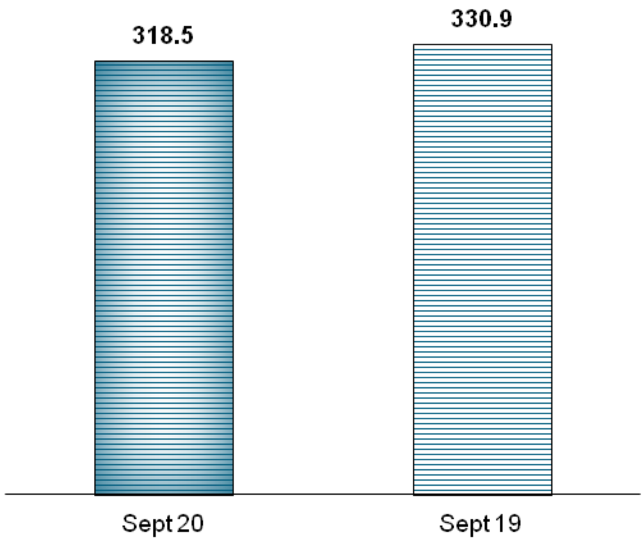
billion euro

net invested capital

In the third quarter of 2020, Group investments amounted to 366 million euro, including 47.5 million euro involved in the acquisition of financial holdings, mainly referring to Ascopiave Spa.
Capital grants amounted to 15.1 million euro, of which 9.3 million in FoNI investments, as foreseen by the tariff method for the integrated water service, up 2.9 million euro overall compared to the previous

Net investments amount to 366.0 million euro year. Net operating investments came to 318.5 million euro, down 12.4 million euro compared to the previous year.

Total net operating investments (mn€)



318.5
million euro net operating investments (-12.4 million euro)

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

Total investments (mn€)	Sept 20	Sept 19	Abs. change	% change
Gas area	92.2	88.0	+4.2	+4.8%
Electricity area	31.9	28.8	+3.1	+10.8%
Integrated water cycle area	121.9	119.4	+2.5	+2.1%
Waste management area	36.1	52.2	-16.1	-30.8%
Other services area	6.2	10.2	-4.0	-39.2%
Headquarters	45.3	44.6	+0.7	+1.6%
Total operating investments gross	**333.6**	**343.1**	**-9.5**	**-2.8%**
Capital grants	15.1	12.2	+2.9	+23.8%
of which FoNI (New Investments Fund)	9.3	10.1	*-0.8*	-7.9%
Total operating investments net	**318.5**	**330.9**	**-12.4**	**-3.7%**
Financial investments	47.5	0.1	+47.4	+100.0%
Total investments net	**366.0**	**331.0**	**+35.0**	**+10.6%**

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

Including capital grants, the Group's operating investments came to 333.6 million euro, down 9.5 million euro compared to the previous year and mainly concerned interventions on plants, networks and infrastructures, in addition to regulatory upgrading involving above all gas distribution, with a large-scale metre substitution, and the purification and sewerage areas.
Remarks on investments in each single area are included in the analyses by business area.
At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures.

Overall, investments in structures rose by 0.7 million euro compared to the previous year, mainly owing to interventions on the Group's IT systems.

in the first nine months of 2020, provisions amounted to 643.5 million euro, in line with the figure recorded at the end of the previous year. This result is mainly due to an increase in post-mortem landfill provision adjustments and reinstatements of third party goods, due to the application of accounting standard IAS 37, which offset expenses for usage.

643.5 million euro provisions

Equity increased from 3,010.0 million euro in 2019 to 3,066.5 million euro in September 2020. This change is due to the positive result for the period, coming to 244.7 million euro, offset by the impact of the dividends paid, the use of treasury shares and the decrease in minority interests.

3.1 billion euro equity

1.03.03

Analysis of net cash (net borrowings)

A solid financial position

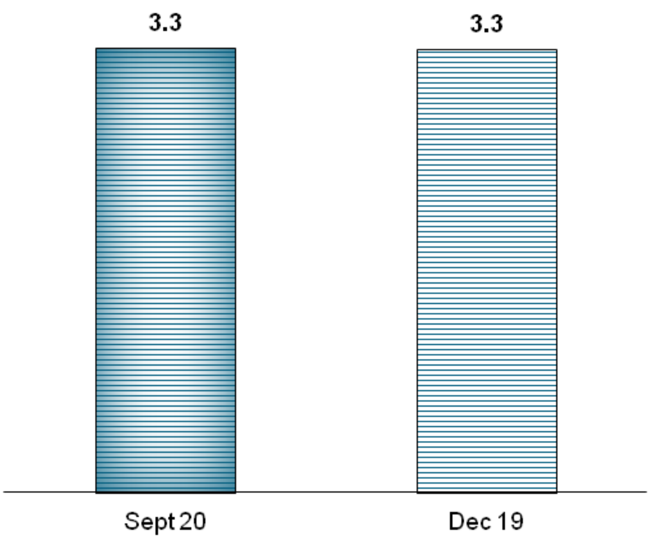
An analysis of net financial debt is shown in the following table:

mn€		Sept 20	Dec 19
a	**Cash and cash equivalents**	**544.4**	**364.0**
b	**Other current financial recievables**	**33.8**	**70.1**
	Current part of bank debt	(321.5)	(111.5)
	Current part of bank porrow ings	(53.9)	(63.1)
	Other current financial liabilities	(92.8)	(130.9)
	Current lease pay ments	(18.2)	(19.4)
c	**Current financial debt**	**(486.4)**	**(324.9)**
d=a+b+c	**Net current financial debt**	**91.8**	**109.2**
	Non-current bank debt and bonds issued (ex cluding put option)	(2,812.2)	(2,815.1)
	Other non-current financial liabilities (ex cluding put option)	(26.2)	(20.2)
	Non-current lease pay ments	(68.9)	(76.1)
e	**Adjusted non-current financial debt**	**(2,907.3)**	**(2,911.4)**
f=d+e	**Adjusted net financial position**	**(2,815.5)**	**(2,802.2)**
g	**Non-current financial receivables**	**134.7**	**135.3**
h=f+g	**Net financial debt (excluding put option)**	**(2,680.8)**	**(2,666.9)**
	Nominal amount - fair v alue put option	(460.7)	(450.6)
	Net financial debt with adjusted put option (net debt adj put option)	**(3,141.5)**	**(3,117.5)**
	Portion of future div idends - fair v alue put option	(143.0)	(156.7)
	Net financial debt	**(3,284.5)**	**(3,274.2)**

The overall amount of net financial debt, coming to 3,284.5 million euro, showed little change compared to 31 December 2019. The Group's financial structure at 30 September 2020 shows current debt coming to 486.4 million euro, of which 53.9 million euro in bank loans reaching maturity within the year, 92.8 million euro in debts towards other lenders, and 321.5 million euro in current bank debt. The latter consists mainly of roughly 277.6 million euro in usage of current credit lines and 43.9 million euro in accruals for passive interest on financing. The amount of non-current bank debt and bonds issued remained essentially in line with the previous year. At 30 September 2020, medium- and long-term debt was largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (roughly 77% of the total), with repayment at maturity. The value of the put option linked to the 19 December 2019 Ascopiave transaction for the minority shareholding in EstEnergy Spa fell by 3.6 million euro overall, owing to the higher value of the nominal amount, coming to 10.1 million euro, offset by a decrease in the amount of future dividends, coming to 13.7 million euro.
The total debt shows an average time to maturity of over 6 years, with 56.5% maturing after more than five years.

Net financial debt went from 3,274.2 million euro in 2019 to 3.284,5 million euro in September 2020. This increase is mainly due to seasonal factors for the period in question.

Net financial debt (bn€)



3.28

billion euro

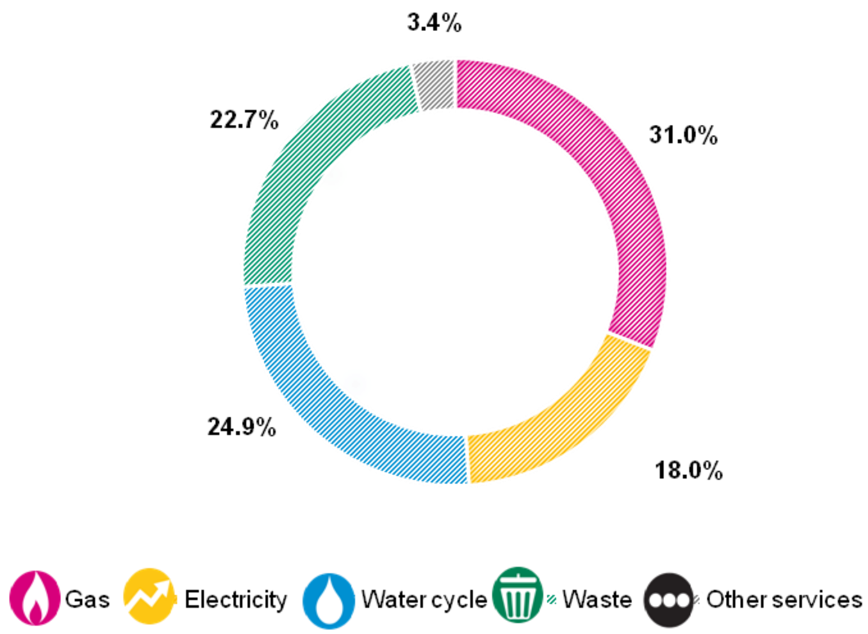
net financial debt

1.04
Analysis by business area

A multi-business strategy

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

Ebitda September 2020



Over 50% of the contribution coming from the Group's various business areas to overall Ebitda involves the energy areas

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

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

In all business areas, as in the income statements, accounting standard Ifrs 16 on operating leases has been applied, with an equal effect on both reporting periods.

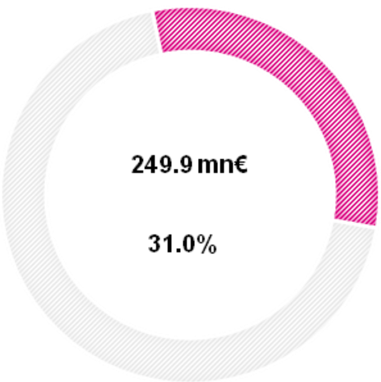
1.04.01

Gas

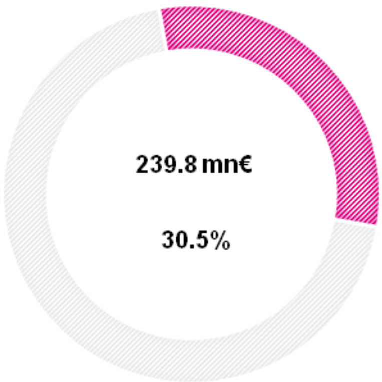
Margins rise

The first nine months of 2020 showed growth over the same period in the previous year, in terms of both Ebitda and volumes sold. This result was mainly achieved thanks to commercial development linked to the Ascopiave Group partnership transaction, which saw the Hera Group acquire the companies belonging to the EstEnergy Group and AmgasBlu Srl in exchange for a distribution branch in the Veneto region (concerning the Padua 1, Padua 2, Udine 3 and Pordenone Atems) and was able to offset the negative effects of the Covid-19 pandemic. Lastly, in the tender for the period going from 1 October 2019 – 30 September 2020, Hera Comm Spa was awarded four portions of the last resort gas service and two portions of the default gas distribution service.

Ebitda gas area 2020



Ebitda gas area 2019



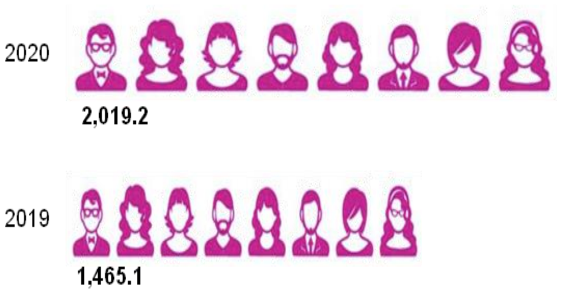
The following table shows the changes occurred in terms of Ebitda:

Ebitda up +4.2%

(mn€)	Sept 20	Sept 19	Abs. change	% change
Area Ebitda	**249.9**	**239.8**	**+10.1**	**+4.2%**
Group Ebitda	806.2	785.8	+20.4	+2.6%
Percentage weight	31.0%	30.5%	+0.5 p.p.	

The number of gas customers rose by 554.1 thousand or 37.8% over the nine months of 2019. The entry within the Group's consolidated scope of the companies belonging to the EstEnergy Group and AmgasBlu Srl brought 593.0 thousand customers and offset a drop in the customer base, mainly due to the result of the tenders for last resort markets, mentioned above, coming to roughly 32 thousand customers.

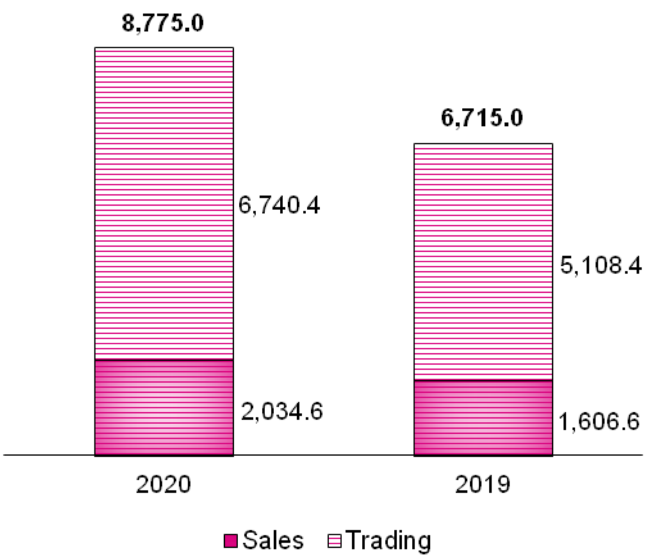
Customers (k)



2.0
million gas customers (+37.8%)

The overall volume of gas sold increased by 2,060.0 million m^3 or 30.7%, going from 6,715.0 million m^3 in September 2019 to 8,775.0 in September 2020. Trading volumes showed growth coming to 1,632.0 million m^3 (24.3% of total volumes) due to higher foreign trading. Volumes sold to end customers rose by 26.6% or 428.0 million m^3 over September 2019, thanks to the contribution coming from the EstEnergy Group companies and AmgasBlu Srl, which amounted to 532.1 million m^3. This growth was only partially offset by a 69.5 million m^3 drop in traditional markets and a 34.6 million m^3 fall in last resort markets, mainly caused by climatic factors including a very mild winter which saw higher average temperatures than in 2019 and the negative effects of the Covid-19 emergency.

Volumes sold (mn/m^3)



8.8
bn m^3 sold (+30.7%)

The following table summarises operating results for the gas area:

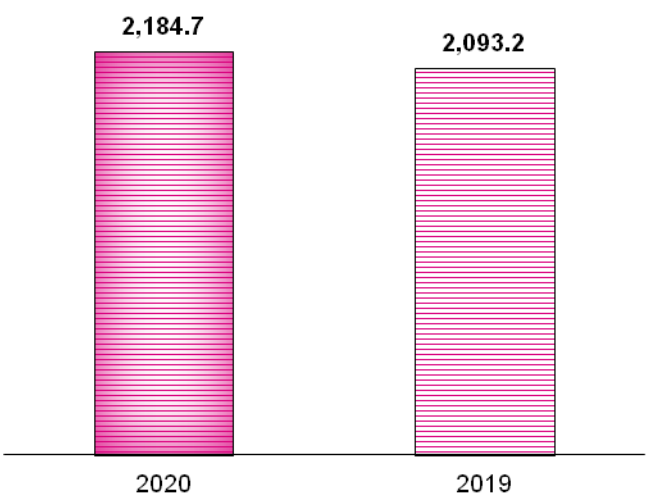
Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	2,184.7		2,093.2		+91.5	+4.4%
Operating costs	(1,857.3)	-85.0%	(1,777.1)	-84.9%	+80.2	+4.5%
Personnel costs	(84.4)	-3.9%	(84.5)	-4.0%	-0.1	-0.1%
Capitalised costs	6.9	0.3%	8.2	0.4%	-1.3	-15.8%
Ebitda	**249.9**	**11.4%**	**239.8**	**11.5%**	**+10.1**	**+4.2%**

Revenues went from 2,093.2 million in September 2019 to 2,184.7 million euro in September 2020, showing a 91.5 million euro or 4.4% increase. The reasons underlying this growth are the higher revenues coming from the EstEnergy Group companies and AmgasBlu Srl acquisition, coming to 307.3 million euro. This growth was offset by lower revenues due to the lower price of gas as a raw material, coming to roughly 90 million euro, lower volumes of gas sold, amounting to roughly 41 million euro and lower trading, coming to roughly 26.0 million euro. The latter, along with lower revenues in district heating and heat management coming to roughly 15.0 million euro and a slowdown in activities in Bulgaria, amounting to 4.0 million euro, confirmed the negative effects of the climate and the Covid-19 emergency, as mentioned above.

Energy efficiency certificates also fell by roughly 12.0 million euro, as did revenues for long-term commissions and subcontracted works, by 3.5 million euro, with an equal effect on operating costs. Regulated revenues for gas distribution were down by 15.2 million euro, mainly due to the transfer of local areas managed in the PD1, PD2, UD3 and PN Atems to Ascopiave.

From a regulatory point of view, note furthermore that 2020 is the first year of the 5th regulatory period (approved with resolution 570/2019/R/Gas), which calls for a significant reduction in recognised operating costs, in addition to a reduction in metering Wacc (in line with distribution Wacc). However, in September 2020 this was more than offset by fluctuations in tariffs linked to capex updating, previously due compensation and other residual regulatory factors.

Revenues (mn€)

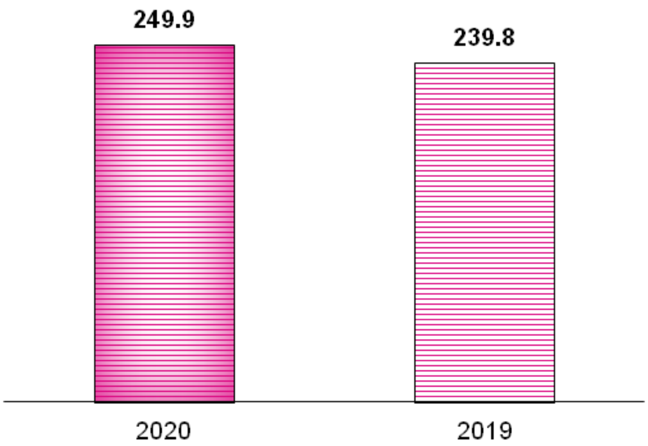


2,184.7
million euro revenues (+4.4%)

The increase in revenues was proportionally reflected by rising operating costs, which went from 1,777.1 million euro in September 2019 to 1,857.3 million euro in the same month of 2020, thus showing an overall growth of 80.2 million euro. This trend is mainly due to the higher activity in trading and the companies acquired, as mentioned above.

Ebitda rose by 10.1 million euro or 4.2%, going from 239.8 million euro in September 2019 to 249.9 million euro in the first nine months of 2020, thanks to the entry of the new EstEnergy Group companies and AmgasBlu Srl. Their contribution offset the lower volumes of gas sold and the lower margins coming from district heating and heat management due to the mild winter and the negative effects of the Covid19 emergency; the latter impacted the reduction in Ebitda by roughly 11.1 million euro.

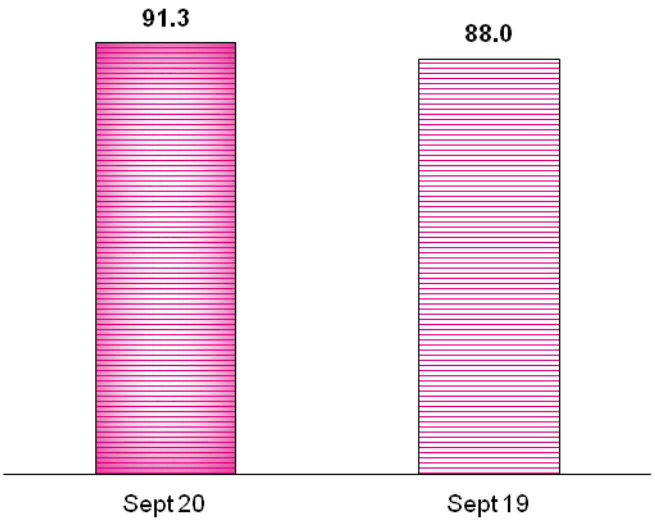
Ebitda (mn€)



249.9
million euro
Ebitda (+4.2%)

In the third quarter of 2020, net investments in the gas area came to 91.3 million euro, up 3.3 million euro over the previous year. In gas distribution, an overall increase coming to 1.1 million euro was seen, mainly owing to increased interventions in the ongoing large-scale meter substitution (resolution 554) and non-recurring maintenance on networks and plants in the areas served by the company INRETE Distribuzione Energia Spa, which offset the lower investments in AcegasApsAmga Spa's gas distribution branch concerning the Padua 1, Padua 2, Udine 3 and Pordenone Atems, transferred on 31 December 2019 as part of the Ascopiave transaction. In gas sales, investments coming to 6.4 million euro were linked to activities in acquiring new customers, up 0.6 million euro over the previous year. Investments rose by 2.6 million euro in heat management and district heating services as well, with the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Requests for new connections were lower than the same period of the previous year in gas distribution and district heating.

Net investments gas (mn€)



91.3
million euro net investments gas

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

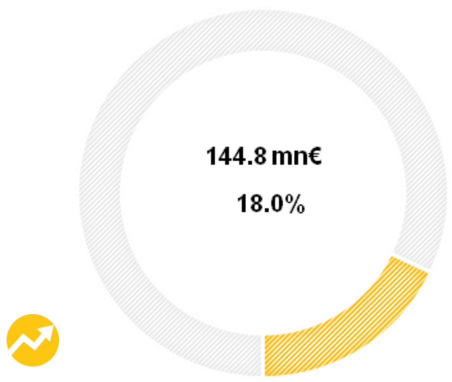
Gas (mn€)	Sept 20	Sept 19	Abs. change	% change
Networks and plants	69.2	68.1	+1.1	+1.6%
Acquisition gas customers	6.4	5.8	+0.6	+10.3%
DH/Heat management	16.6	14.0	+2.6	+18.6%
Total gas gross	**92.2**	**88.0**	**+4.2**	**+4.8%**
Capital grants	1.0	0.0	+1.0	+100.0%
Total gas net	**91.3**	**88.0**	**+3.3**	**+3.8%**

1.04.02
Electricity

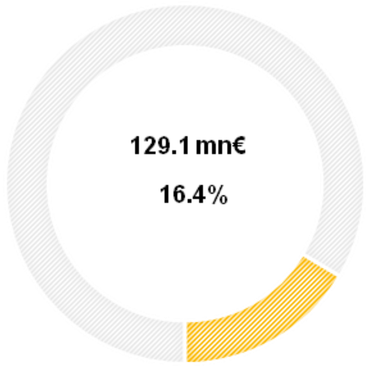
Margins rise

At the end of the first nine months of 2020, Ebitda in the electricity area rose over the same period in the previous year thanks to the Ascopiave Group partnership transaction, with the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu Srl, and margins coming from electricity generation, in spite of the negative effects related to the Covid-19 pandemic.

Ebitda electricity area 2020



Ebitda electricity area 2019



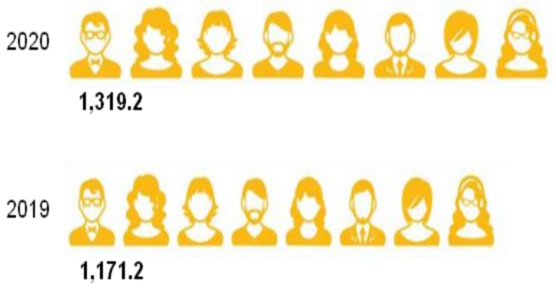
The following table shows the changes occurred in terms of Ebitda:

+12.1%
Growth in Ebitda

(mn€)	Sept 20	Sept 19	Abs. change	% change
Area Ebitda	**144.8**	**129.1**	**+15.7**	**+12.1%**
Group Ebitda	806.2	785.8	+20.4	+2.6%
Percentage weight	18.0%	16.4%	+1.6 p.p.	

The number of electricity customers settled at 1.3 million supply points, up 12.6% (148.0 thousand customers) over 30 September 2019. This significant growth was seen on the free market, which accounted for 14.4% of the total, mainly due to the entry within the consolidated scope of operations of the companies belonging to the EstEnergy Group and AmgasBlu, which contributed with roughly 150.5 thousand customers, and the reinforced marketing initiatives introduced, coming to roughly 1.1 thousand customers. This growth was able to offset the drop in safeguarded customers.

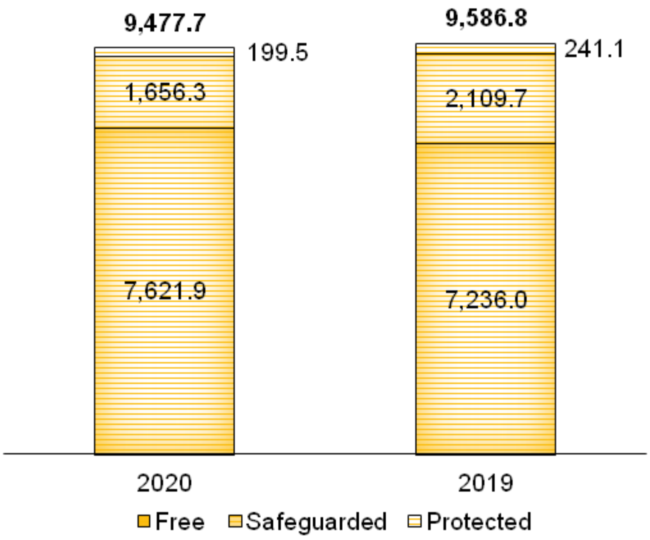
Customers (k)



1.3
million electricity customers (+12.6%)

The volume of electricity sold went from 9,586.8 GWh at 30 September 2019 to 9,477.7 GWh at 30 September 2020, showing a 1.1% or 109.0 GWh decrease. This drop was mainly due to lower safeguarded volumes coming to 453.4 GWh, or 4.7% of the total, largely due to the Covid 19 emergency, and lower volumes sold on traditional markets coming to 103.3 GWh, or 0.4%, in spite of the corporate acquisitions mentioned above, which contributed with 447.6 GWh or 4.0%.

Volumes sold (GWh)



9.5
TWh sold (-1.1%)

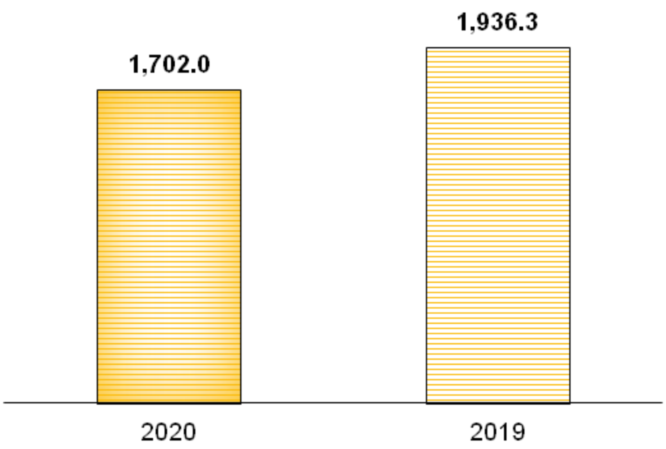
The following table summarises operating results for the area:

Ebitda rises by 15.7 million euro

Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	1,702.0		1,936.3		-234.3	-12.1%
Operating costs	(1,527.4)	-89.7%	(1,779.5)	-91.9%	-252.1	-14.2%
Personnel costs	(36.1)	-2.1%	(33.6)	-1.7%	+2.5	+7.4%
Capitalised costs	6.3	0.4%	5.9	0.3%	+0.4	+6.8%
Ebitda	**144.8**	**8.5%**	**129.1**	**6.7%**	**+15.7**	**+12.1%**

Revenues dropped by 234.3 million euro or 12.1%, going from 1,936.3 million euro in September 2019 to 1,702.0 million euro in the same period in 2020. The main causes lie in lower revenues in trading activities coming to 67.2 million euro, the lower price of raw materials, coming to 61.4 million euro and lower revenues from generation coming to roughly 22.0 million euro. Furthermore, the negative effects of the Covid-19 emergency confirmed a fall in volumes sold, as mentioned above, which led to lower revenues coming to roughly 48 million euro and lower revenues for transmission outside the grid amounting to roughly 121.7 million euro, with no change on costs. This drop was only partially offset by the higher revenues from the acquisition of the EstEnergy Group companies and AmgasBlu Srl, which came to roughly 82.7 million euro.
Regulated revenues rose compared to September 2019 by 0.3 million euro. This increase was made possible by the fluctuations in tariffs linked to capex updating, the presence of previously owed compensation and other residual regulatory effects. These positive factors were only partially offset by the lower recognised operating costs for the 2020-2023 regulatory semi-period, regulated by resolution 568/2019.

Revenues (mn€)

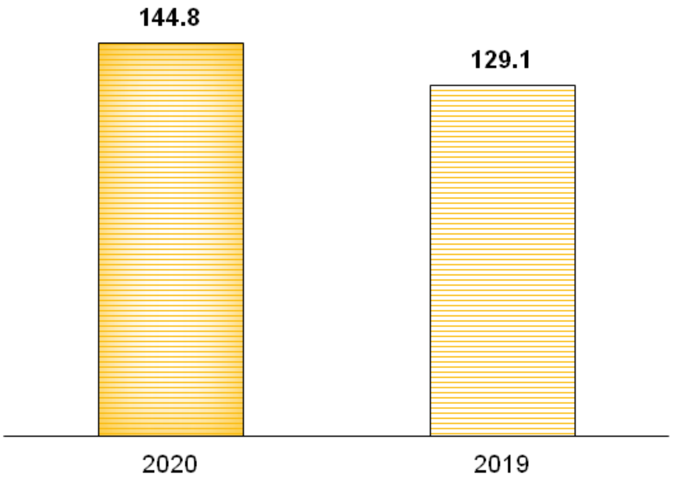


1,702.0
million euro revenues (-12.1%)

The fall in revenues was proportionally reflected by operating costs, which went from 1,779.5 million euro in September 2019 to 1,527.4 million euro in September 2020, thus showing a 252.1 million euro decrease. This trend was mainly due to lower prices for raw materials, in spite of the growth due to the changes in the scope of operations.

At 30 September 2020, Ebitda increased by 15.7 million euro or 12.1%, going from 129.1 million in September 2019 to 144.8 million euro in the same period of 2020, due to the higher margins produced by the entry of the EstEnergy Group companies and AmgasBlu Srl, and generation activities in the dispatching service market, that offset the lower volumes and margins due to the Covid-19 emergency, with an overall impact of a 8.7 million euro fall in margins.

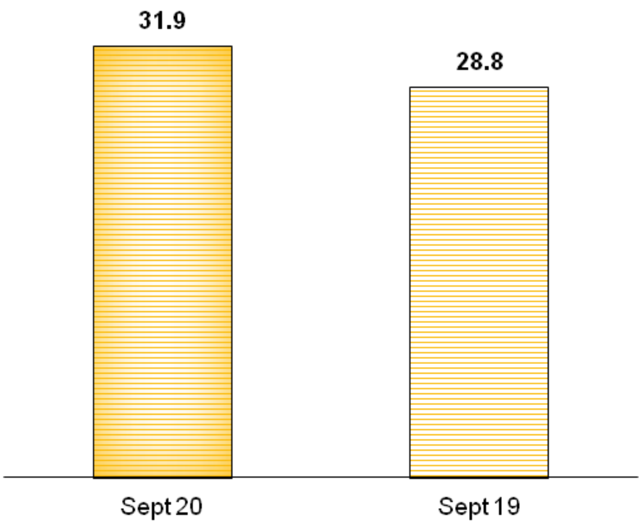
Ebitda (mn€)



144.8
million euro
Ebitda (+12.1%)

Investments in the electricity area came to 31.9 million euro in the third quarter of 2020, up 3.1 million euro over the previous year.
The interventions carried out mainly concern non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.
Compared to the third quarter of the previous year, a 2.3 million euro increase was seen in electricity distribution, and a 0.7 million euro rise in energy sales, linked to activities in acquiring new customers. Requests for new connections fell compared to the previous year.

Net investments electricity (mn€)



31.9
million euro
net investments
electricity

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

Electricity (mn€)	Sept 20	Sept 19	Abs. change	% change
Networks and plants	19.6	17.3	+2.3	+13.3%
Acquisition electricity customers	12.3	11.6	+0.7	+6.0%
Total electricity gross	**31.9**	**28.8**	**+3.1**	**+10.8%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total electricity net	**31.9**	**28.8**	**+3.1**	**+10.8%**

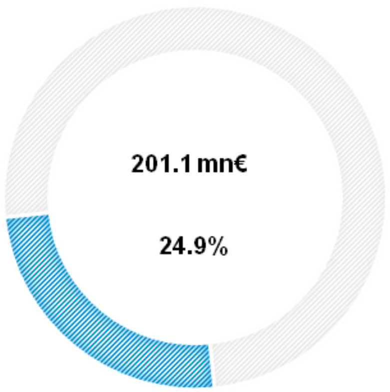
1.04.03

Integrated water cycle

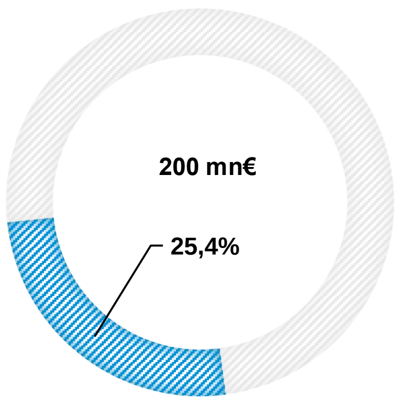
During the first nine months of 2020, results for the integrated water cycle area showed an increase over the previous year, with a rise in Ebitda coming to 1.1 million euro or 0.6%. From a regulatory perspective, note that 2020 is the first year in which the tariff method defined by the Authority for the third regulatory period (MTI-3), 2020-2023 (resolution 580/2019), is applied. A revenue (Vrg) is recognised to each manager based on operating costs and capital costs, according to the investments made and with a view to increasing efficiency in costs, in addition to measures intended to promote and valorise interventions aimed at sustainability and resilience.

Results show growth in the first nine months of 2020

Ebitda water cycle area 2020



Ebitda water cycle area 2019



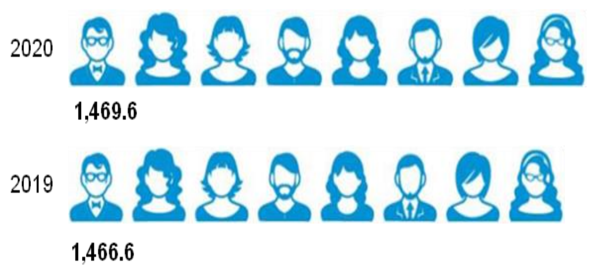
The following table shows the changes occurred in terms of Ebitda:

(mn€)	Sept 20	Sept 19	Abs. change	% change
Area Ebitda	**201.1**	**200.0**	**+1.1**	**+0.6%**
Group Ebitda	806.2	785.8	+20.4	+2.6%
Percentage weight	24.9%	25.4%	-0.5 p.p.	

+0.6% Ebitda rises

The number of water customers settled at 1.5 million, up 3.0 thousand or 0.2% over the first nine months of 2019, confirming the moderate trend of internal growth in the Group's reference areas, mainly the Emilia-Romagna area served by Hera Spa.

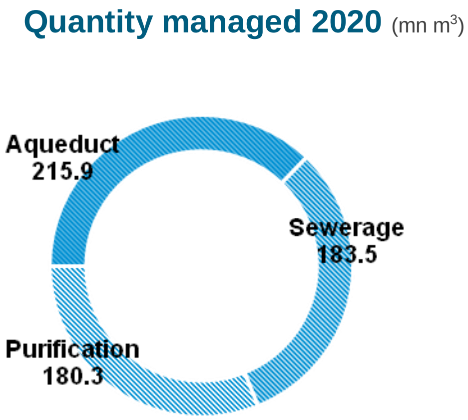
Customers (k)

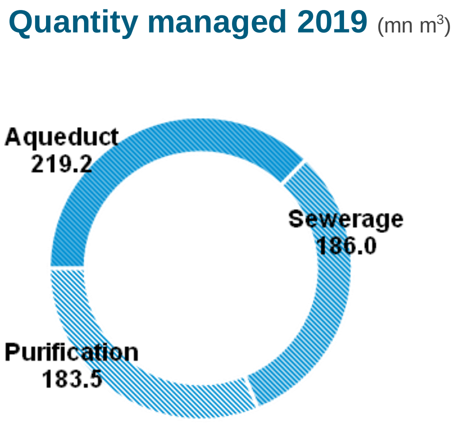


1.5 million customers integrated water cycle (+0.2%)

The area's main quantitative indicators are shown below:

215.9 mn m^3: quantity managed in the aqueduct





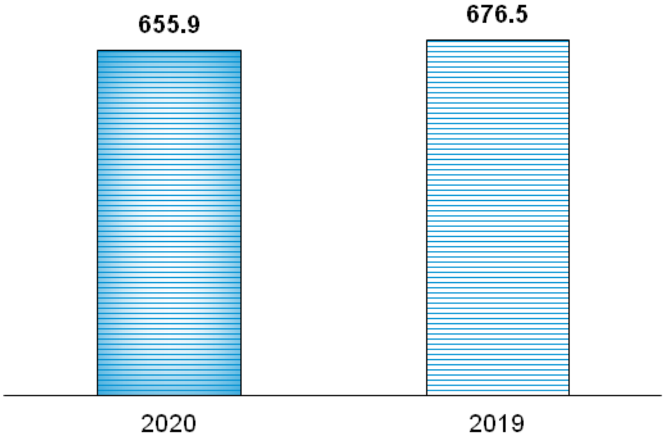
Volumes dispensed through the aqueduct showed a 3.3 million m^3 or 1.5% drop compared to September 2019. Furthermore, a fall was seen in the quantity managed in sewerage (roughly 1.3%) and purification (roughly 1.7%) compared to the first nine months of the previous year. The volumes dispensed, following the Authority's resolution 580/2019, are an indicator of activity in the areas in which the Group operates and are subject to equalisation owing to norms that call for a regulated revenue to be recognised independently from volumes distributed.

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

Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	655.9		676.5		-20.6	-3.0%
Operating costs	(320.7)	-48.9%	(345.0)	-51.0%	(24.3)	(7.0%)
Personnel costs	(137.0)	-20.9%	(134.9)	-19.9%	+2.1	+1.6%
Capitalised costs	2.9	0.4%	3.4	0.5%	(0.5)	(14.5%)
Ebitda	**201.1**	**30.7%**	**200.0**	**29.6%**	**+1.1**	**+0.6%**

In September 2020, revenues fell by 20.6 million euro or 3.0%, going from 676,5 million euro in September 2019 to 655.9 million euro in the same period in 2020. This trend was due to lower revenues for subcontracted and third-party works in the first nine months of 2020, coming to 10.6 million euro overall, and lower revenues for new connections and customer requests. Note the lower other revenues mainly linked to contributions received, coming to roughly 2.0 million euro, of which roughly 1 million covering non-recurring costs for the 2017 water emergency, recorded in 2019. Revenues for dispensing fell by 8.4 million euro, mainly due to a reduction in equalised costs for electricity and water as a raw material, partially offset by the tariffary adjustments foreseen by the new method, MTI-3.

Revenues (mn€)

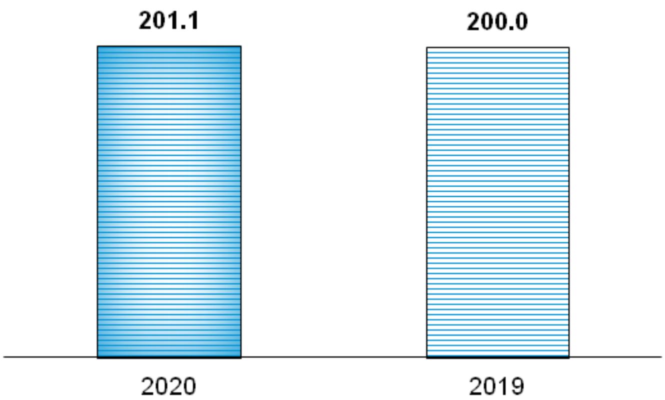


655.9
million euro revenues integrated water cycle (-3.0%)

Operating costs fell by 24.3 million euro or 7.0%, going from 345.0 million euro in September 2019 to 320.7 million euro in the same period of 2020. Not including the lower costs related to lesser amount of works carried out, as described above under revenues, coming to 9.0 million euro overall, note the lower costs for water as a raw material and electricity, which amounted to roughly 13.0 million euro and lower operating costs for network and plant maintenance coming to roughly 2.6 million euro.

Ebitda increased by 1.1 million euro or 0.6%, going from 200.0 million euro in September 2019 to 201.1 million euro in the same period in 2020. The negative effects on business in the first nine months of the year due to the Covid-19 epidemic brought about a 1.6 million euro overall drop in Ebitda, consisting in lower new connections, customer requests and third-party works, offset by the efficiency measures introduced by the Group.

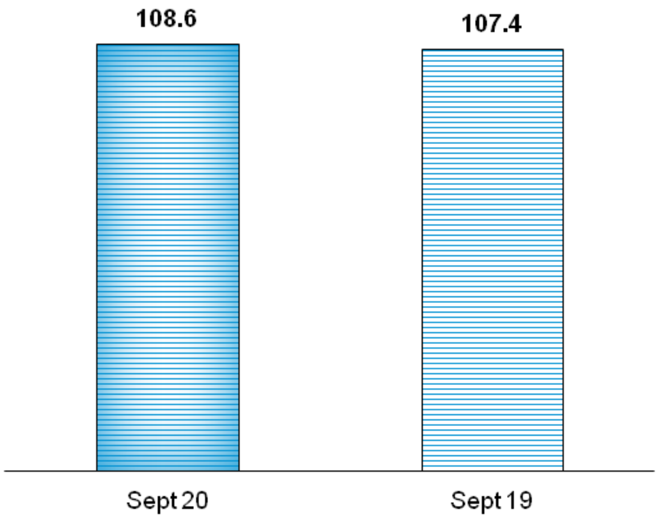
Ebitda (mn€)



201.1
million euro Ebitda integrated water cycle (+0.6%)

In the first three quarters of 2020, net investments in the integrated water cycle area amounted to 108.6 million euro, up 1.2 million euro compared to the previous year. Including the capital grants received, which increased by 1.5 million euro, the investments made rose by 2.5 million euro and came to 121,9 million euro.
These investments mainly involved extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage.
Investments were made coming to 75.6 million euro in the aqueduct, 28.3 million euro in sewerage and 18.1 million euro in purification.

Net investments water cycle (mn€)



108.6
million euro
net investments water cycle
(+1.2 million euro)

The more significant works include: in the aqueduct, increased activity in network and connection improvement linked to Arera resolution 917/2017 on the regulation of the technical quality of the integrated water system, enhancing and replacing feeding pipes in two municipalities in the Bologna area, earthquake protection and upgrading hanging reservoir areas; in sewerage, continued progress was made in the important works for the Rimini seawater protection plan, even though the interventions are expected to have a lesser on impact Hera in 2020 than in the previous year. Further work was done in maintenance and upgrading for the sewerage network in other areas, and in drainage adaptation pursuant to regional resolution 201/2016; in purification, upgrading was done on the Lido di Classe and Lugo purifiers, with the creation of the rain line.
Requests for new water and sewerage connections increased over the previous year.
0.4 million euro compared to the previous year.
Capital grants amounting to 13.4 million euro included 9.3 million euro deriving from the tariff component called for by the New Investments Fund (FoNI) tariff method and rose by 1.5 million euro compared to the previous year.

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

Integrated water cycle (mn€)	Sept 20	Sept 19	Abs. change	% change
Aqueduct	75.6	70.0	+5.6	+8.0%
Purification	18.1	16.9	+1.2	+7.1%
Sewerage	28.3	32.4	-4.1	-12.7%
Total integrated water cycle gross	**121.9**	**119.4**	**+2.5**	**+2.1%**
Capital grants	13.4	11.9	+1.5	+12.6%
of which FoNI (New Investments Fund)	*9.3*	*10.1*	-0.8	-7.9%
Total integrated water cycle net	**108.6**	**107.4**	**+1.2**	**+1.1%**

Significant operating investments on the aqueduct, sewerage and purification

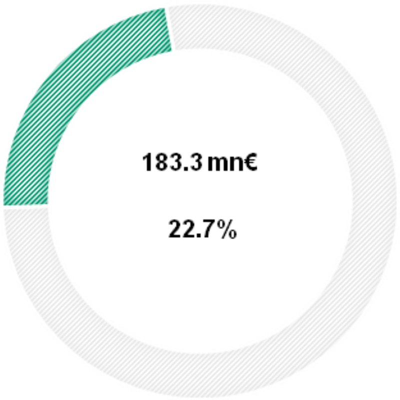
1.04.04

Waste management

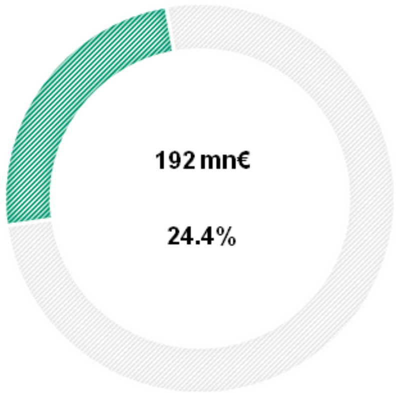
Ebitda falls

In September 2020, the waste management area accounted for 22.7% of Group Ebitda, with margins falling compared to the same period in 2019. The first nine months of the year felt the negative effects of the Covid-19 epidemic. The measures made necessary by the health emergency, including restrictions on personal movement and a closure of most business and industrial activity during the lockdown, led to a decrease in the amount of waste produced and, as regards the plastic waste recovery and recycling market, a decrease in demand for recycled plastic material and a drop in the prices for recycled products. In this exceptional context, the Hera Group showed its ability to react swiftly, making its professional services available to communities and its own customers across the areas served in a joint effort to overcome the emergency. All waste treatment plants remained operational and at the service of client companies that continued to produce essential goods. Even in this particular context, the initiatives developed supporting a circular economy continued to represent not only a distinctive feature of the Group's business model but also one of its main strategic drivers. In this direction, note the beginning of the processes aimed at obtaining authorisation for a second plant producing biomethane from organic waste and the fully operational status of Aliplast's first polyethylene regenerator, installed during the previous year. Environmental resource protection was confirmed as a priority goal in the first three quarters of 2020 as well, along with optimising reuse; this is demonstrated by the Group's special focus on promoting sorted waste, which increased by 1.3 p.p. over September 2019.

Ebitda waste management area 2020



Ebitda waste management area 2019



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

Fall in Ebitda: -4.5%

(mn€)	Sept 20	Sept 19	Abs. change	% change
Area Ebitda	**183.3**	**192.0**	**-8.7**	**-4.5%**
Group Ebitda	806.2	785.8	+20.4	+2.6%
Percentage weight	22.7%	24.4%	-1.7 p.p.	

The following table provides a breakdown of the volumes commercialised and treated by the Group during the first nine months of 2020:

Quantity (k tons)	Sept 20	Sept 19	Abs. change	% change
Municipal waste	1,644.7	1,751.4	-106.7	-6.1%
Market waste	1,591.4	1,620.1	-28.7	-1.8%
Waste marketed	**3,236.0**	**3,371.5**	**-135.5**	**-4.0%**
Plant by-products	1,614.5	1,855.3	-240.8	-13.0%
Waste treated by type	**4,850.5**	**5,226.8**	**-376.3**	**-7.2%**

Drop in waste commercialised

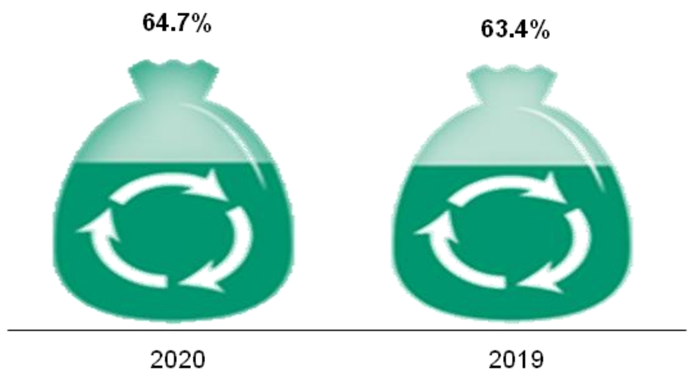
An analysis of this data shows a drop in waste commercialised, due to the decrease in both municipal and market waste. As regards municipal waste, the first nine months of 2020 saw a 6.1% decrease, which concerned in particular both the amount of sorted and sandy shore waste and the amount of unsorted waste.

Market waste dropped slightly compared to the previous year, owing to the lower amount of activity caused by the Covid-19 health emergency.

Lastly, plant by-products decreased compared to the previous year due to the lesser quantities treated and a lower amount of rainfall.

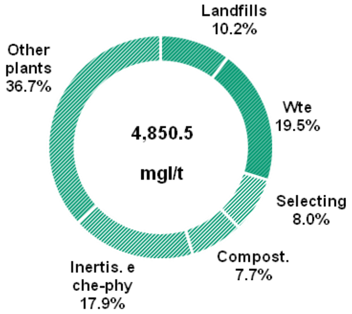
Further progress was made in sorted municipal waste, which went from 63.4% in the first three quarters of 2019 to 64.7% in the same period of the current year. In September 2020, sorted waste increased by 1.3 p.p. in Emilia Romagna and by 1.8 p.p. in the Triveneto region, with slighter growth in the Marche region, coming to 0.8 p.p.

Sorted waste (%)

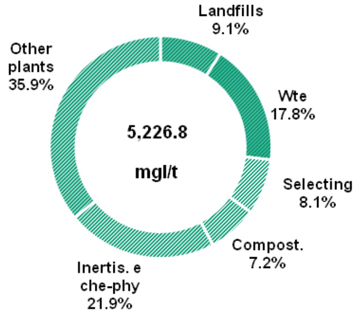


+1.3 p.p.
sorted waste

Waste treated by type of plant September 2020



Waste treated by type of plant September 2019



Quantity (k tons)	Sept 20	Sept 19	Var. Ass.	Var. %
Landfills	495.3	473.7	+21.6	+4.6%
WTE	946.7	928.0	+18.7	+2.0%
Selecting plants and other	387.2	425.9	-38.7	-9.1%
Composting and stabilisation plants	371.1	377.0	-5.9	-1.6%
Inertisation and chemical-physical plants	868.5	1,143.6	-275.1	-24.1%
Other plants	1,781.8	1,878.7	-96.9	-5.2%
Waste treated by plant	**4,850.5**	**5,226.8**	**-376.3**	**-7.2%**

The Hera Group operates in the entire waste cycle, with 93 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 9 waste-to-energy plants, 12 composters/digesters and 14 selecting plants.

Waste treatment showed a 7.2% drop compared to September 2019. Note in particular the higher quantity in landfills and, in waste-to-energy plants, an increase in waste treated mainly due to the different scheduling in plant inactivity and planned maintenance compared to the same period in 2019. The fall in selecting plants is due to the lower quantity treated, mainly in the Rimini and Bologna plants. Volumes treated remained essentially constant in composters and stabilisers, showing a slight fall amounting to 1.6%. The lower amount treated in stabilisation and chemical-physical plants is mainly due to a decrease in landfill leachate due to lesser rainfall and lesser activity linked to the health emergency. Lastly, the slight decrease in subcontracted/other plants is mainly due to lower byproducts, mostly liquid, treated in subcontracted plants.

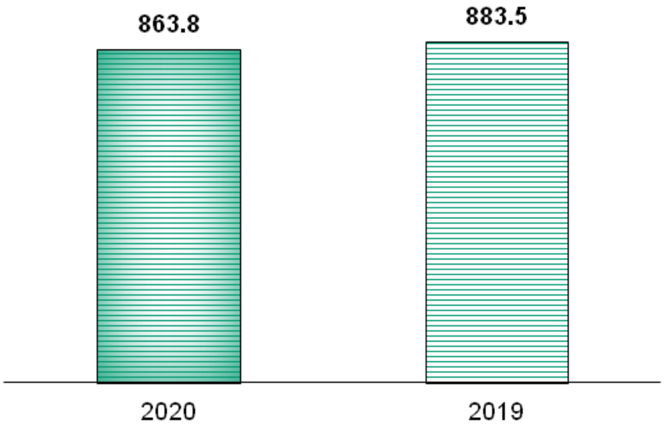
The table below summarises the area's operating results:

Ebitda falls

Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	863.8		883.5		-19.7	-2.2%
Operating costs	(533.8)	-61.8%	(545.2)	-61.7%	-11.4	-2.1%
Personnel costs	(151.6)	-17.6%	(150.8)	-17.1%	+0.8	+0.5%
Capitalised costs	4.9	0.6%	4.5	0.5%	+0.4	+8.9%
Ebitda	**183.3**	**21.2%**	**192.0**	**21.7%**	**-8.7**	**-4.5%**

Revenues fell by 2.2% or 19.7 million in September 2020, going from 883.5 million euro at 30 September 2019 to 863.8 million euro in the first nine months of 2020. Note the lower revenues from electricity generation on account of both the loss of energy incentives for one plant and a drop in the price of market and thermal energy, despite the higher production in WTEs. Also note the lower contribution coming from Aliplast Spa due to both a decrease in the volume of products sold, down roughly 16%, and the incentives received the previous year as a strongly energy-consuming company. Lastly, note the decrease in upgrading activities and a fall in volumes treated, in spite of the higher revenues coming from marketing and intermediation activities. These negative effects were only partially offset by the positive trend in prices for special waste and the higher revenues for an increase in sorted waste as regards the municipal waste service.

Revenues (mn€)

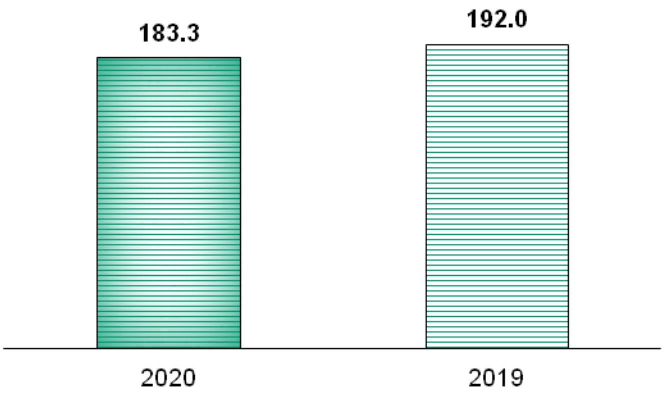


863.8
million euro revenues (-2.2%)

Operating costs decreased by 2.1% or 11.4 million euro in September 2020, going from 545.2 million euro in September 2019 to 533.8 million euro in the same period in 2020. Note the lower costs for planned maintenance on Group plants and lower costs linked to lower volumes treated and a drop in upgrading activities. Furthermore, note the fall in the cost of purchasing on the Pet sustained by Aliplast, linked to the trend in revenues mentioned above. This decrease was offset by higher costs for developing commercial activities and for by-product treatment. As regards municipal waste, note the higher costs linked to developing new projects in sorted waste.

Ebitda went from 192.0 million euro in the first nine months of 2019 to 183.3 million euro in the same period of 2020, showing an 8.7 million euro or 4.5% drop. This trend is due to lower revenues from electricity generation, the negative effects of the Covid-19 emergency, coming to roughly 5.8 million euro in terms of lower volumes treated and lower margins from plastic recovery and recycling, despite the actions undertaken by the Group to limit this decrease. These negative effects were only partially offset by the higher prices seen for special waste treatment.

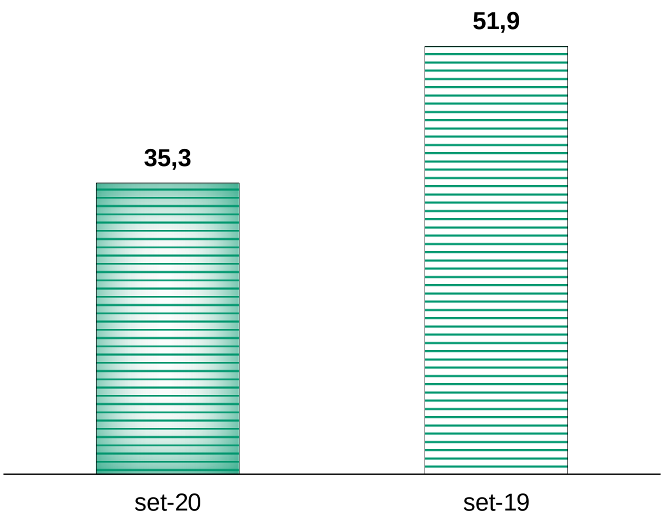
Ebitda (mn€)



183.3
million euro Ebitda (-4.5%)

Net investments in the waste management area concerned waste treatment plant maintenance and upgrading and amounted to 35.3 million euro, down 16.6 million euro compared to one year earlier.
The composter/digester sector dropped by 4.5 million euro, due to the significant interventions carried out the previous year on the Sant'Agata Bolognese composter in constructing the biomethane plant which became operational in 2019, in addition to other interventions including upgrading the Tre Monti mechanical biological treatment plant.
Investments in landfills fell by 5.3 million euro, owing to the work done in 2019 in Cordenons, the tenth sector of the Ravenna landfill and plants belonging to Marche Multiservizi Spa, only partially offset by the work begun in 2020 on the Il Pago plant.
The WTE plants sector saw a 2.0 million euro drop in investments, involving lower non-recurring maintenance done on the Bologna, Forlì, Rimini, Modena and Ravenna plants.
Investments in the special waste plants sector rose by 1.1 million euro compared to the previous year and mainly concerned revamping on the Ravenna F3 plant and interventions on the TAPO plant, also in Ravenna.
Investments in the ecological islands and collection equipment sector showed a 0.5 million euro fall compared to the previous year, while the 5.0 million euro decrease the selection and recovery plants sector mainly concerned the investments made by the Aliplast Group during the previous year and and the end of work on the mobile soil washing plant in Chioggia in 2019.

Net investments waste management (mn€)



35.3
million euro

net investments waste management

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

Waste management (mn€)	Sept 20	Sept 19	Abs. change	% change
Composting/digestors	1.3	5.8	-4.5	-77.6%
Landfills	8.0	13.3	-5.3	-39.8%
WTE	7.4	9.4	-2.0	-21.3%
RS plants	3.1	2.0	+1.1	+55.0%
Ecological areas and collecting equipment	7.1	7.6	-0.5	-6.6%
Transshipment, selecting and other plants	9.1	14.1	-5.0	-35.5%
Total waste management gross	**36.1**	**52.2**	**-16.1**	**-30.8%**
Capital grants	0.7	0.2	+0.5	+250.0%
Total waste management net	**35.3**	**51.9**	**-16.6**	**-32.0%**

Operating investments in treatment plants

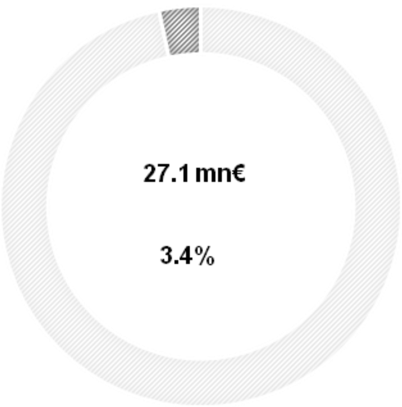
1.04.05

Other services

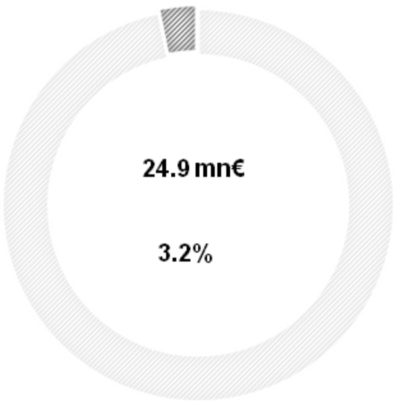
Ebitda rises

The other services area covers all minor businesses managed by the Group, including public lighting, telecommunications and cemetery services. In the first nine months of 2020, results for this area increased by 8.8% over the previous year, with Ebitda going from 24.9 million euro in September 2019 to 27.1 million euro in the same period of 2020.

Ebitda other services 2020



Ebitda other services 2019



The changes occurred in terms of Ebitda are as follows:

(mn€)	Sept 20	Sept 19	Abs. change	% change
Area Ebitda	**27.1**	**24.9**	**+2.2**	**+8.8%**
Group Ebitda	806.2	785.8	+20.4	+2.6%
Percentage weight	3.4%	3.2%	+0.2 p.p.	

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

568.8 thousand lighting points

Quantity	Sept 20	Sept 19	Abs. change	% change
Public lighting				
Lighting points (k)	568.8	549.3	+19.5	+3.5%
of which led	31.4%	22.2%	+9.2 p.p.	
Municipalities served	189.0	182.0	+7.0	+3.8%

An analysis of the data regarding public lighting shows growth coming to 19.5 thousand lighting points and the acquisition of 7 new municipalities served. Over the first nine months of 2020, the Hera Group acquired roughly 21.6 thousand lighting points in 10 new municipalities. The most significant of these were: roughly 7.0 thousand lighting points in Lombardy, roughly 9.1 thousand lighting points in Friuli-Venezia Giulia, roughly 1.1 thousand lighting points in Sardinia and roughly 3.5 thousand lighting points in the regions of central Italy. These increases fully offset the loss of roughly 2 thousand lighting points and 3 municipalities served in Friuli-Venezia Giulia. The percentage of lighting points using led light bulbs also increased, settling at 31.4% in September 2020, up 9.2 percentage points. This trend reflects the constant attention shown by the Group towards an increasingly efficient and sustainable management of public lighting.

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

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

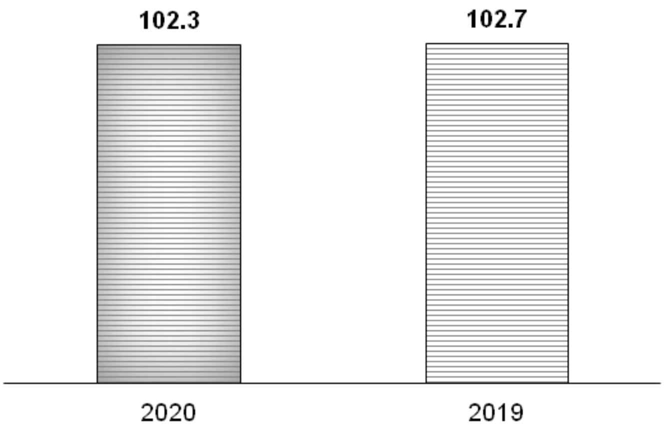
Area grows

Income statement (mn€)	Sept 20	% inc.	Sept 19	% inc.	Abs. change	% change
Revenues	102.3		102.7		-0.4	-0.4%
Operating costs	(61.5)	-60.1%	(64.3)	-62.6%	-2.8	-4.4%
Personnel costs	(15.0)	-14.6%	(15.0)	-14.6%	+0.0	+0.0%
Capitalised costs	1.2	1.2%	1.5	1.5%	-0.3	-19.9%
Ebitda	**27.1**	**26.5%**	**24.9**	**24.3%**	**+2.2**	**+8.8%**

Revenues in this area dropped slightly compared to September 2019, down 0.4% or 0.4 million euro. This trend is due to lower revenues from public lighting, only partially offset by higher revenues in the telecommunications business. The lower revenues in public lighting are due to a change in the price of electricity in management fees (with an equal effect on costs).

The more contained operating costs are mainly linked to the change in the price of electricity mentioned above.

Revenues (mn€)

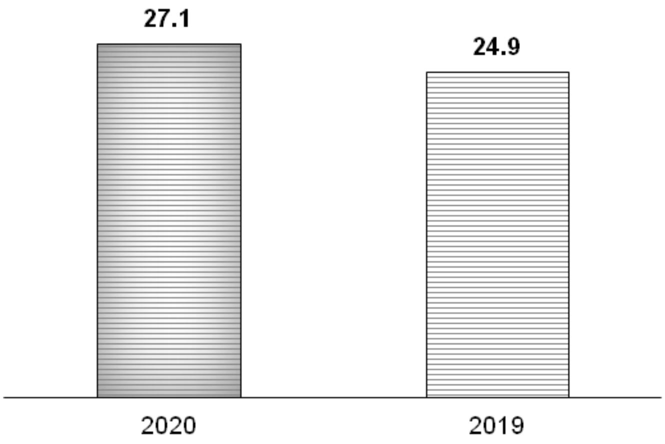


102.3

million euro revenues (-0.4%)

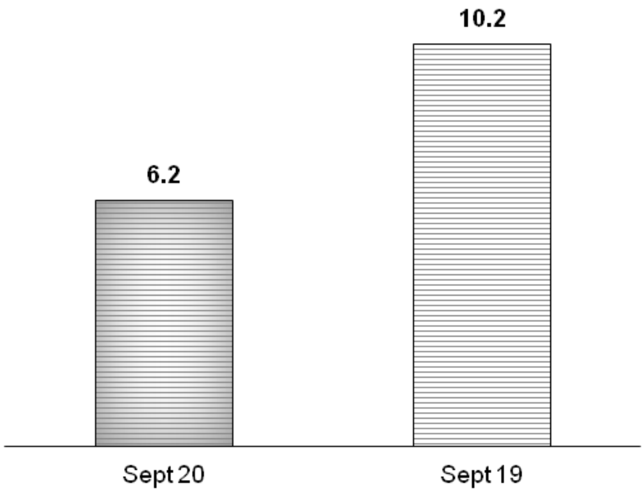
Ebitda rose by 2.2 million euro over the first nine months of 2019, settling at 27.1 million. This trend is due to higher margins in the telecommunications services, which fully offset the lower contribution coming from public lighting and the negative effects of the Covid-19 epidemic, which caused a drop in Ebitda coming to 0.9 million euro.

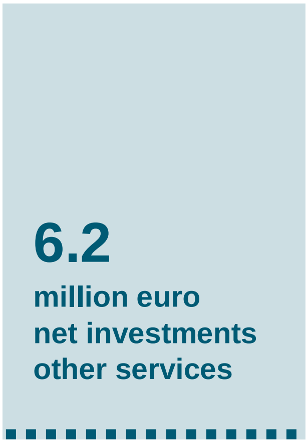
Ebitda (mn€)



In the third quarter of 2020, investments in the other services area came to 6.2 million euro, down compared to the same period in the previous year.
In telecommunications, 4.4 million euro were invested in networks and TLC and IDC (Internet data centre) services, down by 2.1 million euro compared to the previous year. The 1.8 million euro invested in the public lighting service went to maintaining, upgrading and modernising lampposts in the areas served, down compared to the previous year mainly due to the different way of recording public lighting contracts falling under Ifric 12.

Net investments other services (mn€)





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

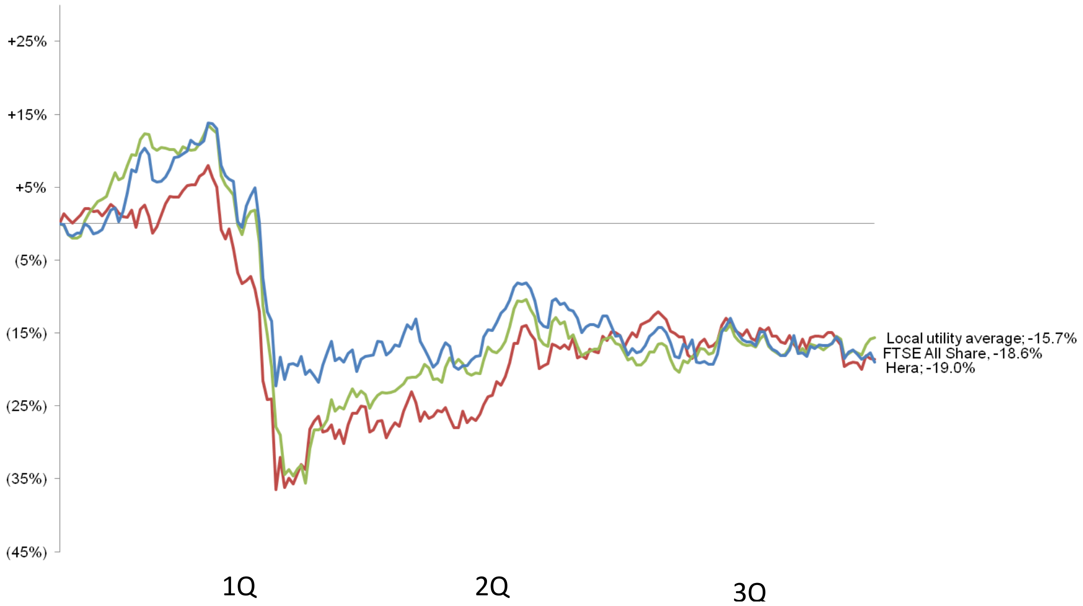
Other services (mn€)	Sept 20	Sept 19	Abs. change	% change
TLC	4.4	6.5	-2.1	-32.3%
Public lighting and street lights	1.8	3.6	-1.8	-50.0%
Total other services gross	**6.2**	**10.2**	**-4.0**	**-39.2%**
Capital grants	0.0	0.0	+0.0	+0.0%
Total other services net	**6.2**	**10.2**	**-4.0**	**-39.2%**

1.05
Share performance and investor relations

Global stock markets fall in the first quarter of 2020 due to the Covid-19 pandemic

The first nine months of 2020 were deeply affected by the worldwide spread of the Covid-19 virus, which led most governments to introduce unprecedented measures in social distancing, with extraordinarily negative implications for economic activity. Faced with a slowdown in the economy and uncertainty as to a return to normal conditions, in late February volatility increased on financial markets, sparking sharp drops in all world stock markets. The exceptional interventions and support provided by governments to protect national economies, and the virtually unlimited liquidity guaranteed by central banks, allowed stock markets to regain confidence and record, beginning in mid-March, recovery in stock prices, later aided by the slower spread of the virus over the summer period. Beginning in the third quarter of the year, infections began to rise again at a considerable rate, leading European governments to introduce increasingly restrictive containment measures with negative repercussions on prospects for economic activity. Markets reacted nervously to these changed conditions, with investors preferring to abandon the shareholdings, indiscriminately selling the shares in their portfolios, even those in companies with more resilient businesses such as utilities.
The Italian FTSE All Share index fell by -18.6% over the period, after reaching a low of -36.2% in mid-March, in line with the average of the other indices for the main European stock markets.
In this extraordinarily uncertain context, Hera stock closed the period with an official price of 3.166 euro, down -19.0%, in spite of the operating-financial growth reported in the Group's quarterly reports.

3Q 2020 Hera stock, utility sector and Italian market performance comparison



10.0 cent dividend paid, respecting the targets set out in the Business plan

On 6 July 2020, following the indications contained in the business plan, Hera paid a dividend coming to 10.0 cents per share, the eighteenth in a series of uninterrupted growth since being listed, owing to the solidity of its operating and financial fundamentals and the continuity of its activities, even during the entire lockdown period.

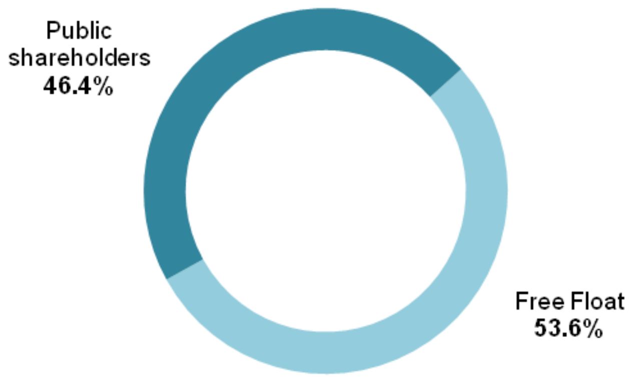
euro	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Dps	0.035	0.053	0.06	0.07	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.095	0.10	0.10

The joint effect of continuously remunerating shareholders through dividends and a rise in the price of the stock has led the total shareholders return accumulated since the IPO to remain consistently positive and to settle, at the end of the period, at over +267.5%.

+276%: total shareholders return since IPO

The financial analysts covering the company (Banca Akros, Banca Imi, Equita Sim, Fidentiis, Intermonte, Kepler Cheuvreux, MainFirst and Mediobanca) expressed positive or neutral opinions, with no negative opinion. At the end of the quarter, the consensus target price came to 3.99 euro, higher than the 3.87 euro recommended at the end of 2019.

Shareholder breakdown at 30 September 2020



At 30 September 2020, the shareholder breakdown showed its usual stability and balance, with 46.4% of shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders agreement effective from 1 July 2018 to 30 June 2021, and a 53.6% free float. The shareholding structure is highly fragmentary, with a high number of public shareholders (111 municipalities, the largest of which holds shares amounting to less than 10% of the total) and a large number of private institutional and retail shareholders.

46.4% share capital pertaining to the public stockholders agreement

Since 2006, Hera Spa has adopted a share buyback program, renewed by the Shareholders Meeting held on 29 April 2020 for 18 further months, for an overall maximum amount of 270 million euro. This plan is aimed at financing M&A opportunities involving smaller companies, and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At the end of the third quarter, Hera held 22.1 million treasury shares.

During the period, approximately 3.2 million treasury shares were made available for the M&A transaction with the utility company CMV Servizi Srl, as indicated in the shareholders meeting mandate, annulling dilution for Hera shareholders.

On 22 June, Hera stock was included in the FTSE4Good index, that brings together companies having a high sustainability profile and showing the best performances in ESG parameters.

After the publication of the new 2019-2023 business plan, Hera's Executive Chairman and CEO took part in a roadshow which visited the main financial centres in Europe and the USA, to illustrate the Group's growth targets to investors. In the third quarter, this communication activity continued with participation in the main conferences organised by Borsa Italiana (Sustainability Day and Infrastructure Day), which saw the participation of significant institutional investors. Hera also participated in a roadshow dealing with the issue of shared value and a conference organised by an international broker to 'Italian Jewels', i.e. the Italian companies considered to have the highest quality. The intense dedication shown by the Group towards dialoguing with investors contributed to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

Communication with the market as an intangible asset

2

Consolidated Financial Statements of the Hera Group

2.01

FINANCIAL STATEMENT FORMATS

2.01.01

Income statement

mn €	notes	30 Sept 2020 (9 months)	30 Sept 2019 (9 months)
Revenues		4,905.9	5,063.2
Other operating revenues		355.7	366.7
Use of raw materials and consumables		(2,314.9)	(2,504.9)
Service costs		(1,696.9)	(1,698.4)
Personnel costs		(424.0)	(418.7)
Other operating costs		(41.8)	(45.6)
Capitalized costs		22.2	23.5
Amortisation, depreciation and provisions		(391.5)	(380.3)
Operating revenues		**414.7**	**405.5**
Share of profits (losses) pertaining to joint ventures and associated companies		5.5	9.3
Financial income		57.2	98.0
Financial expenses		(142.2)	(174.4)
Financial management		**(79.5)**	**(67.1)**
Earnings before taxes		**335.2**	**338.4**
Taxes		(90.5)	(96.4)
Net profit for the period		**244.7**	**242.0**
Attributable to:			
Parent company shareholders		233.1	230.8
minority shareholders		11.6	11.2
Earnings per share			
basic		**0.159**	**0.157**
diluted		**0.159**	**0.157**

2.01.02

Statement of financial position

mn €	notes	30 Sept 2020	31 Dec 19
ASSETS			
Non-current assets			
Property, plant and equipment		1,944.5	1,992.7
Rights of use		89.4	96.9
Intangible assets		3,861.8	3,780.2
Goodwill		812.8	812.9
Equity investments		180.3	143.5
Non-current financial assets		134.7	135.3
Deferred tax assets		160.4	174.8
Derivative financial instruments		38.4	41.1
Total non-current assets		**7,222.3**	**7,177.4**
Current assets			
Inventories		184.2	176.5
Trade receivables		1,689.1	2,065.3
Current financial assets		33.8	70.1
Current tax assets		54.5	42.1
Other current assets		466.4	395.7
Derivative financial instruments		41.7	72.2
Cash and cash equivalents		544.4	364.0
Total current assets		**3,014.1**	**3,185.9**
TOTAL ASSETS		**10,236.4**	**10,363.3**

mn €	notes	30 Sept 2020	31 Dec 19
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,466.7	1,474.8
Reserves		1,178.5	948.0
Profit (loss) for the period		233.1	385.7
Group net equity		**2,878.3**	**2,808.5**
Non-controlling interests		188.2	201.5
Total net equity		**3,066.5**	**3,010.0**
Non-current liabilities			
Non-current financial liabilities		3,452.9	3,456.3
Non-current lease liabilities		68.9	76.1
Post-employment and other benefits		117.4	127.3
Provisions for risks and charges		526.1	521.8
Deferred tax liabilities		122.1	154.5
Derivative financial instruments		27.6	27.4
Total non-current liabilities		**4,315.0**	**4,363.4**
Current liabilities			
Current financial liabilities		468.2	305.5
Current lease liabilities		18.2	19.4
Trade payables		1,128.0	1,391.8
Current tax liabilities		107.8	86.9
Other current liabilities		1,058.7	1,047.9
Derivative financial instruments		74.0	138.4
Total current liabilities		**2,854.9**	**2,989.9**
TOTAL LIABILITIES		**7,169.9**	**7,353.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**10,236.4**	**10,363.3**

2.01.03

Cash flow statement

mn €	notes	30 Sept 2020	30 Sept 2019
Earnings before taxes		**335.2**	**338.4**
Adjustments to reconcile net profit to the cashflow from operating activities			
Amortisation and impairment of assets		324.6	302.5
Allocation to provisions		66.9	77.8
Effects from valuation using the equity method		(5.5)	(9.3)
Financial (income) expenses		85.0	76.4
(Capital gains) losses and other non-monetary elements		(20.5)	(4.7)
Change in provision for risks and charges		(20.8)	(20.3)
Change in provision for employee benefits		(8.7)	(8.4)
Total cash flow before changes in net working capital		**756.2**	**752.4**
(Increase) decrease in inventories		(17.2)	(24.9)
(Increase) decrease in trade receivables		325.8	61.7
Increase (decrease) in trade payables		(263.8)	(173.3)
Increase/decrease in other current assets/liabilities		(54.7)	(14.3)
Change in working capital		**(9.9)**	**(150.8)**
Dividends collected		8.8	13.3
Interest income and other financial income collected		32.1	37.7
Interest expenses, net charges on derivatives and other paid financial charges		(69.1)	(81.2)
Paid taxes		(111.5)	(47.7)
Cash flow from operating activities (a)		**606.6**	**523.7**
Investments in property, plant and equipment		(82.5)	(97.4)
Investments in intangible assets		(251.1)	(245.6)
Investments in companies and business units net of cash and cash equivalents		(47.4)	(45.2)
Sale price of tangible and intangible assets		3.1	2.4
Divestments in consolidated companies and contingent consideration		1.6	
(Increase) decrease in other investment activities		37.4	(6.7)

Cash flow from (for) investing activities (b)	**(338.9)**	**(392.5)**
New issue of long-term binds	7.3	552.6
Repayments and other net changes in financial payables	118.5	(333.4)
Lease finance payments	(19.4)	(14.5)
Acquisition of interests in consolidated companies	(1.2)	(2.3)
Dividends paid out to Hera shareholders and non-controlling interests	(157.7)	(158.6)
Changes in treasury share	(34.8)	26.0
Cash flow from (for) financing activities (c)	**(87.3)**	**69.8**
Increase (decrease) in cash and cash equivalents (a+b+c)	**180.4**	**201.0**
Cash and cash equivalents at the beginning of the period	364.0	535.5
Cash and cash equivalents at the end of the period	544.4	736.5

2.01.04

Statement of changes in net equity

mn €	Share capital	Reserves	Reserves derivatives valued at fair value	Reserves actuarial income/(losses) post-employment benefits	Reserves shares valued at fair value	Earnings for the period	Net equity	Non-controlling interests	Total
Balance at 31 December 2018	**1,465.3**	**926.8**	**16.5**	**(29.8)**		**281.9**	**2,660.7**	**186.0**	**2,846.7**
Adoption of IFRS 16		(4.5)					(4.5)	(0.6)	(5.1)
Balance at 01 Jan 19	**1,465.3**	**922.3**	**16.5**	**(29.8)**	**-**	**281.9**	**2,656.2**	**185.4**	**2,841.6**
Earnings for the period						230.8	230.8	11.2	242.0
Other components of comprehensive income:									
fair value of derivatives, change for the period			(46.3)				(46.3)		(46.3)
Actuarial income(losses) post-employment benefit provisions				(2.1)			(2.1)	(0.2)	(2.3)
Overall revenues for the period	**-**	**-**	**(46.3)**	**(2.1)**	**-**	**230.8**	**182.4**	**11.0**	**193.4**
changes in treasury share	8.2	18.6					26.8	(0.8)	26.0
changes in equity investments		(0.7)					(0.7)	(1.6)	(2.3)
changes in the scope of consolidation							-	11.9	11.9
Allocation of revenues:									
dividends paid out						(149.1)	(149.1)	(11.4)	(160.5)
allocation to reserves		132.8				(132.8)	-		-
Balance at 30 September 2019	**1,473.5**	**1,073.0**	**(29.8)**	**(31.9)**	**-**	**230.8**	**2,715.6**	**194.5**	**2,910.1**

Balance at 31 Dec 19	**1,474.8**	**1,019.7**	**(37.9)**	**(33.8)**	**-**	**385.7**	**2,808.5**	**201.5**	**3,010.0**
Earnings for the period						233.1	233.1	11.6	244.7
Other components of comprehensive income:									
fair value of derivatives, change for the period			14.2				14.2		14.2
Actuarial income(losses) post-employment benefit provisions				2.1			2.1	0.2	2.3
fair value of shares, change for the period					(8.8)		(8.8)		(8.8)
Overall revenues for the period	**-**	**-**	**14.2**	**2.1**	**(8.8)**	**233.1**	**240.6**	**11.8**	**252.4**
changes in treasury share	(8.1)	(16.6)					(24.7)		(24.7)
changes in equity investments							-	(11.3)	(11.3)
other movements		2.3					2.3	0.9	3.2
Allocation of revenues:									
dividends paid out						(148.4)	(148.4)	(14.7)	(163.1)
allocation to reserves		237.3				(237.3)	-		-
Balance at 30 September 2020	**1,466.7**	**1,242.7**	**(23.7)**	**(31.7)**	**(8.8)**	**233.1**	**2,878.3**	**188.2**	**3,066.5**

2.01.05

SYNTHETIC EXPLANATORY NOTES

Accounting policies

As set forth in article 82-ter "Informazioni finanziarie periodiche aggiuntive" (additional periodic financial information) of the Issuers' Regulation, the Hera Group has voluntarily decided to publish the consolidated quarterly report at 30 September 2020.

This consolidated quarterly report was not prepared in accordance with what outlined in the accounting principle regarding the sub-annual financial statement (IAS 34 "Interim Financial Reporting"), even though it was prepared in accordance with accounting standards with reference to the consolidated financial statements at 31 December 2019.

The preparation of this quarterly report required estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities at the reporting date. If, in the future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give an accurate representation of management operations. It is also noted that certain valuation processes, specifically the more complex ones such as establishing any impairment of non-current assets, are generally carried out fully only for the preparation of the annual financial statements, except in cases where there are impairment indicators that require an immediate impairment test.

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

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

Financial statement formats

The formats used are the same as those used for the consolidated financial statements at 31 December 2019. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents the company's results. The other components of comprehensive income are shown separately in the Statement of changes in equity. The statement of financial position highlights the distinction between current and non-current assets and liabilities. The cash-flow statement has been prepared using the indirect method.

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

The financial statements contained in this consolidated quarterly report are expressed in millions of euro through a decimal, unless otherwise indicated.

Scope of consolidation

The consolidated financial statements at 30 September 2020 include the financial statements of the Parent Company Hera Spa and those of its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Equity investments in joint ventures in which the Group exercises joint control with other shareholders as well as the companies over which the Group exercises significant control are consolidated with the equity method.

Small-scale subsidiaries and associate companies are excluded from overall consolidation and valued at fair value recorded in other items of the comprehensive income statement.

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

Changes in the scope of consolidation

On 26 February 2020, Sviluppo Ambiente Toscana Srl sold its shares, amounting to 39.5%, in the affiliated company Q.Thermo Srl over which the Group had significant influence. As this shareholding represented the only significant asset of the company Sviluppo Ambiente Toscana Srl, the procedure for its early dissolution was initiated on 18 March 2020 and ended with its cancellation on 3 August 2020. The divestiture of Q.Thermo Srl generated proceeds of 1.4 million euro.

Changes in equity investments

On 30 March 2020, AcegasApsAmga Servizi Energetici Spa purchased from Meta Srl a number of shares equal to 9.72% of Hera Servizi Energia Srl, thus increasing its stake from 57.89% to 67.72%.

On 29 April 2020, the municipalities that are minority shareholders of Inrete Distribuzione Energia Spa, holding a total interest of approximately 0.9% of the share capital, exchanged the shares they held with Hera Spa shares, pursuant to the Framework Agreement entered into in 2019. .

As a consequence of this operation, the Group gained total control over the company.

The difference between the adjustment of these minority stakes and the fair value of the amount paid was reported directly in net equity and attributed to the parent company's shareholders.

Other corporate operations

With effect from 1 January 2020, Alimpet Srl was merged by incorporation into Aliplast Spa, A Tutta Rete Srl, in liquidation, was merged into Inrete Spa and Pisoia Ambiente Srl was merged into Heraambiente Spa.

Earnings per share

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

	30 Sept 2020 (9 months)	**30 Sept 2019 (9 months)**
Profit (loss) for the period attributable to holders of ordinary shares of the Parent entity (A)	233.1	230.8
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,470,433,632	1,471,523,759
Diluted	1,470,433,632	1,471,523,759
Earnings (loss) per share (in euro)		
basic (A/B)	**0.159**	**0.157**
diluted (A/C)	**0.159**	**0.157**

Other information

This quarterly consolidated financial statement at 30 September 2020 was drawn up by the Board of Directors and approved by the same at the meeting held on 11 November 2020.

2.02

LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euro) (*)	Percentage held		Total interest
			direct	indirect	
Parent company: Hera Spa	Bologna	1,489,538,745			
Acantho Spa	Imola (BO)	23,573,079	80.64%		80.64%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasApsAmga Servizi Energetici Spa	Udine	11,168,284		100.00%	100.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sarl	La Wantzenau (France)	25,000		75.00%	75.00%
Aliplast Iberia SL	Calle Castilla -Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spoo	Zgierz (Poland)	1,200,000 PLN		75.00%	75.00%
Amgas Blu Srl	Foggia	10,000		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Ascopiave Energie Spa	Pieve di Soligo (TV)	250,000		100.00%	100.00%
Ascotrade Spa	Pieve di Soligo (TV)	1,000,000		89.00%	89.00%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Lev		100.00%	100.00%
Blue Meta Spa	Pieve di Soligo (TV)	606,123		100.00%	100.00%
Cosea Ambiente Spa in liquidation	Castel di Casio (BO)	477,526	100.00%		100.00%
EstEnergy Spa	Trieste	299,925,761		100.00%	100.00%
Etra Energia Srl	Cittadella (PD)	100,000		51.00%	51.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%

Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
Hera Comm Spa	Imola (BO)	53,595,899	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		84.00%	84.00%
Hera Comm Nord Est Srl	Trieste	1,000,000		100.00%	100.00%
Hera Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		67.61%	67.61%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		46.70%	46.70%
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

Jointly controlled companies

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%

Associated companies

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
ASM SET Srl	Rovigo	200,000		49.00%	49.00%
Set Spa	Milan	120,000	39.00%		39.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Sinergie Italiane Srl in liquidation	Milan	1,000,000		31.00%	31.00%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

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

Hera Spa
Registered Office: Viale C. Berti Pichat 2/4 - 40127 Bologna
phone: +39 051.28.71.11 fax: +39 051.28.75.25

www.gruppohera.it

Share capital Euro 1.489.538.745 fully paid up
Tax code 04245520376 - VAT and Bologna Business Reg. no. 03819031208