



CONSOLIDATE HALF-YEAR FINANCIAL REPORT

as at 30 June 2022



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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, while respecting the local environment.

FOR HERA, BEING THE BEST IS A WAY OF CREATING PRIDE AND TRUST FOR:



OUR CUSTOMERS,

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



OUR EMPLOYEES,

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



OUR SHAREHOLDERS,

confident that the economic value of the company will continue to be generated in full respect of the principles of social responsibility.



OUR SUPPLIERS,

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



THE LOCAL AREAS SERVED,

because economic, social and environmental wealth represents the promise of a sustainable future.

PURPOSE AND 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, which even when facing a scenario that shows increasingly frequent systemic crises lays the foundations for a path of steady growth.



The Group is distinguished by its search for excellent and innovative management models which, as appears in the Business Plan to 2025 as well, embody the principles of a **circular economy** and move towards **carbon neutrality**, making the most of emerging technological innovations, ever more decisive in increasing efficiency and resilience in assets and services. In much the same way, long-term **risk and opportunity** assessment and management is continuously improved within the Group's strategy, as it is required to guarantee the **fundamental services** it provides to all, even in extreme or extraordinary circumstances.

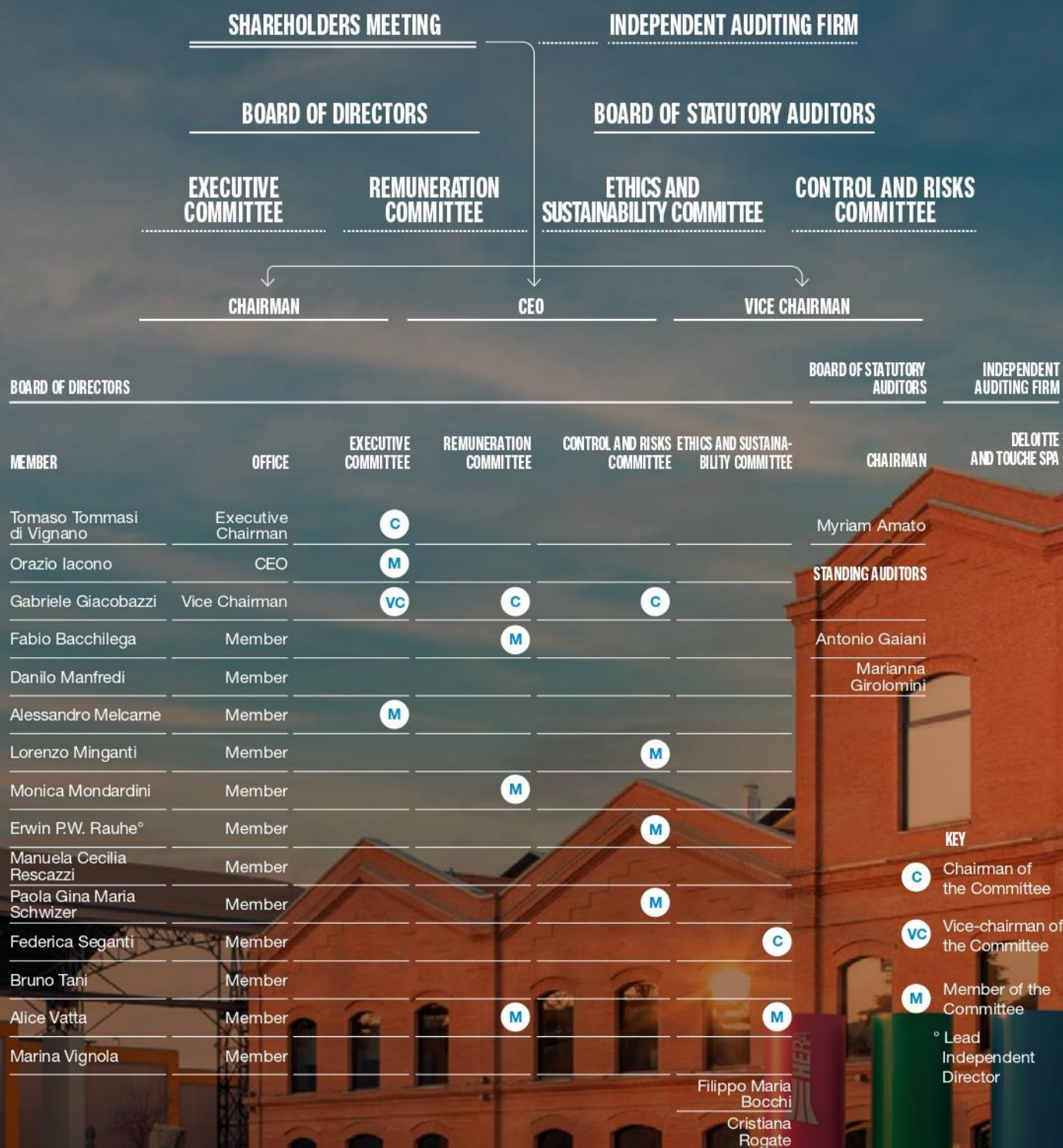
Measuring the shared value generated for the local area provides tangible, quantifiable evidence that Hera has adopted a model suitable to achieve **sustainable growth** and a "just" transition, in which stakeholders are invited to play an increasingly active role.

Overall, the Group's strategy combines business development with the needs of the ecosystem in which it operates, enhancing the reciprocal trust-based relationship it enjoys with its local areas, as is further shown by the formal inclusion of Hera's social and environmental purpose within its Articles of Association.

GOVERNANCE SYSTEM

Hera's corporate governance is aimed at understanding and evaluating the stimuli coming 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 engagement 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.



DIRECTORS' REPORT



1.01 TRENDS AND CONTEXTS

Hera makes ongoing efforts to interpret the signs coming from the contexts in which it operates, in an attempt to obtain an overall view of what lies ahead for the Group and its stakeholders. In order to anticipate future developments, and operate by adopting an original business model, capable of continuously innovating and maintaining strong local roots while respecting the environment, the main factors updating macrotrends in the reference contexts are identified below. The foremost drivers of change and the Group's strategic approach are presented in the 2021 Annual Financial Report, which may be consulted for a more detailed discussion.

1.01.01 Macroeconomy and finance

Global economic trends and projections

After the crisis caused by the pandemic, 2021 was a year of economic recovery, supported by significant monetary and fiscal aid and a strong rebound in global demand. As a result, global GDP increased year-on-year by 6.1% compared to 2020. In the first six months of 2022, instead, the global economic scenario changed significantly as a consequence of the more unstable geopolitical context. At the end of February, the invasion of Ukraine upset geopolitical balances, brought a war to only a few kilometres from the borders of the European Union and created enormous tension in the financial and commodity markets. This resulted in an increase in inflation that is affecting consumer prices, as well as decreasing business and household confidence and, ultimately, lowering prospects for economic growth. This overall insecurity led the International Monetary Fund (IMF) to revise its growth estimates for the global economy downwards, projecting an increase of 3.6% in both 2022 and 2023 (compared to previous estimates of 4.4% and 3.8%, respectively).

These economic trends take very different forms in the various geographical areas of the world. Developing countries are expected to see the most significant reduction in growth compared to the estimates at the beginning of the year, due to their exposure to fluctuations in food prices and less access to monetary and fiscal aid. In the case of China, which has always been a driver and a point of reference for emerging economies, growth estimates are expected to be halved, with the economy growing at 4.4%, compared to the previously projected 8.1%. Expectations for North American countries, which benefit from less exposure to the conflict and energy independence, are slightly better: growth is expected to come to 3.7% in the United States (as against 5.7% in the estimates dating to January), and 4.6% in Canada (3.9% in estimates from early 2022).

Focus on the Eurozone

For the Eurozone, due to its proximity to the conflict and its energy dependence on Russia, GDP is estimated to grow by no more than 2.8% in 2022 and 2.3% in 2023, down from the forecasts made in late 2021 (3.9% in 2022 and 2.5% in 2023). A 5.3% increase in GDP was seen in 2021, which includes the slowdown that occurred during the last months of the year due to lower foreign demand, a fall in household consumption and higher commodity prices. The sharp rise in energy prices, which began in late 2021 and is still ongoing, is fuelling a disturbing increase in consumer prices, with the inflation rate reaching its highest level since the birth of the monetary union in June, at 8.1% year-on-year. Nevertheless, the European Central Bank (ECB) has confirmed its goal of bringing inflation close to the target set at 2% as soon as the current geopolitical tensions have subsided.

The current situation and the national economic outlook

The situation in Italy is in line with the trends outlined above for Europe. In 2021, Italy recorded economic growth coming to 6.6%, higher than the Eurozone average, and nourished expectations for sustained economic growth in 2022 as well (estimated at 3.8% during the early months of the year). Instead, the events in Ukraine and the current financial tension have now led ISTAT to downgrade its forecast for growth in national GDP during 2022 to 2.8%. This growth is expected to be driven by domestic demand (up 3.2% compared to 2021), while demand from abroad is expected to decrease slightly (-0.4% compared to 2021).

A comparison between the indicators that appeared in May and those dating to December 2021 shows that industrial production nevertheless improved by 1.4 points, from 105.3 in December 2021 to 106.7 in May 2022. The increase in the industrial sector benefited the labour market: with respect to the figures dating to late 2021, a decrease was seen in both the unemployment rate (from 9.0% to 8.1% in May) and the inactivity rate (from 35.1% to 34.8%), and the number of employed persons increased (from 59.0% to 59.8%).

However, the events that unfolded in the first half of 2022 had a very negative impact on consumer confidence. In June, ISTAT estimated a consumer confidence index of 98.3 points, down by no less than 19.4 points compared to 117.7 in December 2021. This sharp decrease is mainly due to the rise in consumer prices that shows no sign of stopping. In fact, inflation in Italy also rose sharply, reaching a year-on-year increase of 8.0% in June.

Financial markets

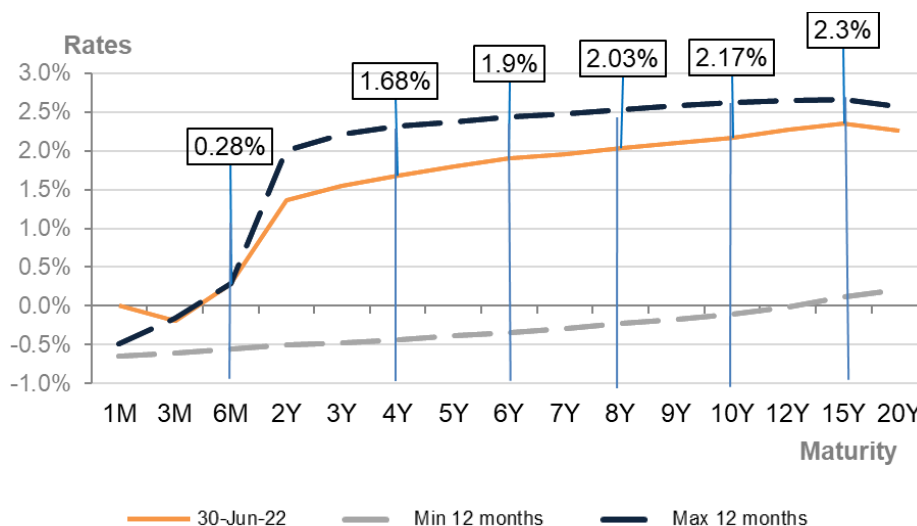
Monetary tightening from central banks

The events unfolding in Ukraine and the inflationary shock on the energy market led to a sudden rise in interest rates and sovereign spreads.

In order to contain the accelerating inflation driven by energy prices, the main central banks intervened with measures based on a restrictive monetary policy. The Federal Reserve increased the monetary tightening it had introduced in March and, in June, also raised interest rates by 75 basis points (the sharpest rise since 1994), setting the reference rate in the range between 1.5% and 1.75%. The most recent forecasts expect this monetary policy to be maintained until inflation slows down. More specifically, according to the Federal Open Market Committee's projections, interest rates could rise to 3.25% - 3.50% by the end of 2022, stabilising at approximately 2.5 % in the long term. The Bank of England (BoE) raised rates by 25 basis points in May and June, bringing the benchmark bank rate to 1.25%, on the basis of forecasts estimating inflation to rise to 10% in 2022. The European Central Bank, on the other hand, recently confirmed its interest rates (with the reference rate remaining at zero and the rate on deposits still negative, at -0.5%) and made official its intention to raise the reference interest rates in July (with an expected increase of 50 basis points) and in September, calibrating the increase according to medium-term inflation. As of 1 July 2022, the Asset Purchase Programme (APP) came to an end; however, the ECB Governing Council announced that it intends to continue to fully reinvest the principal repaid on maturing securities for an extended period of time, as long as necessary to maintain favourable liquidity conditions and a large degree of monetary accommodation.

Interest rates

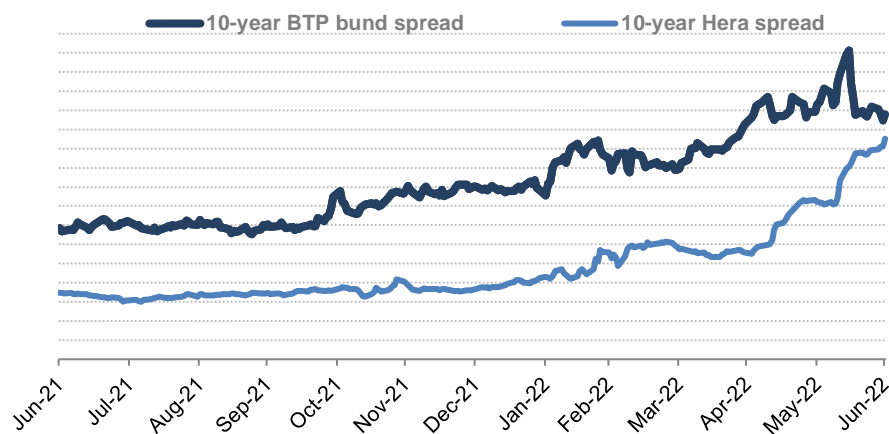
The Eurozone interest rate curve on all maturities showed an upward trend coming to roughly 180 basis points (bps) on average compared to 31 December 2021, while the curve of the implicit forward rates forecasts a further increase for the next three years amounting to roughly 190 bps on short-term maturities, and a smaller increase coming to approximately 50 bps on medium- to long-term maturities.



Spread

Sovereign bond yields in Europe (including Italian sovereign bonds) rose significantly, reflecting fears that a possible reduction in monetary stimulus could be accompanied by a reappearance of market fragmentation. On 15 June, the members of the ECB stated that they were continuing to work on a new anti-fragmentation instrument designed to prevent another sovereign debt crisis. Among the various proposals, one includes the possibility for countries committed to balanced budget and public debt reduction policies (such as Italy) to gain access to the European Stability Mechanism (ESM). In the event of speculative pressure on government bonds, this instrument would allow the ECB to intervene without limits through Outright Monetary Transactions (OMT).

At 30 June 2022, the spread between the yield on the ten-year BTP and the yield on the equivalent German bond closed at 192 basis points, up 57 basis points compared to 31 December 2021, with the yield on the Italian ten-year bond at 3.25% (+208 basis points compared to 31 December 2021) and the yield on the German ten-year bond at 1.33% (+151 basis points compared to 31 December 2021). The spreads of bonds issued by Hera followed the upward trend of government bonds, reducing the differential to the corresponding spreads of Italian bonds that had been seen in the past. At 30 June the ten-year spread, in particular, was lower than the BTP-Bund spread with the same duration by about 6 basis points.



1.01.02 **Businesses, Environment, Regulations, Human capital and Technology**

In the currently unstable national and international energy context, characterised by the ongoing Russia Ukraine conflict and thus the risks linked to the reduced availability of Russian gas, as well as the upward trend in crude oil and fuel prices that started in 2021, energy prices showed a significant increase compared to the previous year. The rise in natural gas spot prices, in particular, was due to the limited supply also caused by reduced investments in extraction capacity in recent years and the ensuing logistical bottlenecks.

In the first six months of 2022, the price index for natural gas at the Dutch hub (TTF), taken as the price benchmark for short-term European spot markets, showed a 416% increase compared to the same period in 2021. The information made available by the national gas transmission network operator (Snam Rete Gas Spa) shows a 1.6% decrease in natural gas consumption compared to the same period one year earlier, amounting to 38.9 billion cubic metres (39.5 billion m³ in the first six months of 2021). The most significant declines in consumption were due to civil demand, which amounted to 18.3 billion m³, and industrial demand, with volumes of 6.6 billion m³, a decrease that was not offset by higher demand for electricity generation, which amounted to 12.8 billion m³. In the first six months of 2022, 91.2% of demand was met, in terms of gas injected into the network, by gas imports, 3.9% by storage and the remainder by domestic production.

The day-ahead electricity market (MGP) showed a price increase coming to 272% in the first half of 2022 compared to the same period in 2021. The data made available by the company operating the national transmission grid (Terna Spa) shows that electricity consumption in the first six months of the year increased by 2.7%, coming to 158 TWh (as against 153.8 TWh in the same period of the previous year). Overall, 87.42% of demand was met by domestic production, which increased compared to the same period in 2021, while the balance from abroad stood at 21.4 TWh.

In the first six months of 2022, net domestic production from renewables amounted to 31.5% of total net production, corresponding to a volume of 47.9 TWh, lower than the 55.1 TWh produced in the same period of 2021. The amount of consumption satisfied by renewables came to 27.5%, down compared to the volumes recorded on 30 June 2021, due to a sharp reduction in hydroelectric (-39.7%) and geothermal (-0.4%) production, not entirely offset by growth in photovoltaic (+10.5%), wind (+6.7%) and geothermal (+0.7%) production, which saw an overall increase of +1.7 TWh. The increase in thermoelectric production was particularly significant, rising by +14.1 TWh compared to the same period last year.

With regard to the waste management sector, the production of municipal and industrial waste in the half-year remained lower than pre-pandemic figures, leading to an increased plant availability at both European and national level, and a consequent reduction in treatment prices.

For municipal waste, in order to maintain the full technical capacities of treatment plants in Northern Europe, whose operations have been affected by the progressive reduction of waste exports coming from Great Britain (from 4.5 to 1.2 million tonnes per year in the last five years), treatment availability is now also being granted to foreign brokers who are beginning to look towards the Italian market. In order to seize market opportunities, i.e. in order to manage flows from areas experiencing processing difficulties, several foreign players with experience in intermodal logistics have therefore started to establish business relations with domestic operators. However, this competitive pressure remains hindered by national regulatory and administrative complexity, which leads foreign operators to collaborate with national ones in order to participate in tenders for treatment within Italy. The widespread crisis in logistics (naval, rail and road) also curbs foreign competitive pressure in central and southern Italy.

For industrial waste, the trend towards industrial plant concentration continues, with various acquisitions by the main operators in the sector. Due to the gradual increase in energy costs and difficulties in finding raw materials, which began in late 2021, there was also a slowdown in production concerning many manufacturing sectors in the first half of 2022, which also affected the production of industrial waste.

Lastly, in the recovery segment, increases in the price of virgin polymers (influenced by the overall increase in raw material and energy costs) and in competitive pressure are continuing, not only from operators in the waste sector but also from petrochemical companies and virgin plastics producers or

large international plastics recyclers, who are expanding their treatment capacities. This trend is also pushing up the cost of plastic waste, for which demand in Europe is steadily becoming stronger.

The most important legislative and regulatory factors that appeared in the first six months of 2022 include:

- various governmental and regulatory measures adopted to counter the effects of the current situation's exceptional instability in electricity and gas prices;
- ARERA's definition of the new regulations for gas metering performance, with reference to smart meters;
- the ongoing reform process for regulating reactive energy for the electricity sector;
- the introduction of waivers in the water tariff method, with regard to recognizing electricity procurement costs, due to the extraordinary context of energy price volatility;
- the conclusion, in the same sector, of the preliminary proceedings to determine the system of incentives and penalties for technical quality for the two-year period 2018-19;
- for the municipal waste management service, the definition of WACC for the four-year period 2022-25, as well as the introduction of contractual and technical quality obligations for waste collection activities.

Changes in the regulatory framework

Measures to counter instability in the energy markets and contain the effects of price increases in bills

Since the autumn of 2021, the government has launched a series of measures to support citizens and businesses in coping with rising energy prices, both in the electricity and gas sectors. After the outbreak of war in Ukraine, previous price mitigation measures have been accompanied by measures to ensure that storage facilities are filled and the development of renewable energy sources is accelerated.

The 2022 Budget Law (Law No. 234 of 30 December 2021) confirmed, for the first quarter of 2022 as well, the allocation of resources to contain energy price increases. In this regard, with resolution 635/2021/R/com, ARERA implemented the annulment of components covering general system charges (ASOS and ARIM) for domestic users and for non-domestic electricity users with up to 16.5 kW, alongside other important reductions for the remaining users. To the benefit of all gas users, ARERA also annulled the rates falling under the RE, GS and UG3 tariff components. Law No. 234/2021 (mentioned above) also confirmed the reduction to 5% in the VAT rate applicable to supplies of methane gas for civil and industrial uses and, in order to minimise increases in expenditure on supplies, reinforced social bonuses for electricity and gas applied to disadvantaged domestic customers. In addition to the aforementioned interventions, with Resolution 636/2021/R/com, ARERA defined the methods for instalment payments of the amounts relating to invoices issued from 1 January 2022 to 30 April 2022, which sellers in protected services and on the free market are required to offer to domestic electricity and natural gas customers in default of payment of their invoices.

The "Support-ter" decree (Decree-Law No. 4 of 27 January 2022) provided for a further reduction of system charges, extending their annulment, for the first quarter of 2022, to electricity users with power higher than 16.5 kW, including those connected at medium, high and very high voltage or for public lighting or electric vehicle recharging (in places open to the public). For energy-intensive companies, the same decree also provided for a contribution, in the form of a tax credit, as well as the introduction of a twofold mechanism for the price of electricity supplied by certain types of renewable source plants.

The "Energy" Decree (Decree-Law No. 17 of 1 March 2022) renewed, for the second quarter of 2022, the provisions contained in previous interventions regarding reduced system charges for electricity and gas users, the application of a 5% VAT rate for the supply of methane gas, and reinforced energy bonuses.

The "Price-Cut" Decree (Decree-Law No. 21 of 21 March 2022), as amended by the subsequent Decree-Law No. 50/2022, introduced a contribution consisting in a non-recurring levy coming to 25%, calculated on the increase in the balance between active and passive transactions that occurred between 1 October 2021 and 30 April 2022, compared to the same period between 2020 and 2021, to be borne by operators in the electricity and gas sectors who meet certain conditions for the year 2022. Decree-Law 21/2022 also established, from 1 April 2022 to 31 December 2022, an enlargement of the number of persons entitled to social bonuses, increasing to 12,000 euro the amount of ISEE below which bonuses are automatically granted, as well as the extension to 30 June of the provisions on bill

instalment payments for the benefit of domestic customers in arrears, originally referring to bills issued up to 30 April 2022.

With its own resolution 141/2022/R/com, ARERA implemented for the second quarter of 2022 the government's measures on cancelling general system charges and recognising the social bonus; with resolution 241/2022/R/com, instead, ARERA dealt with the measure extending instalment payments.

The exceptionally instable situation in the national gas system, due above all to international geopolitical factors, also led to an update to the regulatory framework concerning the economic conditions of the reference prices for the protected gas service, to which domestic customers are entitled until 31 December 2022. In order to assess trends in price formation on the Italian wholesale market and the effects they have on the retail sales phase of the supply chain, with DL 21/2022, the government assigned ARERA a specific function in monitoring gas import contracts. The law converting DL 17/2022 also supplemented Law 481/1995 (the law that established the regulatory authority for the energy sector), attributing to ARERA, as part of its power to regulate the prices of the protected service, the task of taking into account not only market trends (as hitherto provided for), but also the real cost of procurement for raw materials.

In its Report to Parliament and Government 252/2022/l/gas of 13 June 2022, ARERA noted that, at the moment, the weighted average trend in the cost of import contracts shows variations similar to those of the component relating to the cost of gas procurement used for the protected system, even though it presents, when sudden changes in the price on the wholesale market occur, different speeds in adjusting, due to the different indexing mechanisms. Should misalignments emerge during monitoring between multi-year contracts and wholesale prices, ARERA assumed that the economic effects could be detected and passed on to customers in compliance with the objectives and regulatory constraints set forth therein. On the other hand, by way of variations in the amount of the UG2 element of the additional component of the gas distribution tariff, ARERA proposed that part of the revenues deriving from tax interventions borne by supply chain operators, or part of the non-recurring contribution intended to counter increases in bills introduced by Decree Law 21/2022, be transferred to smaller end customers.

The "Bollette-bis" decree (Decree-Law No. 80 of 30 June 2022) renewed, with reference to the third quarter of 2022, what had already been foreseen in previous quarters in terms of measures to contain the effects of price increases, with the allocation of additional resources intended to cancel system charges for electricity and gas users and apply a VAT reduced to 5% to methane gas supplies. These measures allowed ARERA, through resolution 296/2022/R/com, to confirm for this quarter as well the cancellation, for all electricity users, of the ASOS and ARIM components and, for the gas sector, of the RE, GS and UG3 tariff components. To the benefit of users showing consumption of up to 5,000 cubic metres per year, resolution 296/2022 also introduced, in addition to the measures dating to previous quarters, a further reduction in the UG2 component, financed with the coverage falling under the state budget and activated with DL 80/2022.

For the protected electricity market, DL 80/2022 also assigned procurement to the company Acquirente Unico Spa, using all the instruments available on regulated markets. With regard to storage activities, it lastly established that, in order to contribute to the security of supply, the Gestore dei Servizi Elettrici (GSE), also acting through agreements with companies directly or indirectly owned by the state, and in a close coordination with the largest natural gas transportation company, shall provide a last resort filling service by purchasing natural gas intended to be stored and subsequently sold within 31 December 2022, setting the maximum amount at 4 billion euro.

As regards gas metering, at the end of the first half of 2022 Arera approved a significant measure that defines more stringent expected output and performance levels for the service provided by smart gas meters. Resolution 269/2022/R/gas in fact establishes new obligations regarding the timing of smart meter commissioning, the frequency of metering data collection, the granularity of the same, and the timing involved in making the data collected available. The measures set out in the resolution also affect various aspects relating to billing and determining compensation for the benefit of end customers and sellers. In order to allow distribution and sales companies to make the necessary informational, operational and organisational adjustments, the effective date of almost all the new provisions is set at 1 April 2023.

Gas metering: new
smart meter
reading
performance
regulation
introduced

Electricity distribution, gradual completion of reactive power regulations

With regard to electricity distribution regulations, during the first half of 2022 another element was added to the reform of reactive power regulation, albeit limited to medium- and low-voltage networks. Starting from 1 April 2023, resolution 232/2022/R/eel introduces fees also for reactive energy fed in, and ARERA has therefore granted operators a reasonable period of time (9 months) necessary both to develop systems and to initiate a series of measures aimed at informing end customers and at the same time encourage corrective actions carried out by the latter to reduce costs. The subsequent resolution 283/2022/R/eel extended the current regulatory provisions for reactive energy flows for high voltage points and interconnections until 31/12/2022.

Integrated Water Service, waivers for electricity cost recognition

In regulations for the integrated water service, two important procedures were completed in the first half of 2022. Firstly, with reference to tariff regulation, resolution 229/2022/R/idr concluded the process begun with resolution 139/2022/R/idr, providing, in light of the exceptional current context of energy price volatility, for extraordinary measures regarding the recognition of electricity costs for water operators. In particular, the latter are granted the option of requesting a financial advance from the Energy and Environmental Services Fund (CSEA) for electricity procurement in 2022, as well as, in agreement with the Sector Authority, the possibility of an exceptional application for the recognition of the cost pertaining to 2021, even if higher than the tariff cap, provided that it is accompanied by a plan of action to contain consumption and energy costs.

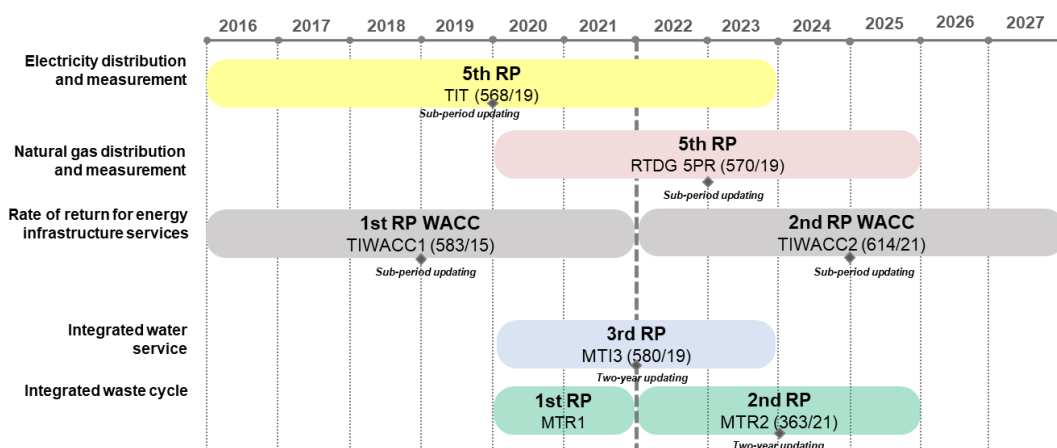
Integrated Water Service, conclusion of assessments to quantify incentives / penalties for technical quality of service for the first two-year application period

Secondly, with reference to the regulation of service quality and in order to quantify the incentives (and penalties) due for performance in 2018 and 2019, resolution 183/2022/R/idr concluded the preliminary investigation begun with the previous resolution 46/2020/R/idr. In this assessment, ARERA emphasised the importance of the role of Area Authorities in the data validation process and in respecting timelines, as well as an overall good performance shown by operators, who seem to have acted according to unquestionably satisfactory criteria, except for cases of exclusion from the mechanism for violations of the regulatory rules. According to the provisions of technical service quality regulations, the penalties relating to 2018 and 2019 will have to be set aside and used to reach the established objectives, while the bonuses relating to the same years have been paid by CSEA. Two similar proceedings were also opened for quantitative assessments of incentives and penalties with reference to the 2020-21 two-year targets; resolution 69/2022/R/idr opened the first inquiry (to be completed within December 2022) in the area of contractual service quality, while resolution 107/2022/R/idr opened the second inquiry for technical quality.





Integrated waste cycle: WACC set for 2022-2025 and contractual quality obligations introduced

With reference to the municipal waste management service, resolution 68/2022/R/rif set the WACC for 2022-2025. More specifically, for the collection service it was set at 5.6% and will be adjusted when tariffs are established for 2024-2025: until then, it remains set at 6.3%. For the treatment service, WACC was instead set at 6.0%. In addition, note resolution 15/2022/R/rif, which introduces the first regulation of service quality, providing for the introduction of a set of contractual and technical quality obligations for the collection service, minimum and identical for all managers, flanked by quality indicators and the related general standards, differentiated by regulatory mechanisms, which are identified in relation to the actual initial quality level guaranteed to users by the various managers.

What follows is an outline of the main regulatory periods and related measures defined by ARERA for the Group's business sectors.



The following table shows the main tariff references for each regulated sector, based on the regulatory framework in force in 2022 and those expected until the end of the current regulatory periods.

	 Natural gas distribution and measurement	 Electricity distribution and measurement	 Integrated water service	 Integrated waste cycle
Regulatory period	2014-2019 4th regulatory period (resolution 573/13) 2020-2025 5th regulatory period (resolution 570/19)	2016-2019 1st sub-period of the 5th regulatory period (resolution 654/15) 2020-2023 2nd sub-period of the 5th regulatory period (resolution 568/19)	2016-2019 2nd regulatory period (resolution 664/15) 2020-2023 3rd regulatory period (resolution 580/19)	2018-2021 1st regulatory period (resolution 443/19) (1) 2022-2025 2nd regulatory period (resolution 363/21) (2)
Regulatory governance	Single level (ARERA)	Single level (ARERA)	Double level (Governmental authority, ARERA)	Double level (Regional authority, ARERA)
Invested capital recognised for regulatory purposes (Rab)	Previous cost revised (distribution) Average between standard and actual cost (measurement) Parametric recognition (centralised capital)	Parametric recognition for assets until 2007 Previous cost revised assets as of 2008	Previous cost revised	Previous cost revised
Regulatory lag for investment recognition	1 year	1 year	2 years	2 years
Return on invested capital (3) (real, pre-tax)	2019 6.3% Distribution 6.8% Measurement 2020-2021 6.3% Distribution and measurement 2022 5.6% Distribution and measurement	2019-2021 5.9% 2022 5.2% Distribution and measurement	2018-2019 5.31% 2020-2021 5.24% 2022-2023 4.8% +1% for investments as of 2012, covering the regulatory lag	2020-2021 6.3% +1% for investments as of 2018, covering the regulatory lag 2022-2025 (4) 5.6% Collection (adjusted when preparing tariffs for the years 2024-2025, until then 6.3%) 6.0% Treatment
Recognised operating costs	Average value of actual costs by company grouping (size/density), based on 2011 (for revenues until 2019) and 2018 (for revenues as of 2020) (5) Sharing for efficiencies achieved compared to recognised costs Update with price-cap	Average value of actual sector costs, based on 2014 (for revenues until 2019) and 2018 (for revenues as of 2020) Sharing for efficiencies achieved compared to recognised costs Update with price-cap	Efficiency-applicable costs: actual amounts for the manager in 2011, adj. for inflation Updatable costs: actual values, with 2-year lag Added charges for specific purposes (provisional)	Collection and treatment Actual costs for manager with 2-year regulatory lag Added costs for quality improvement and change in manager's scope (provisional) Added charges for specific purposes (provisional)
Annual efficiency factor for operating costs	Annual X-factor 2019 Distribution: 1.7% large companies 2.5% medium companies Measurement and commercialisation: 0% As of 2020 Distribution: 3.53% large companies 4.79% medium companies Measurement: 0% Commercialisation: 1.57%	Annual X-factor 2019 Distribution: 1.9% Measurement: 1.3% As of 2020: Distribution: 1.3% Measurement: 0.7%	Efficiency-applicable mechanism based on: sharing manager's 2016 efficiencies Amount of sharing differentiated according to the discrepancy between actual costs and manager's efficient cost	
Incentive mechanism.		Sharing for net revenues coming from fibre optics transit in electricity grids	Sharing for electricity costs, based on energy saving achieved; Recognition of 75% of earnings from activities aimed at environmental and energy sustainability	Collection Sharing for revenues coming from sales of materials and energy (range 0.3-0.6) and Conai incentives Treatment Sharing not explicitly recognised by the method, although it can be identified with the general principles supporting the development of the circular economy

Annual limit on tariff increases

Asymmetric, based on:
-investment requirements
-management cost
-changes in scope

Collection
Asymmetric, based on the presence of:
-changes in scope
-service quality improvement

Possibility of motion
guaranteeing operating and
financial balance

Treatment
Limit to growth less strict since the
efficiency factor is not foreseen, it is a
function of
- rise in inflation
-environmental impact of plants

Collection and treatment
Possibility of motion guaranteeing
operating and financial balance

(1) Resolution 443/19 applies to operators in the integrated waste cycle, including treatment activities (disposal or recovery), only if these activities are included in the operator's corporate scope. The specific measure to be introduced for tariff regulation of compensation for plants falling outside this scope has been postponed.

(2) Resolution 363/21 updated the previous regulatory period and introduced tariff regulation for treatment in the case of minimum plants, i.e. those essential for closing the municipal waste cycle.

(3) For the energy and waste sectors, the WACC methodology is applied, while for the integrated water service the amounts indicated refer to rate of coverage of financial and fiscal charges.

(4) For 2022-2025, the reference measure for WACC in the waste sector is resolution 68/2022/R/irf

(5) Regarding the significant reduction in the recognition of operating costs introduced by resolution 570/2019 in February 2020, Inrete Distribuzione Energia Spa, the Group's main distributor, like other operators in the sector, has filed an appeal at the Lombardy-Milan Regional Administrative Court.

1.02 MAIN EVENTS OCCURRED

Business and financial events

Green Financing Framework

On 17 May 2022, the Hera Group, the first Italian company to issue a green bond in 2014, published its new Green Financing Framework, which consolidates the policy concerning transparency towards investors. Confirming the company's green commitment, also based on the challenging new European standards, Hera is the first multi-utility in Europe to publish a framework certified by an independent company and in line with the European Taxonomy. The Group's new Green Financing Framework provides a point of reference for issuing green bonds and new green bank loans related to the following areas: "Sustainable Water and Wastewater Management", "Circular Economy and Pollution Prevention and Control" and "Energy Efficiency and Energy Infrastructure", selected in compliance with the 2021 Green Bond Principles (GBP) drafted by the International Capital Market Association (ICMA) and the Green Loan Principles 2021 (GLP) defined by the Loan Market Association (LMA).

Green Bond

On 18 May 2022, Hera launched its third green bond with a nominal value of 500 million euro, repayable in 7 years. The funds of this listed bond, subscribed under the Euro Medium Term Note Programme (EMTN), will be used to finance or refinance several projects, already implemented or set out in the Business Plan to 2025, selected on the basis of the Green Financing Framework, which pursue one or more of the objectives on the UN 2030 Agenda, or Sustainable Development Goals (SDGs), divided into 3 areas:

- integrated water cycle (corresponding to SDGs 6, 13 and 14): wastewater management and treatment projects, sewerage and water infrastructures for resilience and adaptation to climate change;
- circular economy, pollution prevention and control (in line with SDGs 11, 12 and 13): innovative projects in plastics manufacturing, biogas and biofuel production for use in transport, waste collection systems, anaerobic digestion and composting of organic waste, vehicle fleets for environmental services;
- energy efficiency and infrastructures (responding to SDGs 7, 11 and 13): from electricity generation through photovoltaics and geothermal energy to district heating networks, from installing devices and equipment for regulating and controlling energy performance to renewable energy technologies, from networks for introducing hydrogen to electricity transmission and distribution networks.

The strong demand, with subscriptions amounting to 3.4 times the amount offered, and the quality of the orders received, allowed the price to be set at a very satisfactory level. The bond will pay an annual fixed-rate coupon of 2.5%. The new issue, whose settlement date was 25 May 2022, has been listed, since the issue date, on the regulated markets of Euronext Dublin and the Luxembourg Stock Exchange and on the ExtraMOT Pro multilateral trading system of Borsa Italiana.

Russia – Ukraine conflict

In the first half of the year, tensions continued and intensified in the energy markets, the dynamics of which, characterised by sharp price rises and high volatility, are strongly influenced by the ongoing conflict in Ukraine.

This overall context presents two systemic risks, which have already partially appeared and could worsen:

- a rise in inflation especially as an effect of energy commodities, with an ensuing impact on GDP growth and energy demand;
- a reduction in gas supplies from Russia (in 2021, a total of 155 billion cubic metres entered Europe, of which approximately 29 billion went to Italy, corresponding to 38% of the nation's requirements), with impacts on the physical availability of this commodity and consequently on the level of market liquidity.

In this respect, the Group is directly exposed to the risk of unavailable gas supplies from Russia, which constitute, on the basis of existing contracts, roughly 5% of its own sources of procurement for this commodity.

The current energy scenario also entails impacts of a commercial nature, especially for structural changes in offers to customers (with indexed formulas prevailing more than in the past) and the need to manage supply modulation processes more dynamically, in light of the high volatility of the markets.

The above systemic risks are carefully monitored by the Group and broken down into possible risk scenarios for its activities, with the identification, where possible, of appropriate mitigation interventions. In a situation characterised by absolute uncertainty and consequent extreme volatility on commodity markets, the Group will continue to constantly assess risks and opportunities, in order to act promptly with the actions deemed most appropriate in relation to sudden changes in the context.

Significant corporate transactions

Bfeng

On 30 March 2022, the Group finalised the acquisition of a business unit from BFeng, the engineering company of the BolognaFiere Group, becoming the entity in charge of managing the district heating system of the Bologna Exhibition Centre. This acquisition is part of a broader project that will make it possible, starting in 2025, to interconnect the Group's two other existing district heating systems through the construction of a new backbone, thus further extending the city's sustainable and environmentally friendly heating system.

The interconnection will allow, among other benefits: a lower use of methane gas, coming to roughly 4.2 million cubic metres per year, thanks to the recovery of heat from the Granarolo waste-to-energy plant; a reduction in nitrogen oxide and carbon dioxide emissions, respectively by 13.2 tonnes and 10,800 tonnes per year.

The possible construction of new connections along the backbone could also save up to 24,100 tonnes of CO₂ emissions and 19.5 tonnes of nitrogen oxides.

Con Energia

On 13 April 2022, Hera Comm Spa acquired 100% of the share capital of Con Energia Spa, a company active above all in central and southern Italy specialising in natural gas and electricity sales to end customers with 40,000 customers in its portfolio.

Macero Maceratese

On 30 June 2022, Marche Multiservizi acquired 70% of Macero Maceratese Srl, which operates in the waste management sector and has customers mainly located in the province of Macerata and partly in the remaining provinces of the Marche region, as well as in the neighbouring regions of Abruzzo and Umbria. Macero Maceratese deals with services related to waste management for SMEs and large-scale retail trade, and activities related to the management of municipal waste, partly for energy recovery and landfills, and partly for treatment and recovery, with an annual average of 58,000 tonnes of waste treated. With this further operation, the Group has strengthened its national leadership in the waste management sector, with particular reference to industrial waste management and treatment, making its state-of-the-art set of plants and an all-round service for special waste available to new customers.

Significant events occurred after the reporting period

Biorg

On 12 July 2022, the Shareholders' Meeting of Biorg Srl resolved a further share capital increase reserved to the incoming Shareholder Sara Srl and amounting to 3 million euro, subscribed and paid up by the latter through the contribution of the "Nonantola" business unit, consisting of the related composting plant. At the end of the aforesaid transaction, the share capital of Biorg Srl is 70% held by the subsidiary Herambiente Spa and 30% by the Shareholder Sara Srl.

1.03 OVERVIEW OF OPERATING AND FINANCIAL TRENDS AND DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

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 4 March 2021 by the European securities and markets authority and in keeping with the provisions of Consob communication no. 5/21 of 29 April 2021, the content of and the criteria used in defining the APMs used in this financial statement, if present, are explained below. Any operating, financial and fiscal special items, if present, are described below, as are any adjustments related to operations (operational adjustments) considered to be useful in understanding the results.

The Hera Group determines its operating indicators for the reporting period by classifying as special items any significant components of income that (i) derive from non-recurring events or transactions, or any transactions or events that are not frequently repeated during the usual course of business; (ii) derive from events or transactions that do not represent normal business activities. At the same time, certain accounting items are adjusted using a management valuation criterion, if and when the latter facilitates the analysis of certain specific business trends. In light of the fact that the operational adjustments referred to above have an impact on the balance sheet, their effects are provided as an adjustment of the financial indicators described below.

The indicators illustrated below are used as financial targets in internal presentations (business plans) and in external documents (for analysts and investors). They provide useful measures for assessing the Group's operating performance (as a whole and within each business unit), including comparisons between the reporting period in question and previous periods as regards operating profitability.

Operating APMs and investments

Ebitda is calculated as the sum of the operating income shown in the balance sheets and depreciation, amortization and write-downs.

Adjusted Ebitda (hereinafter referred to as Ebitda*) is calculated based on Ebitda, as described above, adding or subtracting operational adjustments which, if present, are described in a separate table at the end of this section.

Ebit is calculated by subtracting operating costs from operating revenues. Among operating costs, special operating items, which if present are described in the detailed table at the end of this paragraph, are deducted from amortisations and provisions.

Adjusted Ebit is calculated based on Ebit, as described above, adding or subtracting operational adjustments which, if present, are described in a separate table at the end of this section.

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

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

Results from special items (if present in the current report) are aimed at drawing attention to the result of the special item entries which, if present, are described in the detailed table at the end of this paragraph.

Adjusted net profit is calculated by adding the result from special items to the adjusted net result, as described above. This indicator therefore includes any operational adjustments used to bring certain accounting valuation items back into line with management criteria.

Adjusted Ebitda on revenues, adjusted Ebit on revenues and adjusted net profit on revenues

measure the Group's operating performance through a proportion, expressed as a percentage, of adjusted Ebitda, adjusted Ebit and adjusted net profit divided by the amount of revenues.

**Financial
APMs**

Net investments are calculated as the sum of investments in tangible fixed assets, intangible assets and equity investments net of capital grants. For the data used in calculating investments, see the content of paragraph 1.03.01 and notes 13, 15, 16 and 17 of paragraph 2.02.04 "Commentary notes to the financial statement formats", if present.

Adjusted net non-current assets are calculated as the sum of: tangible fixed assets; intangible assets and goodwill; equity investments; deferred tax assets and liabilities (including management adjustments).

Adjusted net working capital is made up of the sum of: inventories (adjusted to reflect the different management value of gas storage); trade receivables and payables; current tax receivables and payables; other assets and other current liabilities; the current portion of assets and liabilities for financial derivatives on commodities.

Provisions includes the sum of the items "employee severance indemnities and other benefits" and "provisions for risks and charges".

Adjusted net invested capital is defined by calculating the sum of "adjusted net fixed assets", "adjusted net working capital" and "provisions".

Adjusted net equity is obtained by adding the economic effects of operational adjustments applied to gas storage, net of deferred taxes, to the equity that appears in the balance sheets.

Net financial debt (at times referred to below as **Net debt**) is a measure of the company's financial structure determined in accordance with ESMA guidelines 32-382-1138, adding the value of non-current financial assets. This measure is therefore calculated by adding together the following items: current and non-current financial assets; cash and cash equivalents; current and non-current financial liabilities; current and non-current portions of assets and liabilities for derivative financial instruments on interest and exchange rates.

Sources of financing are obtained by adding "net financial debt" and "adjusted net equity".

**Operating-
financial
APMs**

The Net debt to Ebitda and Net debt to Adjusted Ebitda ratios, respectively expressed as multiples of Ebitda and Adjusted Ebitda, are a measure of the operating management's ability to pay back its net financial debt.

Funds from operations (FFO) are calculated beginning with Ebitda, subtracting provisions for doubtful accounts, financial charges, uses of severance pay reserves and provisions for risks (net of releases from provisions and increases due to changes in assumptions on future outlays following revised estimates on current landfills) and taxes, net of the special items which, if present, are described in the detailed table at the end of this paragraph.

The FFO/Net debt indicator, expressed as a percentage, provides a measurement of the operating management's ability to pay back its net financial debt.

Adjusted ROI, or return on net invested capital, is defined as the ratio between adjusted Ebit, as described above, and net invested capital. It is intended to indicate the ability to produce wealth through operating management, thus remunerating equity and capital pertaining to third parties.

Adjusted ROE, or return on equity, is defined as the ratio between adjusted net profits and adjusted net equity. It is intended to indicate the profitability obtained by investors, recompensing risk.

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

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

(*) net of the effects of the different accounting policy used for financial derivatives on commodities traded on the EEX platform, whose differential is regulated on a daily basis; minus any changes in NWC deriving from an enlarged entire scope of operations.

(**) minus releases from provisions and increases caused by modifications in estimated future expenses following revised appraisals for operating landfills.

(***) minus the effects of discounting deriving from the application of accounting standards IAS 37 and IAS 19 and the profits coming from associated companies and joint ventures, plus the dividends received from the latter, and gains/losses from transferred shareholding (excluding special items, if present).

The Hera Group's APMs are provided in the following table:

Operating APMs and investments (mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Revenues	8,896.0	4,179.7	4,716.3	+112.8%
Adjusted Ebitda	631.2	610.9	20.3	+3.3%
Adjusted Ebitda/revenues	7.1%	14.6%	7.5) pp	+0.0%
Adjusted Ebit	334.9	336.6	(1.7)	(0.5)%
Adjusted Ebit/revenues	3.8%	8.1%	(4.3) pp	+0.0%
Adjusted net profit	201.7	231.1	(29.4)	(12.7)%
Adjusted net profit/revenues	2.3%	5.5%	(3.2) pp	+0.0%
Net investments	288.5	247.3	41.2	+16.7%

Financial APMs (mn€)	June 22	Dec 21 (redetermined)	Abs. change	% change
Net non-current assets adjusted	7,385.5	7,308.3	77.2	+1.1%
Net working capital adjusted	297.4	2.4	295.0	+12,291.7%
Provisions	(626.6)	(633.4)	6.8	(1.1)%
Net invested capital adjusted	7,056.3	6,677.3	379.0	+5.7%
Net debt	(3,682.4)	(3,261.3)	(421.1)	+12.9%

Special items and operational adjustments / balance sheet reconciliation

Gas prices increased sharply in the second half of 2021, sparking a trend that continued with higher volatility throughout the following six months. This rise also affected the natural gas storage process, which, compared to the first half of 2021, took place during a period of time (starting in April) characterised by purchasing prices up to 5 times higher than those seen one year earlier, which produced both operating and financial impacts.

Therefore, to supplement the report at 30 June 2022, prepared in accordance with IFRS standards, and in order to facilitate the analysis of business trends and ensure that the results are more easily comparable, the Group's management has decided to present the results by valuing gas storage according to a management criterion, in order to provide a representation that reflects the current context, marked by significant and sudden price changes with respect to the past.

More specifically, from an operational point of view, the accounting standard calls for stored gas to be valued considering all gas deliveries made during the injection periods (April - June). This means that the definition of average costs per unit also includes purchases intended for delivery and sale to end customers during the period. The use of this criterion led to the definition of an average cost that, also considering the purchases intended for delivery to end customers with costs defined in 2021 (much lower than the costs of the first half of 2022), is significantly lower than the cost of gas purchased and injected into storage in the second quarter of 2022. The average accounting cost shows, in fact, an average storage price coming to approximately 84 €/sm³, significantly lower than the average market price in the second quarter of 2022, which was approximately 103 €/sm³.

As regards management, the accounting valuation of the inventory was therefore adjusted by taking into consideration only the flows identified under management for injection into storage, the average price of which was 103.7 €/sm³, in line with the average market price over the injection period. As part of its balanced portfolio management, the Group has in any case already introduced the appropriate hedges to correspond to the scheduled withdrawals during the winter. This means that the value of gas purchases destined for storage, determined under management and in compliance with risk management policies, is fully recoverable during the periods in which withdrawals will be made.

From an accounting point of view, instead, no distinction can be made between the various supply processes, all of which fall under a single commercial portfolio. Therefore, since gas is a fungible commodity, all purchase transactions, regardless of their end purpose, are considered by calculating the average carrying cost. This different valuation criterion, which has always been used, does not produce significant differences when dealing with a price trend that does not change considerably over time.

In order to ensure a uniform comparison of results, the statement on operations for the period under comparison was also redetermined using the same criterion.

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

mn€	June 22			June 21 (redetermined)			
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Special items	Operations statement
Revenues	8,896.0		8,896.0	4,179.7			4,179.7
Other operating revenues	219.4		219.4	140.2			140.2
Raw and other materials	(7,150.5)	88.3	(7,062.2)	(2,128.5)	(7.0)		(2,135.5)
Service costs	(1,105.2)		(1,105.2)	(1,260.1)			(1,260.1)
Personnel costs	(308.7)		(308.7)	(301.8)			(301.8)
Other operating expenses	(39.3)		(39.3)	(37.9)			(37.9)
Capitalised costs	31.2		31.2	26.3			26.3
Ebitda	542.9	88.3	631.2*	617.9	(7.0)	-	610.9*
Amortization, depreciation and provisions	(296.3)		(296.3)	(274.3)			(274.3)
Ebit	246.6	88.3	334.9*	343.6	(7.0)	-	336.6*
Financial operations	(50.9)		(50.9)	(83.6)		28.5	(55.1)
Other non-operating revenues (costs)	-		-	-			-
Pre-tax result	195.7	88.3	284.0*	260.0	(7.0)	28.5	281.5*
Taxes	(56.7)	(25.6)	(82.3)	(23.8)	1.9	(53.2)	(75.1)
Net result	139.0	62.7	201.7*	236.2	(5.1)	(24.7)	206.4*
Result from special items	-		-			24.7	24.7
Net profit	139.0	62.7	201.7*	236.2	(5.1)	-	231.1*
Attributable to:							
Parent company shareholders,	120.6	62.7	183.3*	216.1	(5.1)		211.0*
non-controlling interests	18.4		18.4	20.1			20.1

* Adjusted results, as described above

The table below shows the impact on the balance sheet of the operational adjustments made to gas storage, which, unlike the other special items, have not yet been reflected in cash receipts or disbursements:

mn€	June 22			Dec 21 (redetermined)		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,410.8	(25.3)	7,385.5*	7,308.0	0.3	7,308.3*
Net working capital	210.2	87.2	297.4*	3.5	(1.1)	2.4*
(Provisions)	(626.6)		(626.6)	(633.4)		(633.4)
Net invested capital	6,996.4		7,056.3*	6,678.1		6,677.3*
Equity	(3,312.0)	(61.9)	(3,373.9) *	(3,416.8)	0.8	(3,416.0) *
Net debt	(3,682.4)		(3,682.4)	(3,261.3)		(3,261.3)
Total sources of financing	(6,996.4)		(7,056.3)	(6,678.1)		(6,677.3)

* Adjusted results, as described above

For the first half of 2022, as illustrated above, the value of stored gas has been adjusted. More specifically, the change in surplus was adjusted by 88.3 million euro, resulting in a negative tax effect coming to 25.6 million euro.

Concerning the first half of 2021, the values classified as special items and the operational adjustments made are related to the following:

- a tax realignment of certain goodwill values that were stated at 31 December 2019, pursuant to article 1, paragraph 83 of Law 178/2020. This transaction led to the fiscal recognition of these values, leading a tax benefit coming to 51.9 million euro to be recorded, against the payment of a 3% substitute tax amounting to 5.6 million euro;
- the partial repurchase (nominal amount of 59.5 million euro) of the 700 million euro bond maturing in 2028, which resulted in the recognition of charges coming to 28.5 million euro, since the repurchase price was higher than the book value. In addition, the related tax effect amounting to 6.9 million euro has been stated as an adjustment to the taxes charged for the period;
- a negative adjustment of the change in gas surplus amounting to 7 million euro, resulting in a positive tax effect coming to 1.9 million euro.

As regards 31 December 2021, the value of stored gas was recalculated for consistency in comparison. More specifically, the change in surplus was adjusted by 1.1 million euro, resulting in a positive tax effect coming to 0.3 million euro.

1.03.01 Operating results and investments

Efficiency in the services offered

The results for the first half of 2022 must be seen against the backdrop of a complicated international scenario characterised by ongoing volatility in the energy market and geopolitical conflicts. The management policies put in place and Hera's solid and resilient business model have proven effective, enabling the Group, even in this difficult situation, to keep the quality and continuity of the services offered high and to create value for all stakeholders.

Hera, indeed, pursues its goals in industrial growth through a well-established multi-business strategy. This model, even when faced with a scenario characterised by increasingly frequent systemic crises, makes it possible, by balancing the Group's business portfolio and seizing opportunities coming from the external context, to positively deal with the challenges of 2022.

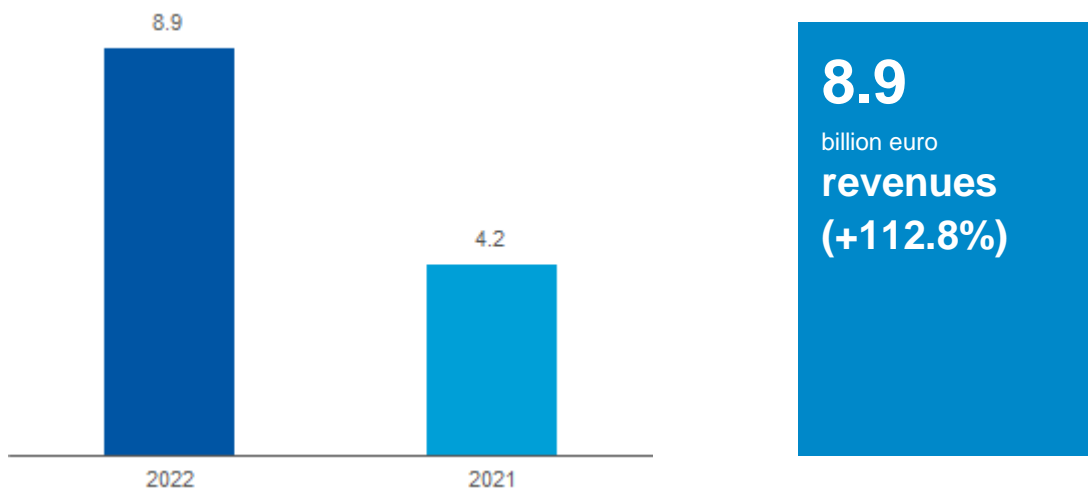
With respect to June 2021, note the integration into the Hera Group's waste management area of 80% of the Vallortigara Group, which provides services to industries, public administrations and citizens and manages a multifunctional platform for special waste treatment. The energy areas benefitted from the acquisition of 90% of the company Eco Gas Srl, by Hera Comm Spa, and 100% of the company Con Energia Spa, also by Hera Comm Spa.

Also note that Hera Comm Spa was awarded the gradual protected service for supplying electricity to SMEs in 9 Italian regions. Detailed information on this matter is provided in section 1.05.02.

The following table shows operating results at 30 June 2022 and 2021:

Income statement (mn€)	June 22	% inc.	June 21 (redetermined)	% inc.	Abs. change	% change
Revenues	8,896.0	0.0%	4,179.7	0.0%	4,716.3	112.8%
Other operating revenues	219.4	2.5%	140.2	3.4%	79.2	56.5%
Raw and other materials	(7,062.2)	(79.4)%	(2,135.5)	(51.1)%	4,926.7	230.7%
Service costs	(1,105.2)	(12.4)%	(1,260.1)	(30.1)%	(154.9)	(12.3)%
Other operating expenses	(39.3)	(0.4)%	(37.9)	(0.9)%	1.4	3.7%
Personnel costs	(308.7)	(3.5)%	(301.8)	(7.2)%	6.9	2.3%
Capitalised costs	31.2	0.4%	26.3	0.6%	4.9	18.7%
Ebitda*	631.2	7.1%	610.9	14.6%	20.3	3.3%
Amortization, depreciation and provisions	(296.3)	(3.3)%	(274.3)	(6.6)%	22.0	8.0%
Ebit*	334.9	3.8%	336.6	8.1%	(1.7)	(0.5)%
Financial operations	(50.9)	(0.6)%	(55.1)	(1.3)%	(4.2)	(7.6)%
Pre-tax result*	284.0	3.2%	281.5	6.7%	2.5	0.9%
Taxes	(82.3)	(0.9)%	(75.1)	(1.8)%	7.2	9.6%
Net result*	201.7	2.3%	206.4	4.9%	(4.7)	(2.3)%
Result from special items	-	0.0%	24.7	0.6%	(24.7)	100.0%
Net profit for the period*	201.7	2.3%	231.1	5.5%	(29.4)	(12.7)%

* Adjusted results, as described in paragraph 1.03

REVENUES (bn€)

Revenues at 30 June 2022 were up by 4,716.3 million euro compared to the same period in 2021. The energy sectors showed significant growth coming to 4,389 million euro, mainly related to the increase in commodity prices. Noteworthy growth also occurred in energy services, related to energy efficiency in residential buildings (insulation bonus and 110% super-bonus) and increased activities in value-added services for customers; these activities collectively contributed with approximately 144.0 million euro.

Lastly, revenues from the waste management sector contributed with 83 million euro, mainly due to energy production, new acquisitions in the industry market, and price increases in the markets covered. For further details, see the analysis of the individual business areas in paragraph 1.05 “Analysis by business area”.

Other operating revenues in June 2022 increased by 79.2 million euro compared to the corresponding period in 2021. Note the higher revenues from energy efficiency certificates coming to 55 million euro, as described in more detail in the Gas area in paragraph 1.05.01, and higher revenues from contracts for assets under concession, amounting to 21 million euro.

Costs for raw materials linked to the trend in revenues

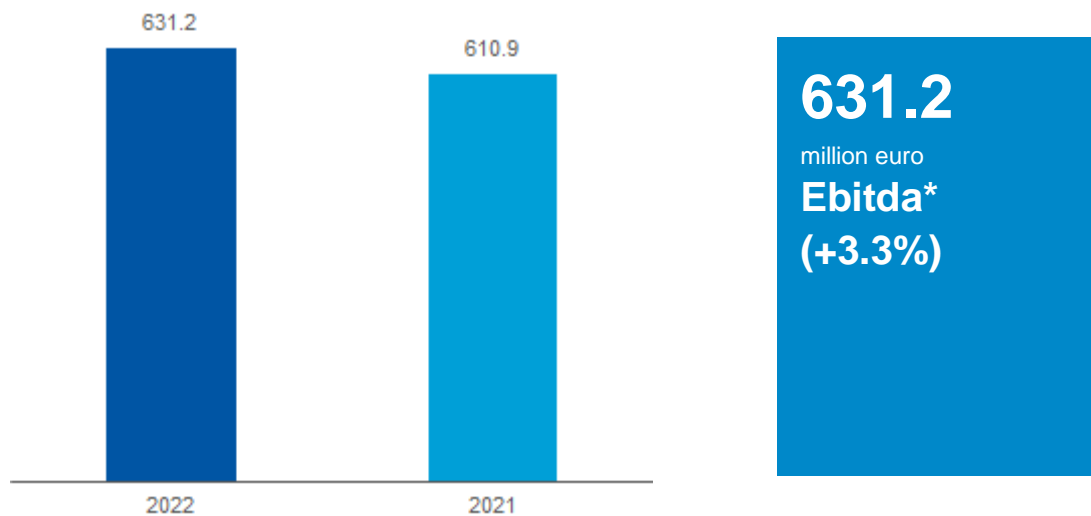
The cost of raw and other materials increased by 4,926.7 million euro compared to June 2021. This rise was related to higher intermediation and the increase in commodity prices as discussed under revenues. Lastly, note the increase in the purchasing price of plastic raw materials in the recovery business and the higher purchasing costs of energy efficiency certificates, as mentioned above.

Other operating expenses decreased by a total of 153.5 million euro (lower service costs coming to 154.9 million euro and higher operating expenses totalling 1.4 million euro). Overall, lower costs coming to approximately 337 million euro were mainly related to system charges, as a result of resolution 635/2021/R/com of 30 December 2021, implementing the 2022 Budget Law, and resolution 35/2022/R/eel of 31 January 2022, implementing the Decreto Sostegni-ter and resolution 141/2022/R/com of 30 March 2022. The decrease in costs mentioned above was partially offset by higher costs in energy services for energy efficiency amounting to roughly 110 million euro and higher costs for waste collection and treatment coming to roughly 54 million euro. Lastly, higher costs for orders for goods under concession were seen, totalling approximately 19 million euro.

+2.3% increase in personnel costs

Personnel costs were up by 6.9 million euro, or 2.3%. This rise was related to salary increases under the national collective labour agreement and the company acquisitions mentioned above, and was partially contained by the lower average presence.

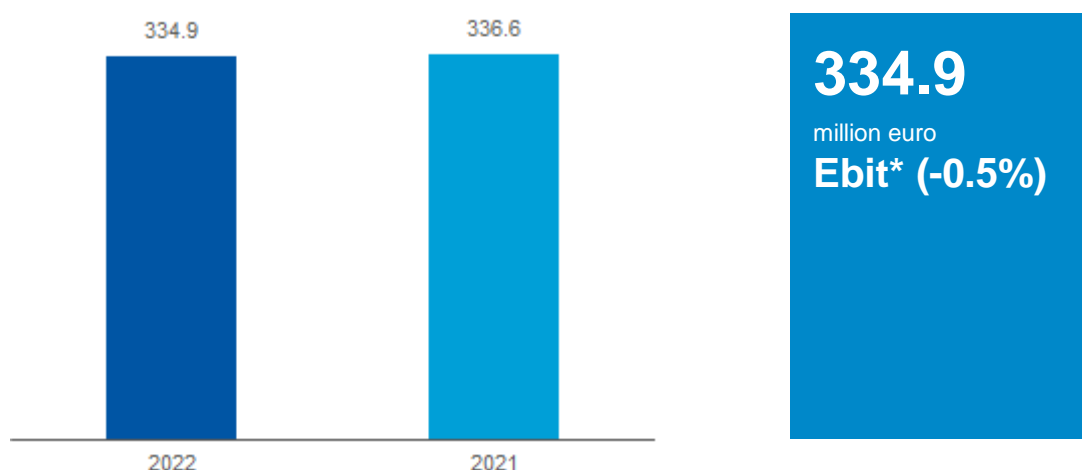
Capitalised costs increased by 4.9 million euro, due to higher capital expenditure on assets owned by the Group and between the companies.

EBITDA* (mn€)

Adjusted Ebitda rose by 20.3 million euro, or 3.3%. The energy areas as a whole accounted for 12.3 million euro of this result. The environment area grew by 8.1 million euro, while the water cycle area increased by 3.0 million euro. Lastly, the other services area decreased by 3.1 million euro.

For further details, see the analysis of the individual business areas.

Depreciation, amortisation and provisions at 30 June 2022 increased by 22.0 million euro, or 8%, compared to the same period in the previous year. The increased amortisation was mainly due to new investments, an increase in commissions in sales companies for commercial campaigns, and changes in the scope of consolidation resulting from the consolidation of companies involved in gas sales and environmental services. Allocations to the provision for bad debts also increased overall, mainly due to last resort markets and the gradual protection service.

EBIT* (mn€)

Adjusted Ebit dropped slightly by 1.7 million euro, or 0.5%; the increase in adjusted Ebitda did not cover higher depreciation and amortisation, as described above.

**Financial
operations
improve**

The result from financial operations at 30 June 2022 came to 50.9 million euro, with an improvement equal to 4.2 million euro, or 7.6 %, compared to 30 June 2021.

This change was mainly due to lower financial expenses for long-term debt totalling approximately 3.8 million euro as a result of debt optimisation transactions and lower expenses from discounting provisions.

The adjusted pre-tax result increased by 2.5 million euro, or 0.9%, since the decrease in Ebitda was more than offset by the factors described above.

Tax rate at 29%

Taxes for the first half-year increased from 75.1 million euro in 2021 to 82.3 million euro in 2022. The tax rate, which came to 29%, increased compared to the same period in 2021 (26.7%), mainly due to the recognition of the extraordinary contribution to counter rising utility bills, provided for by article 37 of Legislative Decree no. 21 of 21 March 2022, converted with amendments by Law No. 51 of 20 May 2022, included in the tax line with an amount of 2.3 million euro, (for more detailed information on this matter, see note 11, "Taxes" in the section "Commentary notes to the financial statement formats"), as well as the recognition of lower benefits for the year in relation to the tax credit on investments in technological, digital and environmental transformation.

**-2.3%
Adjusted net result**

The adjusted net result fell by 2.3%, or 4.7 million euro; the higher adjusted pre-tax result did not fully cover the higher taxes.

In 2021, there was a result from special items amounting to 24.7 million euro overall. A detailed descriptions of its contents can be found at the beginning of paragraph 1.03, "Overview of operating and financial trends and definition of alternative performance measures".

**-12.7%
Adjusted net profit**

Adjusted net profit therefore decreased by 12.7%, or 29.4 million euro, due to the sum of all the events described above.

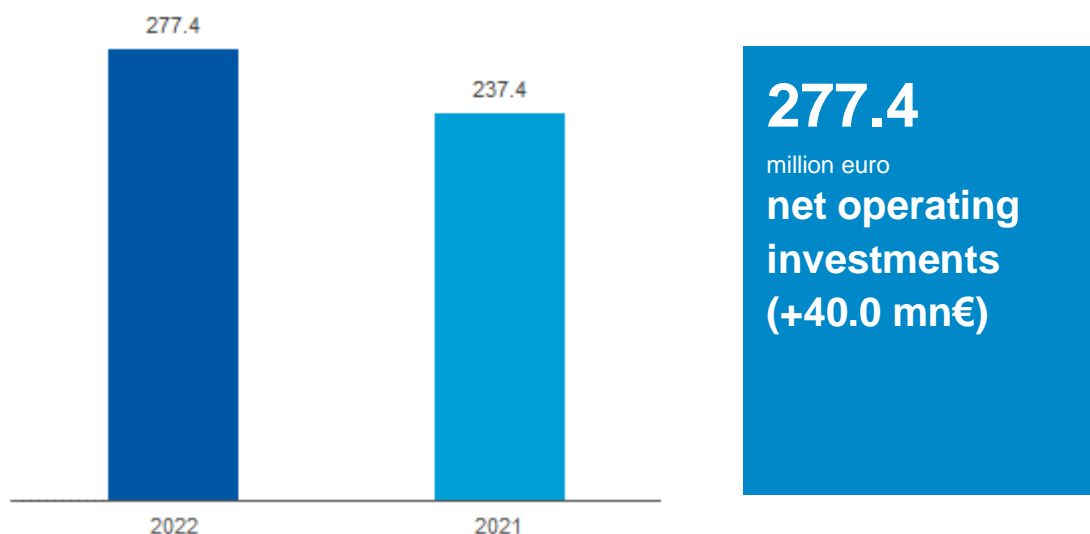
Net investments rise to 288.5 million euro

In the first half of 2022, the Group's net investments amounted to 288.5 million euro, up by 41.2 million euro compared to the same period one year earlier.

Capital grants amounted to 9.7 million euro, of which 8.1 million euro from FoNI investments, as required by the tariff method for the integrated water service, and were substantially in line with the previous year.

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

Total investments (mn€)	June 22	June 21	Abs. change	% change
Gas area	65.9	61.3	4.6	+7.5%
Electricity area	32.0	24.7	7.3	+29.6%
Integrated water cycle area	96.2	89.3	6.9	+7.7%
Waste management area	59.4	35.1	24.3	+69.2%
Other services area	4.6	5.2	(0.6)	(11.5)%
Headquarters	29.2	31.2	(2.0)	(6.4)%
Total gross operating investments	287.1	246.9	40.2	+16.3%
Capital grants	9.7	9.5	0.2	+2.1%
of which FoNi (New Investments Fund)	8.1	6.9	1.2	+17.4%
Total net operating investments	277.4	237.4	40.0	+16.8%
Financial investments	11.1	10.0	1.1	+11.0%
Total net investments	288.5	247.3	41.2	+16.7%

TOTAL NET OPERATING INVESTMENTS (mn€)

The Group's operating investments, including capital grants, amounted to 287.1 million euro, up 40.2 million euro compared to the previous year, and mainly involved works on plants, networks and infrastructures. These were flanked by regulatory upgrading, which mainly concerned gas distribution, with a large-scale meter replacement, and the purification and sewerage area.

Comments on investments in the individual areas are provided in the analysis by business area.

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall, investments in structures fell by 2.0 million euro compared to the previous year, mainly due to reduced work in the first half-year on IT systems and the vehicle fleet.

1.03.02 Financial structure and adjusted net debt

What follows is an analysis of trends in the Group's net invested capital and sources of financing at 30 June 2021.

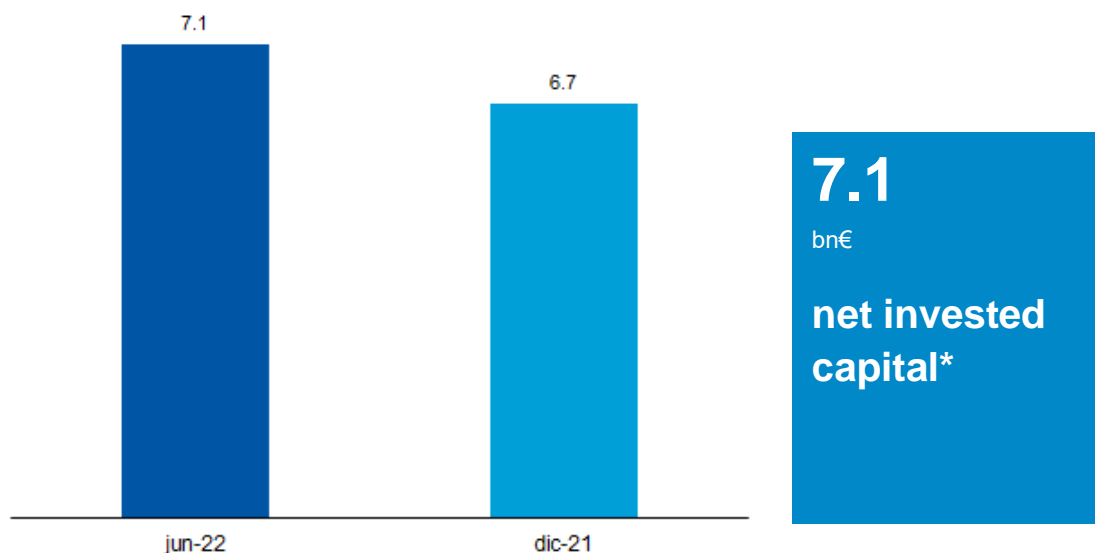
Invested capital and sources of financing (mn€)	June 22	% inc.	Dec 21 (redetermined)	% inc.	Abs. change	% change
Net non-current assets*	7,385.5	+104.7%	7,308.3	+109.4%	77.2	+1.1%
Net working capital*	297.4	+4.2%	2.4	+0.0%	295.0	+12,291.7%
(Provisions)	(626.6)	(8.9)%	(633.4)	(9.5)%	6.8	+1.1%
Net invested capital*	7,056.3	+100.0%	6,677.3	+100.0%	379.0	+5.7%
Equity*	(3,373.9)	+47.8%	(3,416.0)	+51.2%	42.1	+1.2%
Long-term borrowings	(4,085.1)	+57.9%	(3,633.1)	+54.4%	(452.0)	(12.4)%
Net current financial debt	402.7	(5.7)%	371.8	(5.6)%	30.9	+8.3%
Net debt	(3,682.4)	+52.2%	(3,261.3)	+48.8%	(421.1)	(12.9)%
Total sources of financing*	(7,056.3)	(100.0)%	(6,677.3)	+100.0%	(379.0)	(5.7)%

* Adjusted values, as described in the section dedicated to Alternative Performance Measures (APMs)

Group
solidity
confirmed

Net invested capital (NIC) stood at 7,056.3 million euro, up compared to 31 December 2021 due to an increase in net working capital, mainly on account of the higher value of gas storage coming to 378.9 million euro. This increase was offset by a fall in trade receivables for season reasons. The increase in net fixed assets is attributable to the investments (net of depreciation and amortisation) and corporate transactions carried out during the period, mainly involving the inclusion of a customer list related to the acquisition of 100% of Con Energia Spa, specialised in the sale of gas and electricity energy to end customers.

NET INVESTED CAPITAL* (bn€)



626.6
million
euro:
provisions

In June 2022, provisions amounted to 626.6 million euro, in line with the previous year-end figure of 633.4 million euro. This result is mainly the result of provisions for the period and adjustments to the post-mortem funds for landfills and restoration of third-party assets, which partially offset the outflows for utilisations.

3.4
billion euro:
equity

At 30 June 2022, equity amounted to 3,373.9 million euro (3,416.0 million euro at 31 December 2021). This change was mainly due to the positive net result of 201.7 million euro from operations in the first

half of the year (which reinforced the Group's solidity), partially offset by the payment of dividends totalling 193.8 million euro, the effect of cash flow hedge reserves amounting to 23.6 million euro, a decrease due to treasury share transactions coming to 15.8 million euro, and a change in equity interest amounting to 10.6 million euro.

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

mn€		30 June 22	31 Dec 21
A	Cash	872.6	885.6
B	Cash equivalents	-	-
C	Other current financial assets	32.2	29.3
D	Liquidity (A+B+C)	904.8	914.9
E	Current financial debt	(401.5)	(443.6)
F	Current portion of non-current financial debt	(100.6)	(99.5)
G	Current financial indebtedness (E+F)	(502.1)	(543.1)
H	Net current financial indebtedness (G-D)	402.7	371.8
I	Non-current financial debt	(439.6)	(461.0)
J	Debt instruments	(3,180.7)	(2,702.0)
K	Non-current trade and other payables	-	-
L	Non-current financial indebtedness (I+J+K)	(3,620.3)	(3,163.0)
M	Total financial indebtedness (H+L)	(3,217.6)	(2,791.2)
	Non-current financial receivables	135.0	142.7
	Net financial debt (excluding put option)	(3,082.6)	(2,648.5)
	Nominal amount - fair value put option	(479.7)	(474.2)
	Net financial debt with adjusted put option	(3,562.3)	(3,122.7)
	Portion of future dividends - fair value put option	(120.1)	(138.6)
	Net financial debt (Net debt)	(3,682.4)	(3,261.3)

The total amount of net financial debt came to 3,682.4 million euro, up approximately 421.1 million euro compared to the previous year. The change in the period is mainly due to the higher amount for stored gas, already purchased to cover the needs of the upcoming thermal season.

With a view to rebalancing net working capital, considering the tension affecting commodity prices, the Group carried out reverse factor transactions totalling 191.1 million euro on trade payables. The Group has optimised its payment terms, extending them from 20 to 35 days from the date of invoicing, while maintaining the same amount under trade payables, since this debt is part of its typical working capital management. It should be noted, in fact, that the Group has trade payables with different payment terms, based on the contractual agreements defined with the individual counterparties of the various businesses in which it operates, ranging from 7 days to 60 days from the date of issue of the invoices.

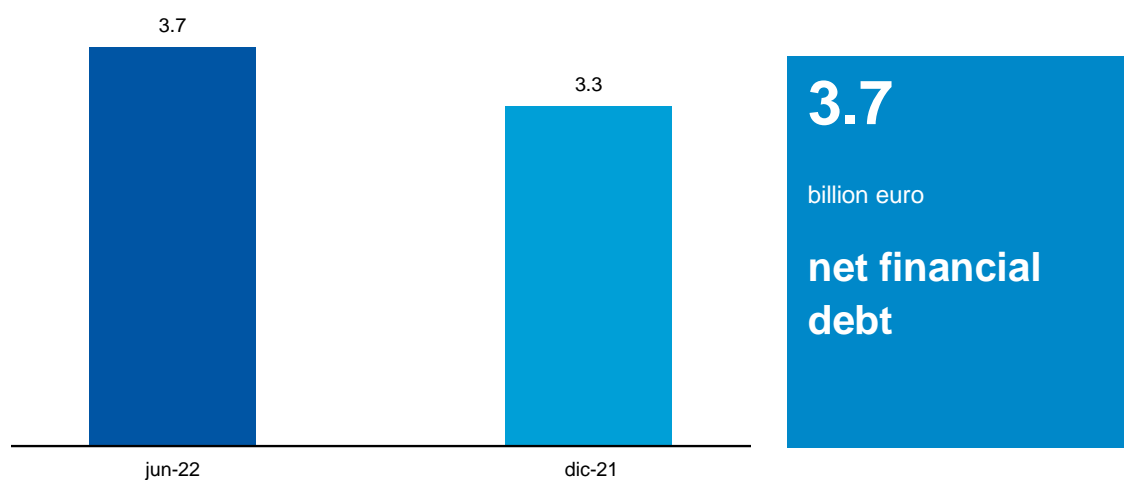
The financial structure shows current financial indebtedness amounting to 502.1 million euro, of which 56.3 million euro related to the portion of medium-term bank loans due within one year, 22.0 million euro due within one year related to a bond (private placement) with a term of ten years, and 22.3 million euro related to current payables for leasing. The portion of current debt due to other financial institutions came to 321.1 million euro, including 226.2 million euro for cash advances from commodity derivatives. The debt due to banks included under current financial debt refers to interest payable on loans, coming to 30.6 million euro, and utilisation of current account lines amounting to approximately 49.9 million euro.

The amount related to non-current financial debt increased by roughly 457 million euro compared to the previous year, mainly on account of the new 500 million euro bond issued in May 2022.

The amount of cash and cash equivalents was essentially in line with 2021.

At 30 June 2022, 87.9% of medium-/long-term debt consisted in bonds with repayment at maturity. Total debt had an average residual maturity of approximately six and a half years, and 68.3% of debt is due after five years.

NET FINANCIAL DEBT (bn€)



1.04 SHARE PERFORMANCE AND INVESTOR RELATIONS

Geopolitical tensions and inflation trigger stock market selling

In the first half of 2022, the main stock exchanges in Western countries performed negatively, following the downward revision of prospects for economic growth during the current year, as a consequence of the geopolitical tensions arising from the outbreak of the conflict in Ukraine. As mentioned in previous paragraphs, this conflict has exacerbated tensions on the energy markets, particularly affected by the reduction, in a prospective sense as well, of gas supplies from Russia. In addition, difficulties in procurement of raw materials persist, with supply chains struggling to be rebuilt after the disruptions caused by the pandemic. The combined effect of the conflict and the aftermath of the pandemic thus triggered an inflationary spiral that led central banks to revise their expansive monetary policies, terminating asset purchases on the market (quantitative easing) raising interest rates.

Against this backdrop, Italy's FTSE All Share index fell by 22.2% over the period in question, showing the worst performance among the major European stock exchanges. Only the oil sector managed to record a positive performance in the quarter, while the local utilities sector fell by 24.5%, slightly more than the market.

Hera stock trend in line with its peers

With an official price of 2.781 euro on 30 June, Hera shares dropped 24.2%, slightly better than the average of its peers. The performance of the stock, which had been more resilient than the sector and the market in the first part of the year, supported by the presentation of the Business plan and positive year-end results, came into line with the performance of its peers in June, as part of an alignment involving all stocks on the Italian market. This trend was mainly due to the widened spread between Italian and German government bond yields, which was caused by the European Central Bank's announcement of the introduction of monetary tightening.

1H 2022 HERA STOCK, LOCAL UTILITY AVERAGE AND ITALIAN MARKET PERFORMANCE COMPARISON



Dividend rises to 12 cents per share

Hera's Board of Directors, which met on 23 March 2022 to approve the 2021 year-end results, decided to submit to the Shareholders Meeting a proposal for a dividend per share coming to 12 cents, up +9% and in line with the indications contained in the Business plan. Following the shareholders' approval, obtained during the meeting of 28 April 2022, the ex-dividend date was set at 20 June, with payment on 22 June. Hera thus confirmed its ability to remunerate shareholders thanks to the resilience of its business portfolio, which has enabled it to distribute steadily growing dividends since its listing.

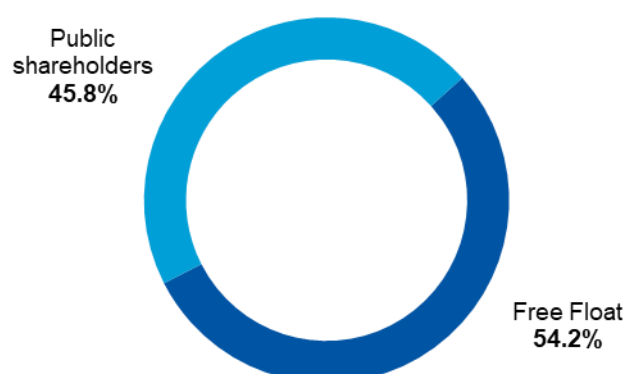
euro	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Dps	0.035	0.053	0.06	0.07	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.095	0.10	0.10	0.11	0.12

**+255%
Total
shareholders
return since
the IPO**

The joint effect of continuously remunerating shareholders through dividends and a rise in the price of the stock over the years led the total shareholders return accumulated since the IPO to remain consistently positive and to settle, at the end of the period in question, at over +255.1%.

The financial analysts covering the company (Mediobanca, Intermonte, Intesa Sanpaolo, Kepler Cheuvreux, Exane Bnp Paribas and Equita Sim) almost unanimously expressed positive opinions, with a target price that continues to show significant potential for increase.

SHAREHOLDER BREAKDOWN AT 30 JUNE 2022



**45.8% share
capital
pertaining to
the public
stockholders
agreement**

At 30 June 2022, the shareholder breakdown showed its usual stability and balance, with 45.8% of shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders agreement, which has been renewed for three further years and is effective from 1 July 2021 to 30 June 2024, and a 54.2% free float. The shareholding structure includes a high number of public shareholders (111 municipalities, the largest of which holds shares amounting to less than 10% of the total) and a high number of private institutional and retail shareholders.

**Treasury
share plan
approved**

Since 2006, Hera has adopted a share buyback program, most recently renewed by the Shareholders Meeting held on 28 April 2022 for 18 further months, for an overall maximum amount of 240 million euro. This plan is aimed at financing M&A opportunities involving smaller companies and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At 30 June 2022, Hera held 33.9 million treasury shares.

**Constant
communication
with the market
in 2022 as well**

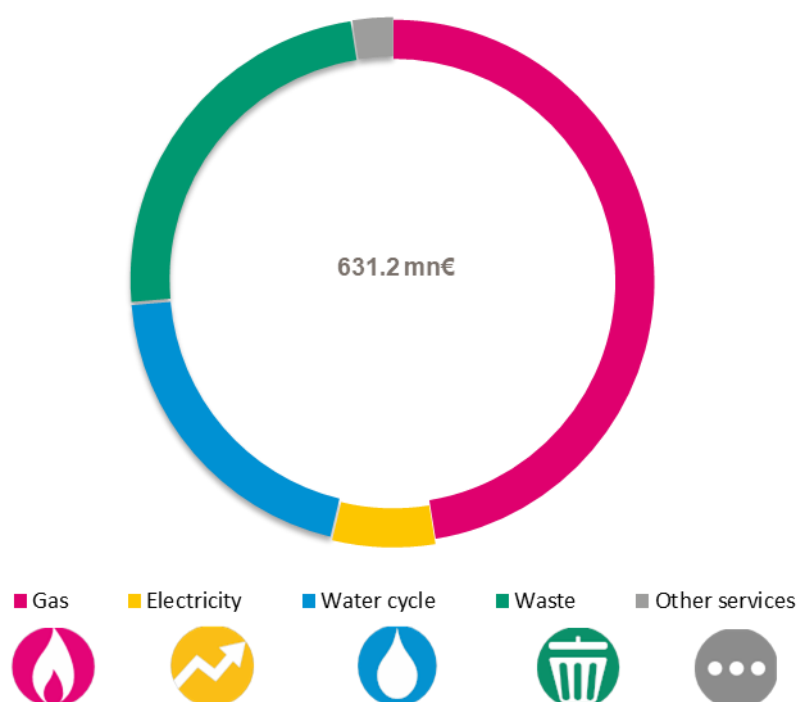
The Group continued to engage in intense communications with investors in 2022. After Hera's 2021-2025 Business Plan was published, the Executive Chairman and the CEO took part in a road show, meeting investors in the main financial centres to update them on trends in activities and future prospects. Further occasions for contact came about by participating in the sector conferences organised by the brokers covering Hera stock. 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.

1.05 ANALYSIS BY BUSINESS AREA

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

A multi-business strategy

EBITDA JUNE 2022



The contribution to Ebitda coming from the Group's various business areas reflects seasonal factors, with the energy areas accounting for over 54%

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

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

The amount of adjusted Ebitda, broken down by business area, reflects the adjustment to the valuation of gas storage illustrated above. In order to more precisely identify the effects of this adjustment, the amounts of Adjusted Ebitda and Ebitda are provided below:

	June 22		June 21 (redetermined)	
(mn€)	Ebitda*	Ebitda	Ebitda*	Ebitda
Gas area	299.3	211.0	237.1	244.1
Electricity area	40.1	40.1	90.0	90.0
Integrated water cycle area	125.3	125.3	122.3	122.3
Waste management area	150.7	150.7	142.6	142.6
Other services area	15.8	15.8	18.9	18.9
Total	631.2	542.9	610.9	617.9

* Adjusted results, as described in paragraph 1.03

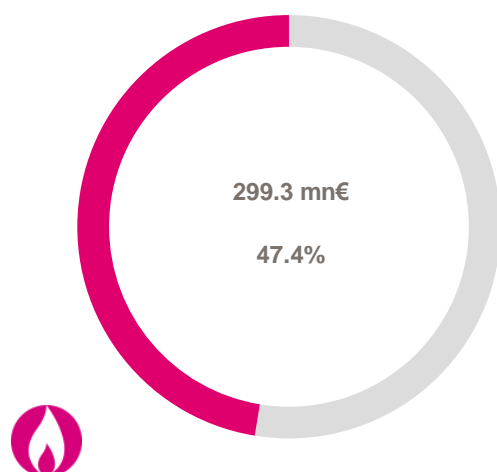
1.05.01 Gas

Ebitda rises

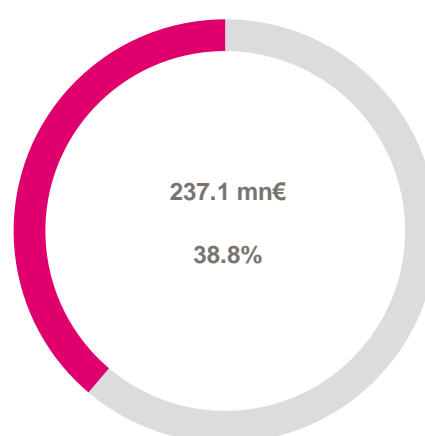
The first half of 2022 saw significant growth compared to the same period of 2021, both in terms of Ebitda and volumes sold to end customers, thanks to the opportunities provided in the Energy Services sector by energy efficiency incentives, 110% super-bonus and insulation bonus, the corporate acquisitions of Con Energia Spa and Ecogas Srl, and tenders awarded to Hera Comm Spa in the following lots nationwide:

- six of the nine lots of the last resort gas service (for customers involved in public services or without a supplier) for the period from 1 October 2021 - 30 September 2023 in: Valle d'Aosta, Piedmont, Liguria, Trentino A.A., Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Lazio and Campania. In the previous tender, Hera Comm was awarded eight out of nine lots.
- all nine lots of the default gas distribution service (for customers in arrears), for the period 1 October 2021 - 30 September 2023 in: Valle d'Aosta, Piedmont, Liguria, Lombardy, Trentino A.A., Veneto, Friuli-Venezia Giulia, Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata, Puglia, Lazio, Campania, Sicily and Calabria. In the previous tender, Hera Comm was awarded five out of nine lots.
- two of the twelve lots of the Consip GAS14 tender for supplying natural gas to public administrations in 2022, both in Lombardy.

EBITDA* GAS AREA 2022



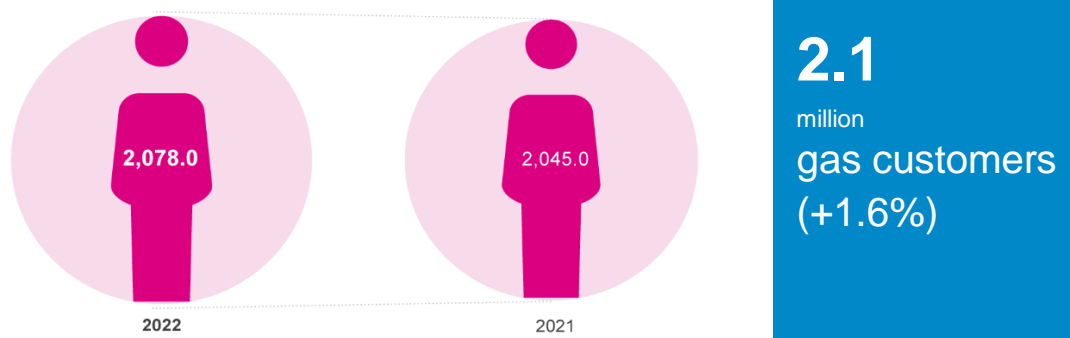
EBITDA* GAS AREA 2021



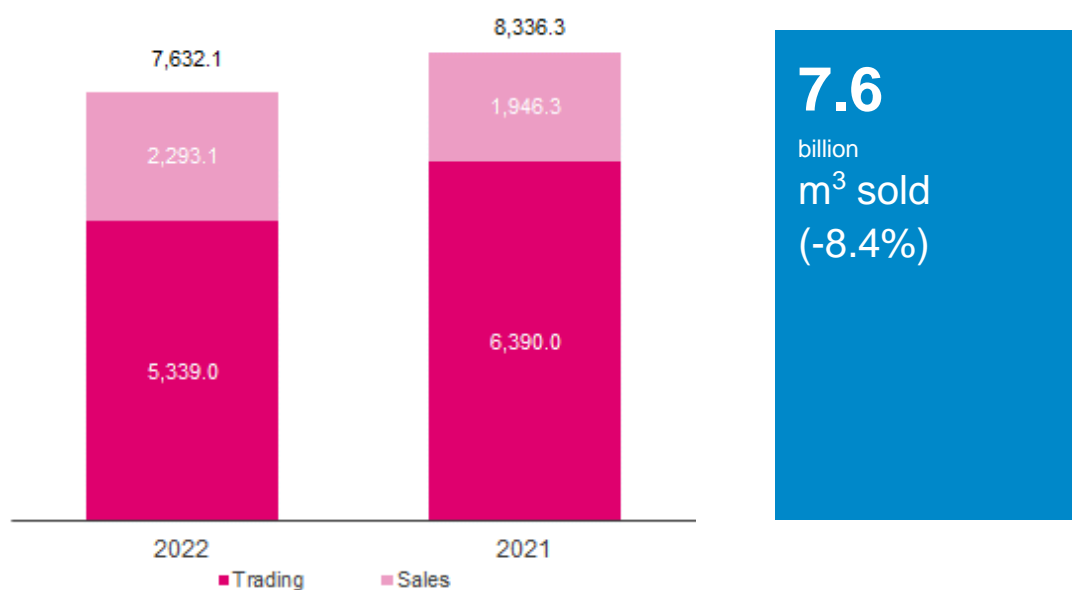
The following table shows the changes occurred in terms of Ebitda:

(mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Area Ebitda*	299.3	237.1	62.2	+26.2%
Group Ebitda*	631.2	610.9	20.3	+3.3%
Percentage weight	47.4%	38.8%	+8.6 p.p.	

* Adjusted results, as described in paragraph 1.03

CUSTOMERS (k)

The number of gas customers increased by 33 thousand, or 1.6%, compared to the previous year. This growth occurred both on last resort markets, where the customer base, following the tenders for 2021-2023, increased by 18.4 thousand, and on traditional markets, which saw growth coming to 14.6 thousand customers, driven by the expansion of the perimeter served, thanks to the Consip tenders and the acquisition of two companies, Con Energia Spa and Ecogas Srl.

VOLUMES SOLD (mn m³)

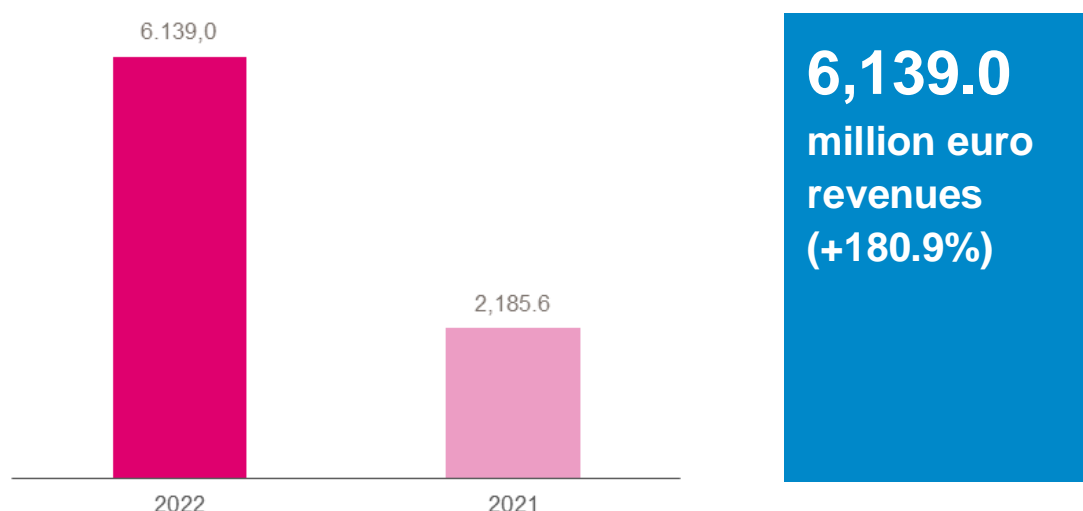
The total volumes of gas sold decreased by 704.2 million m³, or 8.4%, with intermediation falling by 1,051 million m³, limited by current market conditions. Volumes sold to end customers increased by 346.8 million m³, or 17.8%, compared to the same period one year earlier. This growth can be traced to both last resort markets, with 135.7 million m³, equivalent to +135.7% (7.0% of total volumes sold), thanks to the new tenders mentioned above, and traditional markets, with 211.1 million m³, equivalent to 11.4% (10.8% of total volumes sold) mainly due to the greater volumes subject to tenders supplied to Public Administrations and the changes in the scope of consolidation involving Con Energia Spa and Ecogas Srl.

The following table summarises operating results for the gas area:

Income statement (mn€)	June 22	% inc.	June 21 (redetermined)	% inc.	Abs. change	% change
Revenues	6,139.0		2,185.6		3,953.4	+180.9%
Operating costs	(5,772.2)	(94.0)%	(1,892.1)	(86.6)%	3,880.1	+205.1%
Personnel costs	(71.9)	(1.2)%	(64.2)	(2.9)%	7.7	+12.0%
Capitalised costs	4.4	+0.1%	7.7	0.4%	(3.3)	(42.9)%
Ebitda*	299.3	4.9%	237.1	10.8%	62.2	+26.2%

* Adjusted results, as described in paragraph 1.03

REVENUES (mn€)



Revenues increased by 3,953.4 million euro, or 180.9%, compared to the previous year. The reasons for this lie mainly in the increased price of gas as a raw material, which began to rise as of October 2021. This trend generated higher revenues in brokerage coming to 2,120 million euro and in sales amounting to 1,447 million euro. The CMEM tariff component, which in the protected market represents trends in the cost of raw materials, increased by an average of 368% compared to the previous year.

In addition, last resort markets showed an equalisation, as expected, referring to higher customer volumes, coming to 27 million euro, as a compensatory measure for the higher charges due for raw material purchasing, following resolution 44/2022/R/gas and by consultation document 105/2022/R/gas.

Note the higher revenues related to the increase in volumes sold, totalling 106 million euro, thanks to the new lots awarded in the tenders mentioned above, the changes in the scope of consolidation of Con Energia Spa and Ecogas Srl amounting to 25 million euro, and to the Energy Services business for a total of 136 million euro, thanks to activities related to energy efficiency, the facade bonus and the 110% super-bonus.

In addition, higher revenues came from district heating, amounting to 42 million euro and from operations in Bulgaria, coming to 26 million euro.

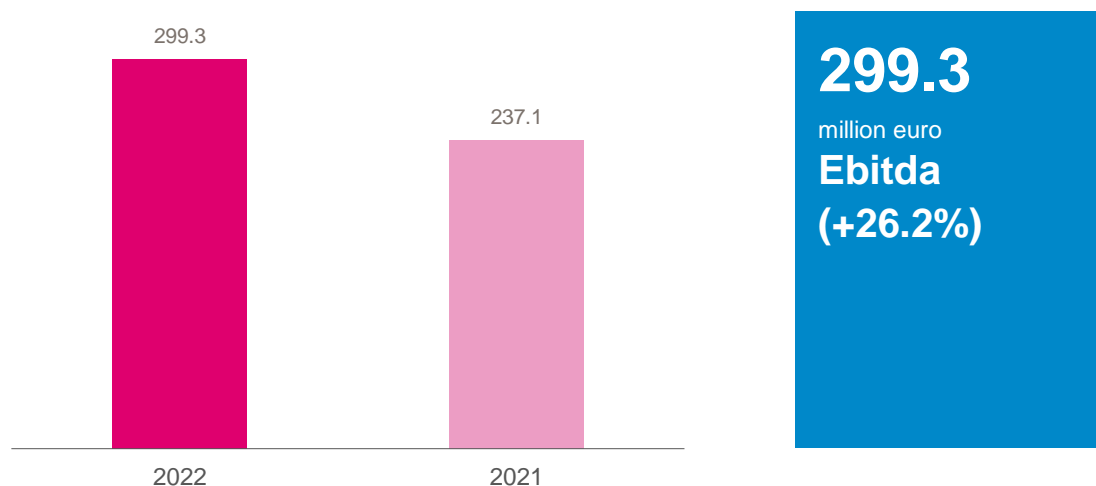
Also worth mentioning is the 55 million euro increase in revenue from energy efficiency certificates compared to the previous year, which was affected by a reduction in the number of certificates recognised by Ministerial Decree of 21 May 2021.

This growth was contained by lower revenues mainly related to system charges, with an equal effect on costs, coming to 40 million euro, following resolutions 635/2021/R/com, 35/2022/R/eel and 141/2022/R/com.

Regulated revenues dropped slightly compared to the previous year. From a regulatory perspective, through resolution 614/2021/R/com, published at the end of 2021, ARERA adjusted the criteria for determining and updating the rate of return on invested capital (WACC), reducing it from 6.3% in 2021 to 5.6% in 2022. This decrease was mainly offset by an increase in investments and their remuneration.

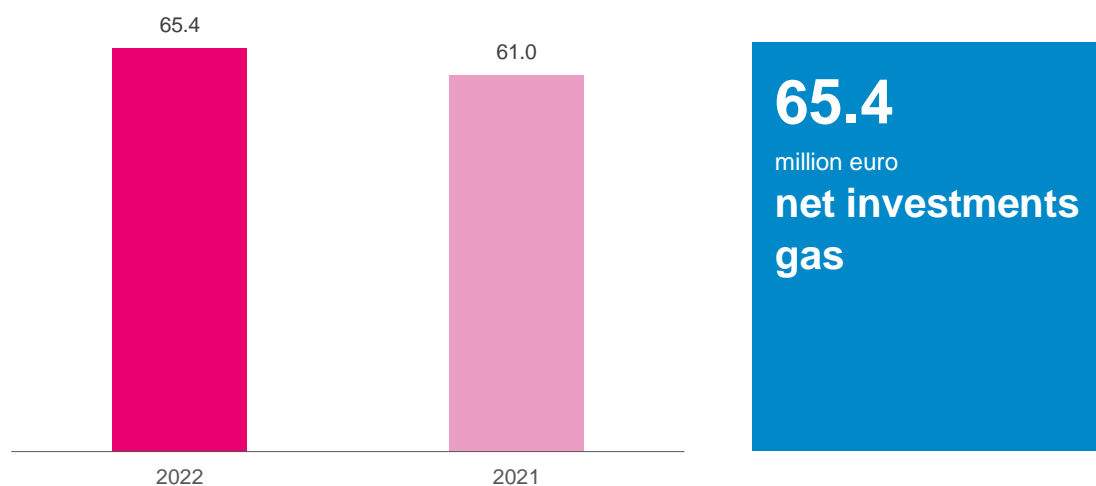
The increase in revenues was proportionally reflected by growth in operating expenses, which showed an overall increase coming to 3,880.1 million euro. This trend was mainly due to an increase in the price of gas as a raw material, as mentioned above, and increased activities in Energy Services.

EBITDA* (mn€)



Adjusted Ebitda increased by 62.2 million euro, or 26.2%, mainly due to higher sales and intermediation activities, which showed a contribution coming to roughly 44.5 million euro, due to the enlargement of the perimeter served as a result the last resort markets and the corporate acquisitions mentioned above, as well as the positive margins recorded in traditional markets. The remaining growth was related to incentivised energy efficiency activities and district heating. Also worth noting was the growth in Ebitda in the gas business in Bulgaria, up 14%, with a relative increase of 3,000 customers or 12%.

NET INVESTMENTS GAS (mn€)



In the first half of 2022, net investments in the gas area amounted to 65.4 million euro, up by 4.4 million euro overall compared to the same period of the previous year. This increase was mainly related to non-recurring maintenance on gas distribution networks and plants, against a lower incidence of the large-scale meter replacement pursuant to resolution 554/15, relating to the installation of smart gas meters. Investments in gas sales were also up on the previous year for activities linked to acquiring new customers, while they were down in district heating and energy services with the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Requests for new connections were up compared to the previous year.

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

Gas (mn€)	June 22	June 21	Abs. change	% change
Networks and plants	51.4	45.1	6.3	+14.0%
Acquisition gas customers	6.8	5.0	1.8	+36.0%
DH/Energy Services	7.6	11.3	(3.7)	(32.7)%
Total gas gross	65.9	61.3	4.6	+7.5%
Capital grants	0.5	0.3	0.2	+66.7%
Total gas net	65.4	61.0	4.4	+7.2%

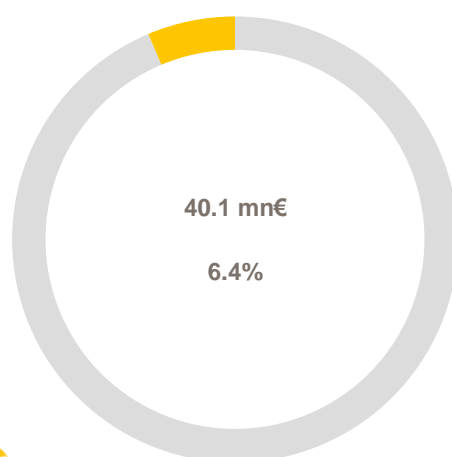
1.05.02 Electricity

The first half of 2022 saw a decrease in results compared to the same period in 2021. The main reasons for this performance are the changed conditions in energy markets, linked to the exceptional context of rising commodity prices which affected procurement activities, and the lower contribution coming from production due to the reduced role of the dispatching services market.

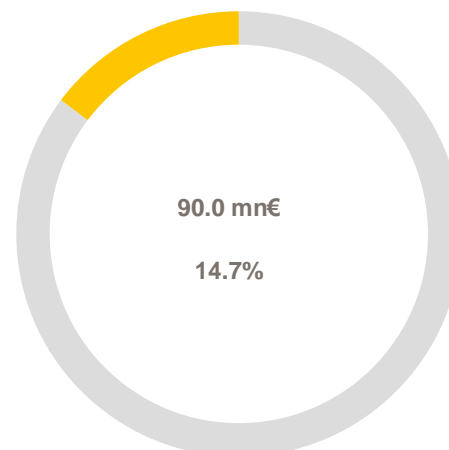
In the safeguarded market, the Hera Group manages the lot of customers in Campania, Abruzzo and Umbria for 2021 and 2022, compared to seven lots in the previous two-year period.

Note the positive result coming from increased sales to free market customers, supported by innovative offers, value-added services and improved customer experience. In addition to this, Hera Comm Spa was awarded, through a tender, for the period from 1 July 2021 to 30 June 2024, the gradual protection service for supplying electricity to SMEs in nine Italian regions: Campania, Marche, Umbria, Abruzzo, Molise, Basilicata, Calabria, Sicily and Sardinia, corresponding to three allocation lots in the national tender called by the Single Buyer.

EBITDA ELECTRICITY AREA 2022



EBITDA ELECTRICITY AREA 2021

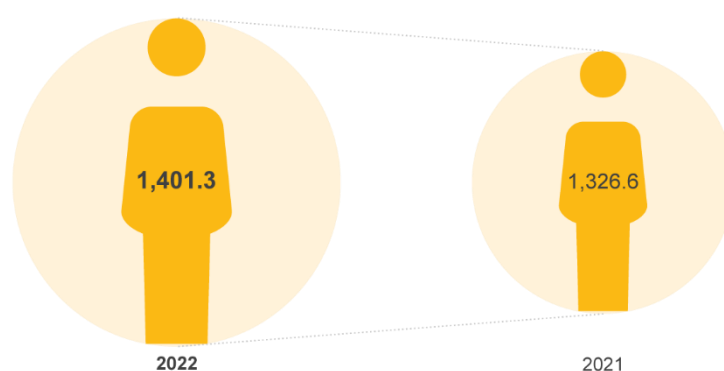


The following table shows the changes occurred in terms of Ebitda:

(mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Area Ebitda	40.1	90.0	(49.9)	(55.5)%
Group Ebitda*	631.2	610.9	20.3	3.3%
Percentage weight	6.4%	14.7%	(8.3) pp	

* Adjusted results, as described in paragraph 1.03

CUSTOMERS (k)

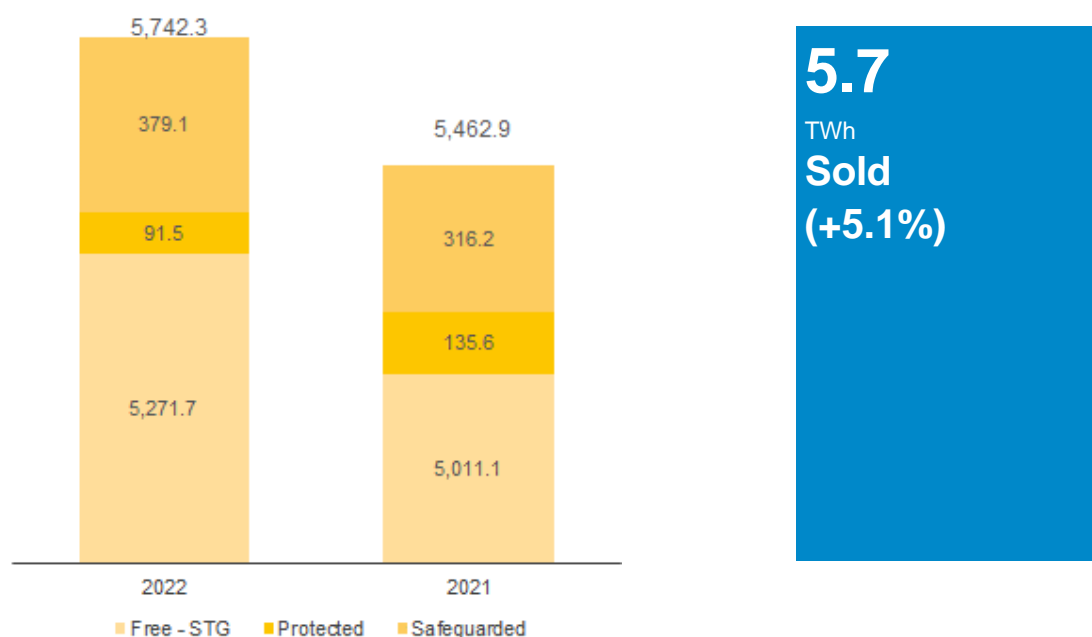


1.4
million
**electricity
customers
(+5.6%)**

The number of electricity customers increased by 5.6% (74.7 thousand) compared to the first half of 2021. This growth occurred mainly on the free market (+7.5%, equivalent to +6.8% of total customers), both as a result of the reinforced commercial actions implemented, accounting for roughly 58.5 thousand customers, and the award of the gradual protection service, with approximately 31.4 thousand customers. The safeguarded market also rose by 1.4 thousand (+11.0%, equivalent to +0.1% of total customers) compared to the same period of the previous year. These factors largely succeeded in offsetting the drop, coming to approximately 16.6 thousand customers (-14.3%, or -1.2% of total customers) seen in the protected market.

Alongside the trend mentioned above, note the greater use of value-added services, to which roughly 49.9 thousand customers adhered, showing growth coming to 49% compared to the previous year and demonstrating an ever-increasing loyalty of the customer base.

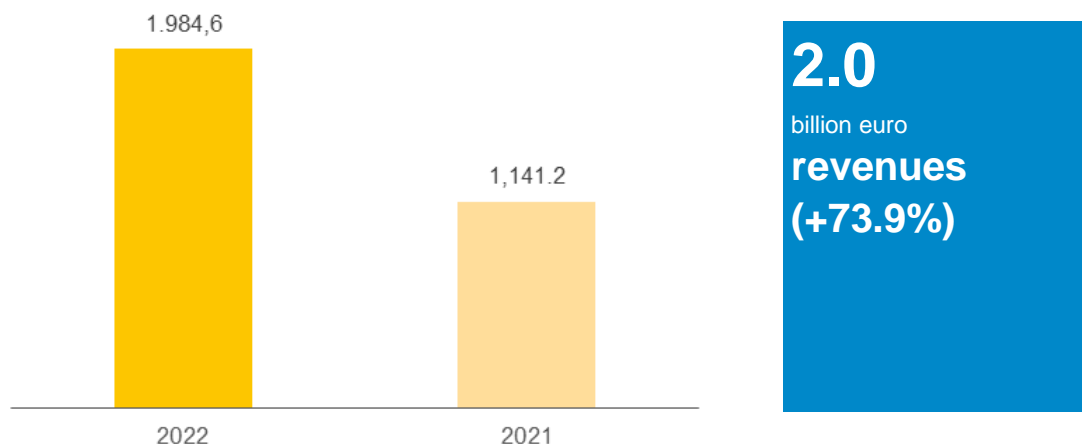
VOLUMES SOLD (GWh)



Volumes of electricity sold increased by 279.4 GWh, or 5.1%, compared to the first half of 2021. This trend was caused by an increase in volumes on traditional markets amounting to 216.5 GWh, or 4% of total volumes sold, mainly driven by the new gradual protection service mentioned above, while on the safeguarded market the increase came to 62.9 GWh, or 1.1% compared of total volumes, due to the different perimeter served.

The following table summarises operating results for the electricity area:

Income statement (mn€)	June 22	% inc.	June 21	% inc.	Abs. change	% change
Revenues	1,984.6		1,141.2		843.4	73.9%
Operating costs	(1,931.2)	(97.3)%	(1,032.6)	(90.5)%	898.6	87.0%
Personnel costs	(21.4)	(1.1)%	(23.9)	(2.1)%	(2.5)	(10.5)%
Capitalised costs	8.1	0.4%	5.3	0.5%	2.8	53.0%
Ebitda	40.1	2.0%	90.0	7.9%	(49.9)	(55.5)%

REVENUES (mn€)

Revenues rose by 843.4 million euro, or 73.9%, compared to the previous year, mainly due to the higher price of raw materials, coming to roughly 984 million euro, resulting from the increase in the average value of the PUN, up 272% year-on-year.

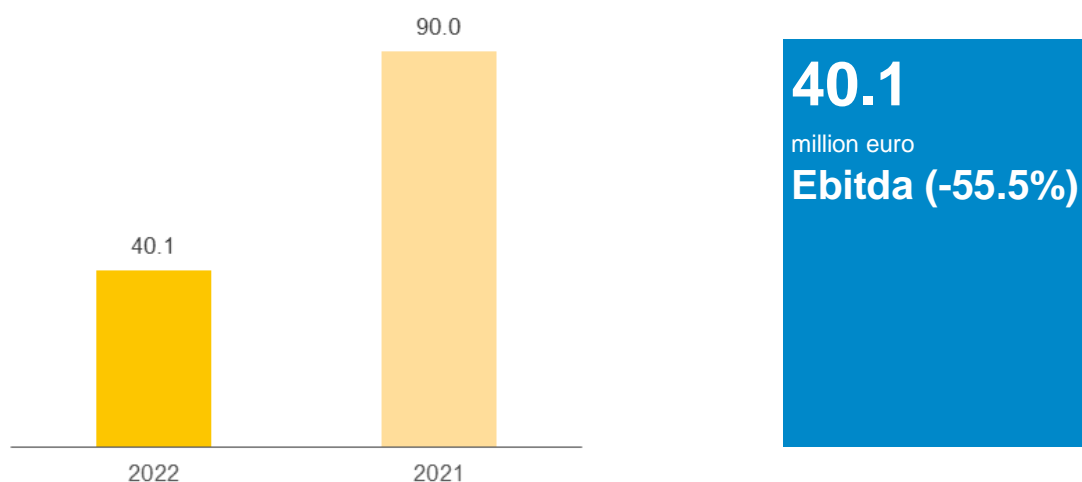
In addition, note the higher electricity generation revenues coming to 104 million euro and higher revenues for value-added services for customers totalling 12 million euro.

Finally, higher sales volumes and intermediation activities recorded growth coming to 33 million euro.

This increase was contained by lower revenues mainly related to system charges, with an equal effect on costs, totalling 299 million euro, as a result of resolutions 635/2021/R/com, 35/2022/R/eel and 141/2022/R/com.

Regulated revenues were in line with the previous year. As regards regulations, with resolution 614/2021/R/com, published at the end of 2021, Arera adjusted the criteria for determining and updating the rate of return on invested capital (WACC), reducing it from 5.9% in 2021 to 5.2% in 2022. This reduction was mainly offset by an increase in investments and by their remuneration.

The increase in revenues was more than proportionally reflected by operating expenses as well, which increased by 898.6 million euro, mainly due to the increase in the price of raw materials, impacting sales and generation activities, as mentioned above.

EBITDA (mn€)

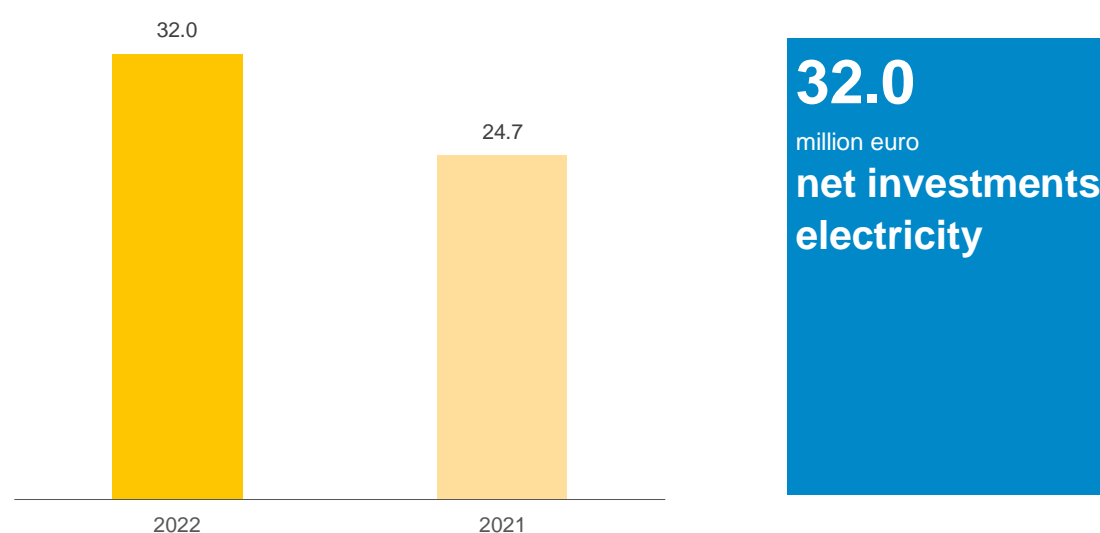
Ebitda dropped by 49.9 million euro, or 55.5%, mainly due to lower margins from sales, coming to 45.3 million euro, linked to the complexity of modulation activities and the time mismatch between purchases and sales, at this particular moment of rising raw material prices. In addition, a 11.3 million euro decrease was seen in the generation business, mainly due to lower calls in the dispatching services market. The value-added services business was up, recording an increase in margins coming to 3.9 million euro, as were the safeguarded and gradual protection markets, by 1.7 million euro.

In the electricity area, investments in the first half of 2022 amounted to 32 million euro, up 7.3 million euro year-on-year.

The interventions carried out mainly concerned non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.

Compared to the same period of the previous year, an increase of 6.4 million euro was seen in electricity distribution, mainly due to higher non-recurring maintenance and upgrading of networks and plants, as well as interventions to improve network resilience. In energy sales, activities related to acquiring new customers increased, while new connection requests were in line with the previous year.

NET INVESTMENTS ELECTRICITY (mn€)



Operating investments in the electricity area were as follows:

Electricity (mn€)	June 22	June 21	Abs. change	% change
Networks and plants	21.6	15.2	6.4	+42.1%
Acquisition electricity customers	10.4	9.4	1.0	+10.6%
Total electricity gross	32.0	24.7	7.3	+29.6%
Capital grants	-	-	-	+0.0%
Total electricity net	32.0	24.7	7.3	+29.6%

1.05.03 Integrated water cycle

Results increase in 2022

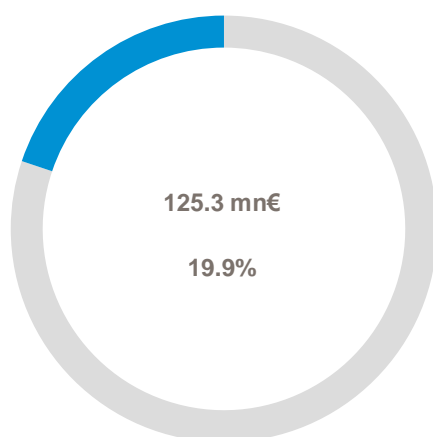
In the first six months of 2022, the integrated water cycle area showed results higher than during the equivalent period of 2021, with growth in Ebitda coming to 2.5%.

Note that during 2022 the regulatory authority ARERA published, with resolution 183/2022/R/idr, the results relating to the incentive mechanism in the regulation of technical quality established by resolution 917/2017, referring to the years 2018 and 2019. Each of the water service operators was analysed and classified with respect to the following 6 macro-indicators: water losses, service interruptions, quality of the water supplied, adequacy of the sewerage system, quality of purified water and sludge disposal. With reference to the level of excellence of technical quality, which identifies and rewards the top three positions nationwide considering all the macro-indicators mentioned above, in 2018 the Hera Group was awarded the second and third positions and in 2019 it was awarded the first, second and third positions in the general ranking of Italian utilities, which is proof of the very high quality standards adopted by the Group in managing the service provided.

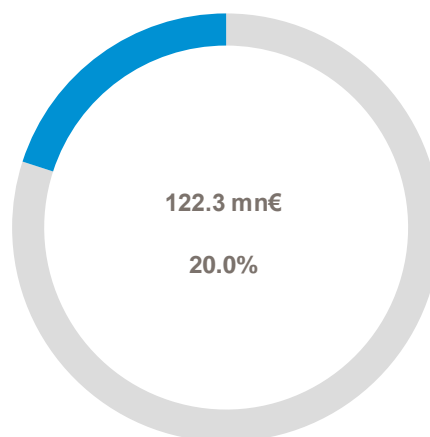
From a regulatory perspective, also note that 2022 is the third year of application of the tariff method defined by the Authority for the third regulatory period (Mti-3), 2020-2023 (resolution 580/2019). Each operator is recognised a revenue (VRG) determined on the basis of operating and capital costs, according to the investments made, with a view to increasing cost efficiency, as well as measures aimed at promoting and enhancing interventions for sustainability and resilience.

Finally, note that with regard to concessions, Atersir definitively awarded the tender for the concession to Hera of the integrated water service for the Province of Rimini, excluding the Municipality of Maiolo, for the years from 2022 to 2039. The Hera Group, also the outgoing manager in these 24 municipalities, will manage this service for the next 18 years, increasingly working towards sustainability and innovation.

EBITDA WATER CYCLE AREA 2022



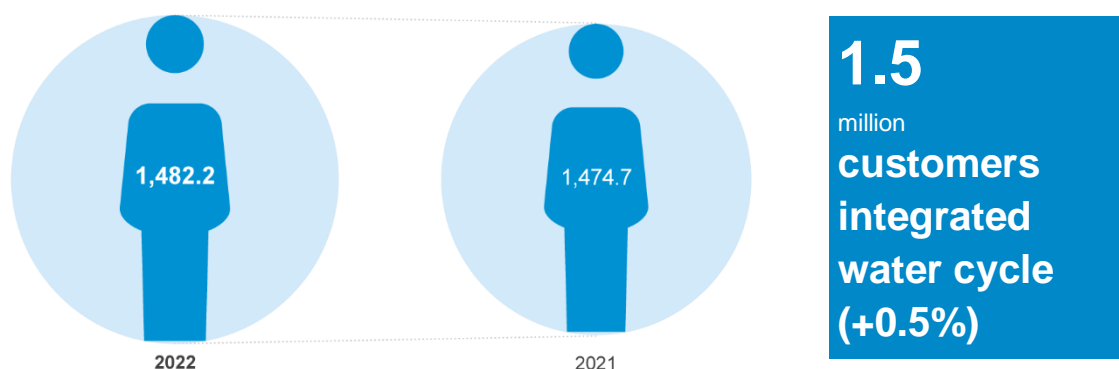
EBITDA WATER CYCLE AREA 2021



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

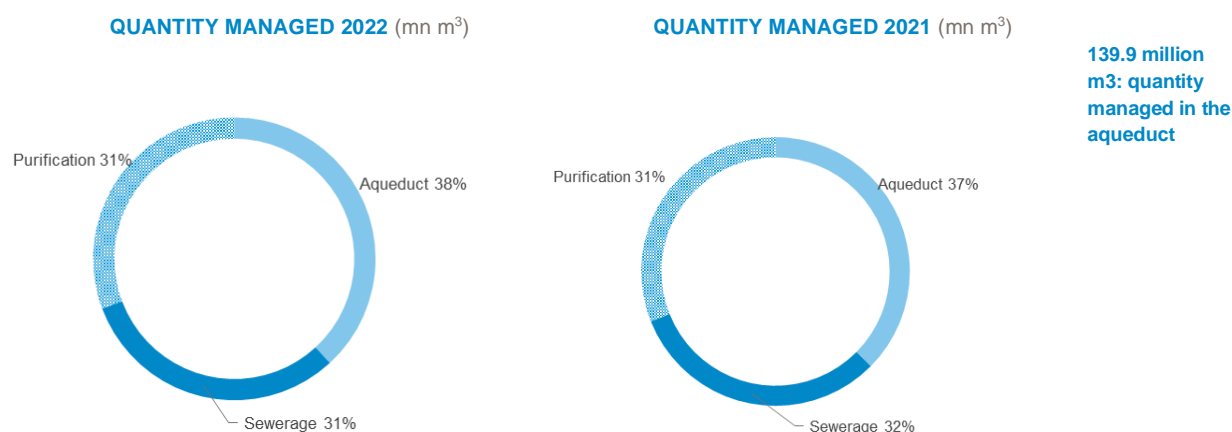
(mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Area Ebitda	125.3	122.3	3.0	+2.5%
Group Ebitda*	631.2	610.9	20.3	+3.3%
Percentage weight	19.9%	20.0%	(0.1) p.p.	

* Adjusted results, as described in paragraph 1.03

CUSTOMERS (k)

The number of water customers increased by 7.5 thousand, or 0.5%, compared to June 2021, confirming the moderate trend of internal growth seen in the Group's reference areas. The Emilia-Romagna area managed by Hera Spa accounted for 74% of this growth, while 16% occurred in the area served by AcegasApsAmga Spa and the remainder in the area served by the Marche Multiservizi Spa Group.

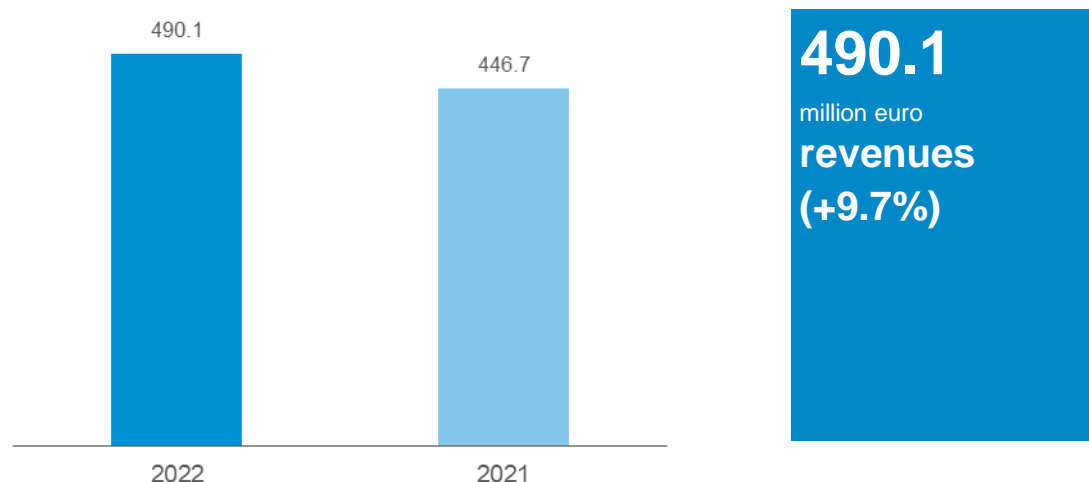
The main indicators for the area are as follows:



The volumes supplied through the aqueduct increased by 2.1% compared to June 2021, reaching 139.9 million m³ and up 2.9 million m³. At 30 June 2022, the quantities administered related to sewerage amounted to 114.0 million m³, showing a slight 1.1% decrease compared to the previous year, while purification volumes amounted to 112.6 million m³, down slightly by 0.9% compared to June 2021. The volumes managed, following the Authority's resolution 580/2019, are an indicator of the activity of the areas in which the Group operates and are subject to equalisation as a result of legislation that provides for the recognition of a regulated revenue independent of the volumes distributed.

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

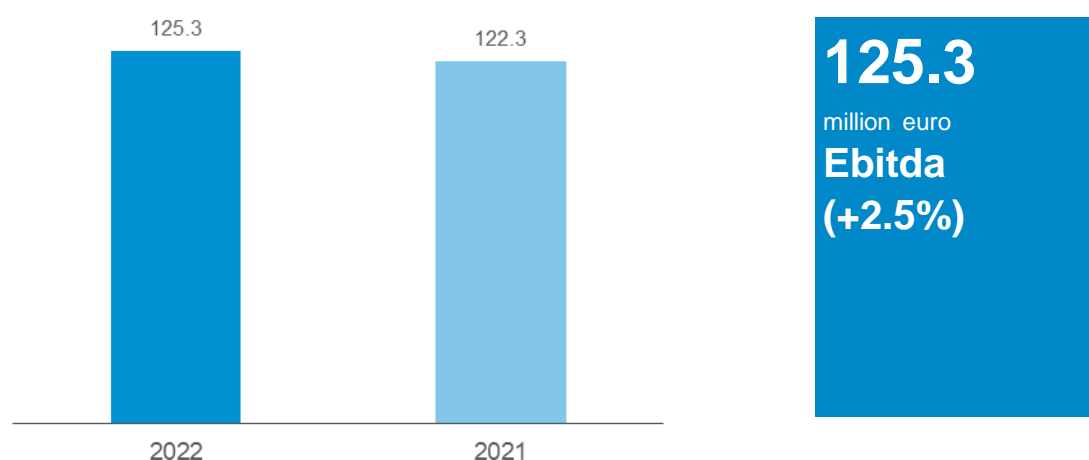
Income statement (mn€)	June 22	% inc.	June 21	% inc.	Abs. change	% change
Revenues	490.1		446.7		43.4	+9.7%
Operating costs	(272.5)	(55.6)%	(233.3)	(52.2)%	39.2	+16.8%
Personnel costs	(94.0)	(19.2)%	(93.5)	(20.9)%	0.5	+0.5%
Capitalised costs	1.8	0.4%	2.4	0.5%	(0.6)	(25.1)%
Ebitda	125.3	25.6%	122.3	27.4%	3.0	+2.5%

REVENUES (mn€)

The increase in revenues was linked to higher revenues from administration, totalling 31.8 million euro. Of this growth, 16.6 million euro can be traced to the excellent performance achieved by the Group in terms of technical quality in managing the Integrated Water Service. In particular, as reported above, for 2018-2019 the Authority awarded the Hera Group 5 of the 6 best rankings nationwide. The remaining part of the growth in tariff revenues was due to the equalisation-based tariff components, in particular electricity, and was only partially contained by a reduction in the remuneration of invested capital (WACC) from 5.24% to 4.8%, introduced by ARERA's tariff measures, and by the continuous and progressive increase in inflation.

Also note the 10.4 million euro in higher revenues for contract orders and third-party works carried out in the first six months of 2022, as well as higher other revenues coming to roughly 1 million euro, mainly related to the increased number of new connections.

The rise in operating costs at 30 June 2022 was mainly due to the current energy scenario, with energy raw material prices rising sharply compared to the previous year, and prices rising for all major supplies of materials and services. The aforementioned factors translated into higher costs totalling 28.0 million euro. Lastly, note the higher costs related to the works described above under revenues for a total of 10.4 million euro.

EBITDA (mn€)

Ebitda increased by 2.5%, reaching 3.0 million euro, thanks to the recognition of the Hera Group's commitment to the highest standards in technical quality, despite higher procurement costs for energy

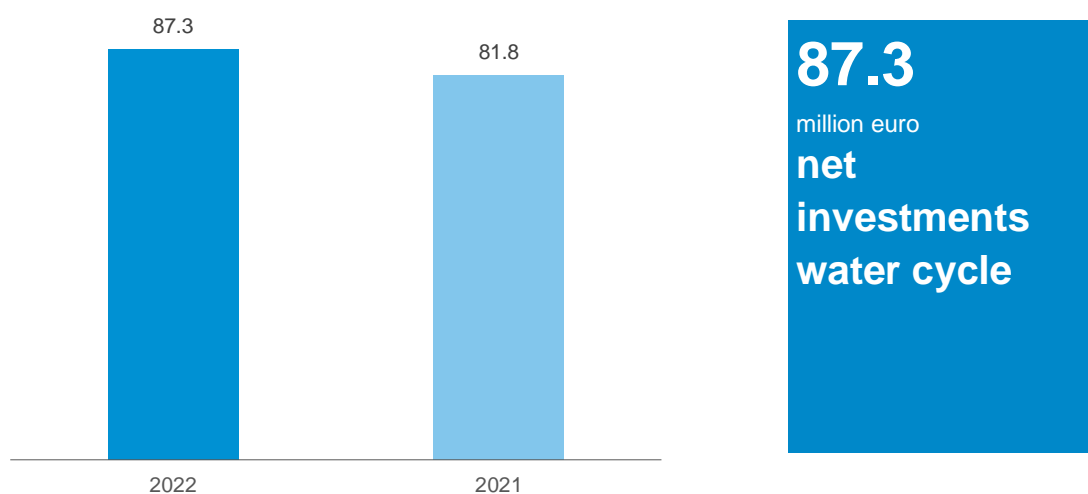
components and the growth in network and plant operating costs, partially due to increases in the price lists of material and service suppliers.

In the first half of 2022, net investments in the integrated water cycle area amounted to 87.3 million euro, up 5.5 million euro compared to the previous year. Including the capital grants received, the investments made amounted to 96.2 million euro, up 6.9 million euro.

Investments mainly concerned extensions, reclamations and upgrading on networks and plants, as well as regulatory interventions mainly in the purification and sewerage area.

Investments amounted to 59.3 million euro in the aqueduct, 20.8 million euro in sewerage and 16.0 million euro in purification.

NET INVESTMENTS WATER CYCLE (mn€)



Among the main interventions, note: in the aqueduct, ongoing and increased reclamation activities on networks and connections linked to ARERA's resolution 917/2017 on the regulation of the technical quality of the integrated water service, including the anticipation of specific modernisation and reinforcement interventions aimed at countering the risks of water shortages related to the drought conditions of the current period, such as the construction of hydraulic connections capable of expanding interconnections among water systems. Important maintenance work continued on the intake works on the Setta stream serving the Sasso Marconi drinking water treatment plant, works to reduce the interference of the water network with the suburban line in the municipality of Ferrara, as well as a reinforcement of water networks in other served areas and a large-scale replacement of meters; in the sewerage sector, in addition to continued implementation of the Rimini seawater protection plan (PSB), note the maintenance intended to upgrade the sewerage network in other areas served and works to adapt drains to Dgr 201/2016; in the purification sector, note the adjustments to the Lido di Classe purification plant, the revamping of the anaerobic digestion system at the Gramicia purification plant in Ferrara, the installation of centrifuges at the Savignano purification plant, and the work on the San Giovanni in Persiceto purification plant. Requests for new water and sewerage connections dropped slightly compared to the previous year. Capital grants totalling 8.9 million euro included 8.1 million euro deriving from the tariff component of the New Investment Fund (FoNI) tariff method and were up by 1.4 million euro compared to the previous year.

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

Integrated water cycle (mn€)	June 22	June 21	Abs. change	% change
Aqueduct	59.3	53.6	5.7	+10.6%
Purification	16.0	15.1	0.9	+6.0%
Sewerage	20.8	20.6	0.2	+1.0%
Total integrated water cycle gross	96.2	89.3	6.9	+7.7%
Capital grants	8.9	7.5	1.4	+18.7%
of which FoNI (New Investments Fund)	8.1	6.9	1.2	+17.4%
Total integrated water cycle net	87.3	81.8	5.5	+6.7%

1.04.04 Waste management

Ebitda rises

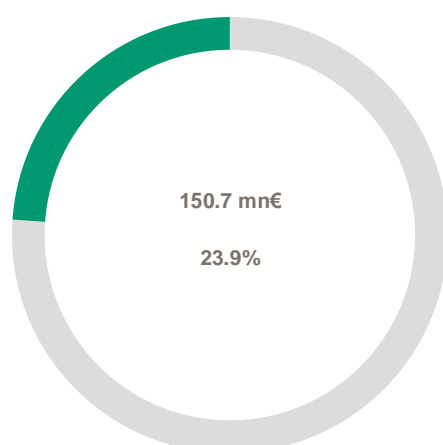
In the first half of 2022, the waste management area accounted for 23.9 of the Hera Group's Ebitda, with area Ebitda up by 8.1 million euro compared to the same period in 2021. Favoured by geographical expansion and solid management policies, the Group continues to guarantee a good level of growth, despite the current geopolitical scenario and the economic stagnation seen in the first half of the year. In Italy, in fact, the progressive and persistent increase in energy costs and the difficulties in obtaining raw materials, which began at the end of 2021, led to a slowdown in production in many manufacturing sectors in the first six months of 2022, with repercussions in waste production as well.

The Group consolidated its leadership in the markets covered, particularly in the industrial and recovery markets.

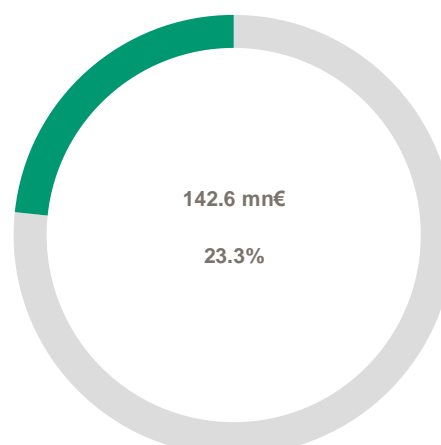
In the first six months of 2022, all main circular economy initiatives launched in previous years continued, from material recovery to the production of renewable energy (such as the ongoing construction of a new plant in Spilamberto for biomethane production).

The protection of environmental resources was confirmed as a priority objective in 2022, as was the maximisation of their reuse, as is proven by the special attention dedicated to increasing sorted waste collection, which was up by roughly one percentage point compared to June 2021.

EBITDA WASTE MANAGEMENT 2022



EBITDA WASTE MANAGEMENT 2021



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

(mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Area Ebitda	150.7	142.6	8.1	+5.7%
Group Ebitda*	631.2	610.9	20.3	+3.3%
Percentage weight	23.9%	23.3%	+0.6 p.p.	

* Adjusted results, as described in paragraph 1.03

Volumes marketed and treated by the Group in the first half of 2022 are as follows:

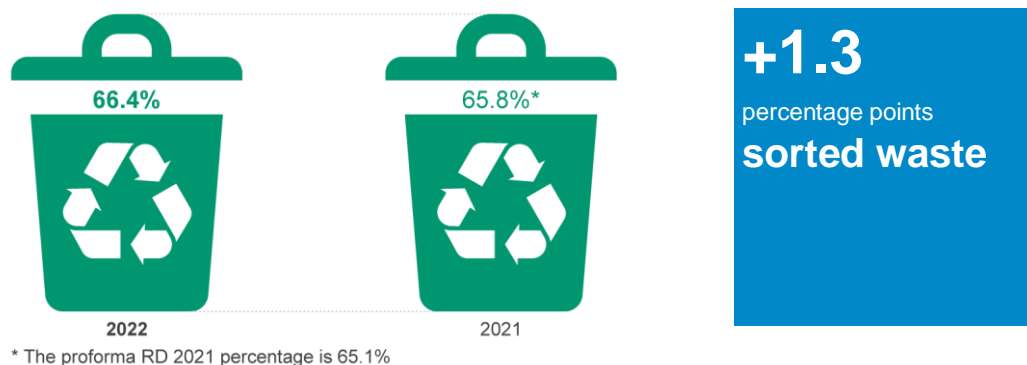
Quantity (k tons)	June 22	June 21	Abs. change	% change
Municipal waste	1,082.0	1,102.4	(20.4)	(1.9)%
Market waste	1,353.1	1,226.4	126.7	+10.3%
Waste commercialised	2,435.1	2,328.8	106.3	+4.6%
Plant by-products	1,237.6	1,167.3	70.3	+6.0%
Waste treated by type	3,672.7	3,496.1	176.6	+5.1%

An analysis of the quantitative data shows an increase in waste commercialised, mainly due to the increase in market waste. As far as municipal waste is concerned, in fact, in the first six months of 2022 a 1.9% decrease was seen compared to the previous year.

Volumes of market waste, instead, increased by 10.3% compared to 2021, due to the consolidation of existing business relations, the increased customer portfolio and new corporate acquisitions.

Lastly, plant by-products showed a 6.0% increase compared to the previous year.

SORTED WASTE (%)

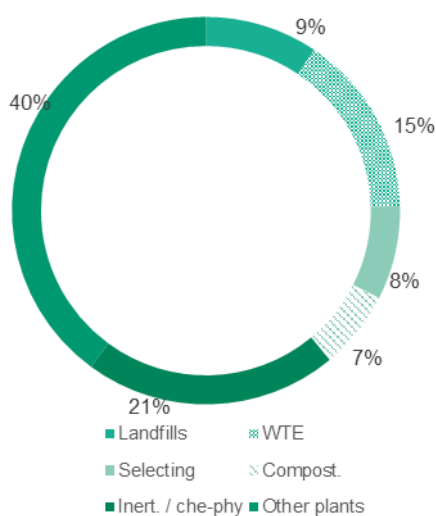


Sorted urban waste collection stood at 66.4%, up +1.3 percentage points compared to the previous year, bringing the calculation criteria into line with Legislative Decree 116/2020, which excludes construction and demolition waste from the percentage calculation of sorted waste collection as of July 2021.

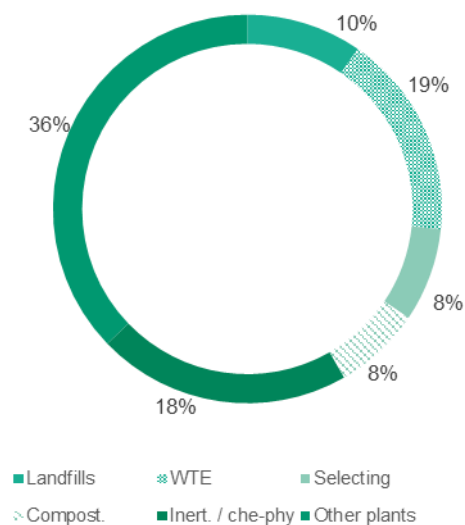
The Hera Group operates in the complete waste cycle with 98 municipal and special waste treatment and plastic regeneration plants. The main plants include: 9 waste-to-energy plants, 12 composting/digestion plants and 15 sorting plants.

The close attention paid to the set of plants has always been a distinctive element of the Group's propensity for excellence: operations are indeed ongoing to provide plants with the best available technologies.

WASTE TREATED BY TYPE OF PLANT 2022



WASTE TREATED BY TYPE OF PLANT 2021



June 22

June 21

Abs. change

% change

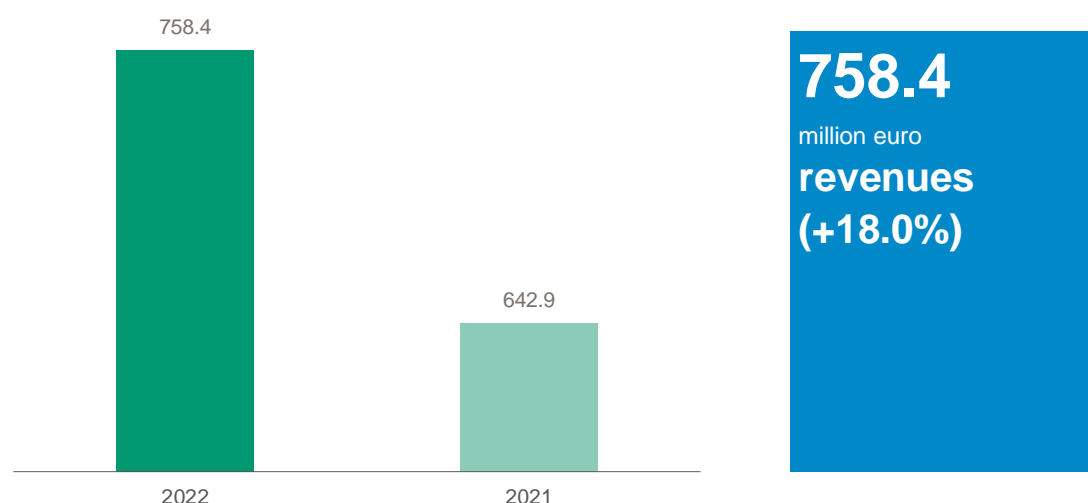
Quantity (k tons)

Landfills	346.0	335.7	10.3	+3.1%
WTE	558.5	596.7	(38.2)	(6.4)%
Selecting plants and other	287.1	272.3	14.8	+5.4%
Composting and stabilisation plants	240.4	253.9	(13.5)	(5.3)%
Inertisation and chemical-physical plants	775.0	737.1	37.9	+5.1%
Other plants	1,465.6	1,300.3	165.3	+12.7%
Waste treated by plant	3,672.7	3,496.1	176.6	+5.1%
Plastic recycled by Aliplast Spa	39.2	42.3	(3.1)	(7.3)%

Waste treatment rose by 5.1% overall compared to June 2021. An analysis of the individual sectors shows an increase in quantities in landfills while, as regards waste-to-energy plants, the downward trend was mainly due to the revamping of the F3 and Trieste plants. The increase in quantities in selecting plants was caused by the higher quantities treated in all plants owing to the increase in sorted waste collection. In composting and stabilisation plants, volumes decreased mainly due to lower quantities at the Ostellato plant, which was shut down for reconversion to stabilisation, while in inertisation and chemical-physical plants, the increased quantities were mainly due to higher volumes from new acquisitions. Lastly, note the increase in the other plants sector.

The table below summarises the area's operating results:

Income statement (mn€)	June 22	% inc.	June 21	% inc.	Abs. change	% change
Revenues	758.4		642.9		115.5	+18.0%
Operating costs	(513.1)	(67.7)%	(401.6)	(62.5)%	111.5	+27.8%
Personnel costs	(110.4)	(14.6)%	(108.7)	(16.9)%	1.7	+1.6%
Capitalised costs	15.8	2.1%	10.0	1.6%	5.8	+57.7%
Ebitda	150.7	19.9%	142.6	22.2%	8.1	+5.7%

REVENUES (mn€)

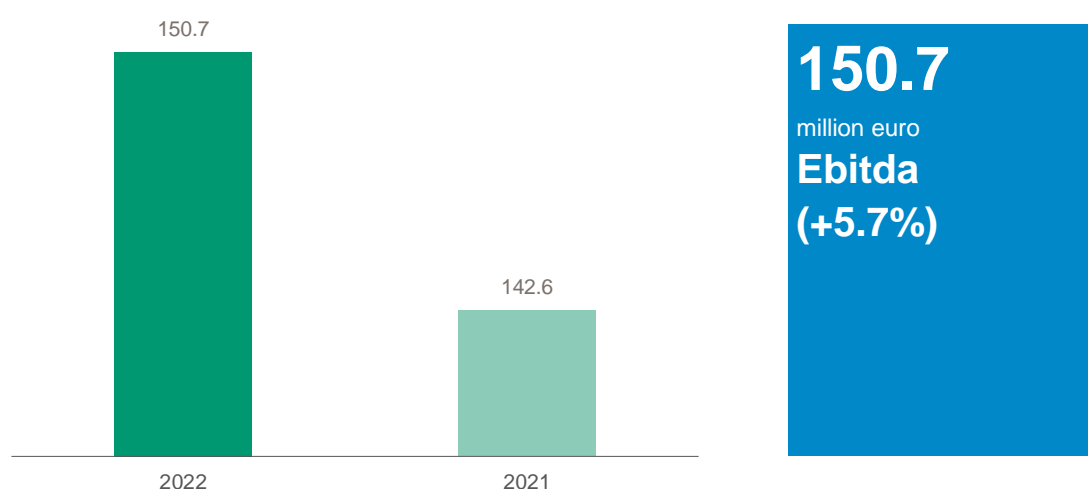
Revenues increased by 18.0% compared to the previous year. Higher revenues came from energy production, amounting to +33.1 million euro, mainly due to the increase in market prices and the production of thermal energy and biomethane, despite a reduction in volumes on WTEs coming to 38.2

thousand tons. Also note the +36.4 million euro increase in Aliplast Spa's contribution compared to 2021, up +51% as a result of the increase in prices in all segments due to the high value of virgin polymer and strong market demand. This price increase also had a positive impact on the industrial market, up 3.6 million euro, and on revenues from the valorisation of materials, up roughly 9.9 million euro, particularly for paper and cardboard.

Also note the 14.5 million euro increase in revenues from new acquisitions in the industry market.

Operating expenses at 30 June 2022 were up by 27.8%. In the treatment market, costs for purchasing raw materials and for new acquisitions increased, and transport and treatment costs for by-product management were up due to higher prices from suppliers. In the recovery market, note the increase in raw material purchasing costs incurred by Aliplast Spa linked to the trend in revenues mentioned above. With regard to municipal waste collection, note the increased activities related to the development of new sorted waste collection projects.

EBITDA (mn€)



The rise in Ebitda was mainly due to increased income from energy management, coming to roughly 10 million euro, and expansion in the industrial waste market with new acquisitions, accounting for approximately 4 million euro. These positive factors were partially offset by higher purchasing prices for consumables and higher costs for treatment and transportation.

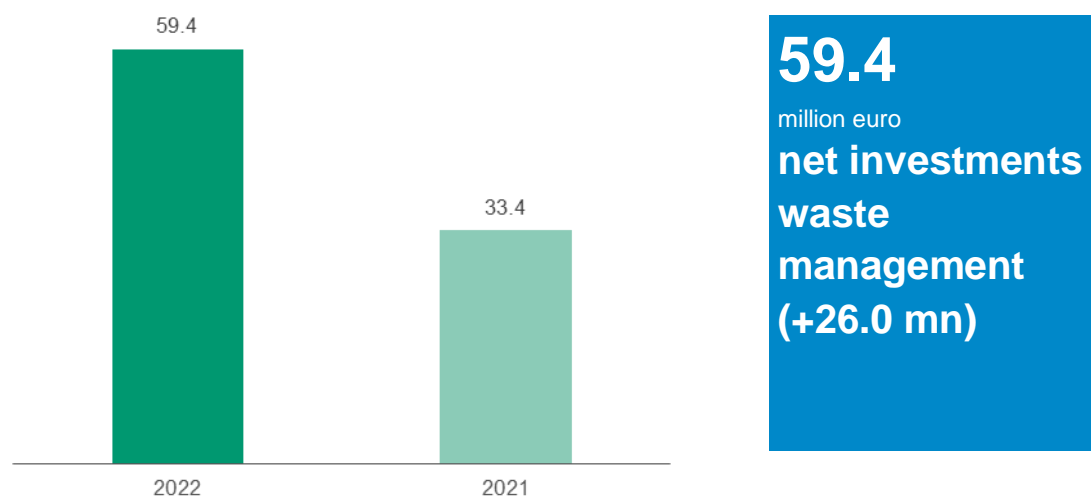
Net investments in the waste management area involved maintenance and upgrading on waste treatment plants and amounted to 59.4 million euro, up 26.0 million euro over the previous year.

The composting/digestion plants sector showed an increase of 7.3 million euro, mainly due to the beginning of construction work through the company Biorg Srl for a plant producing biomethane.

Investments on landfills increased by 1.6 million euro, due to work carried out on the Ravenna plant and the Cordenons landfill.

The WTE sector showed an increase coming to 5.4 million euro, mainly linked to revamping line two of the Trieste plant and non-recurring scheduled maintenance on the Bologna plant, while the 7.4 million euro increase in the industrial waste plants sector concerned revamping the F3 plant in Ravenna.

The collection areas and equipment sector showed a drop in investments amounting to 0.9 million euro compared to the previous year and included the work done on the underground collection areas. The 3.5 million euro increase in the sorting and recovery plants sector was due to higher investments for works on the new PET regenerator and the replacement of Aliplast Spa's PELD regenerator, as well as the beginning of works by the company Vallortigara for the new Marano Vicentino plant.

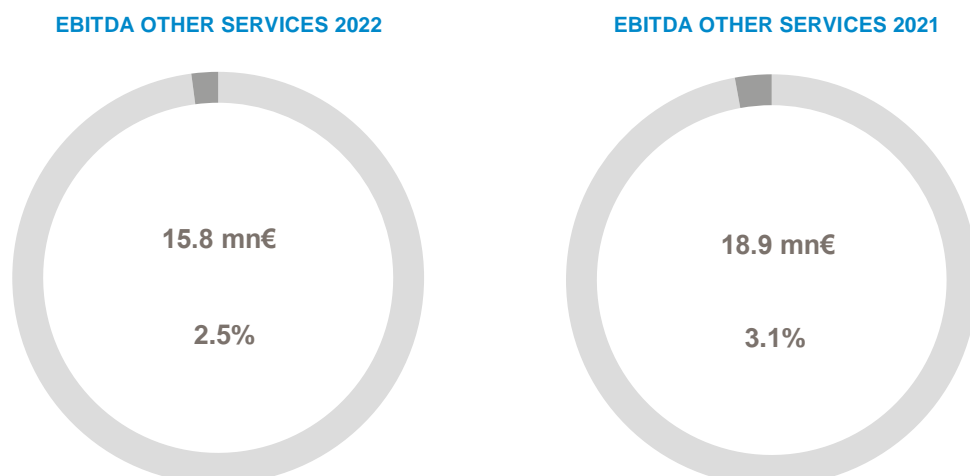
NET INVESTMENTS WASTE MANAGEMENT (mn€)

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

Waste management (mn€)	June 22	June 21	Abs. change	% change
Composters/digesters	8.0	0.7	7.3	+1,042.9%
Landfills	4.1	2.5	1.6	+64.0%
WTE	14.6	9.2	5.4	+58.7%
RS plants	14.0	6.6	7.4	+112.1%
Collection areas and equipment	5.8	6.7	(0.9)	(13.4)%
Transshipment, selecting and other plants	12.9	9.4	3.5	+37.2%
Total waste management gross	59.4	35.1	24.3	+69.2%
Capital grants	-	1.7	(1.7)	(100.0)%
Total waste management net	59.4	33.4	26.0	+77.8%

1.05.05 Other services

Ebitda drops The other services area covers all minor businesses managed by the Group, including public lighting, in which the Hera Group's efforts go towards planning, constructing and maintaining lighting structures, contributing to safety across the areas served through avant-garde technologies and constant attention towards the circular economy and sustainability; telecommunications, in which the Group offers connectivity for private customers and companies, telephone and data centre services through its own digital company; and, lastly, cemetery services. At 30 June 2022, results for the other services area settled at 15.8 million euro, down 3.1 million euro compared to the previous year.



The changes occurred in terms of Ebitda are as follows:

(mn€)	June 22	June 21 (redetermined)	Abs. change	% change
Area Ebitda	15.8	18.9	(3.1)	(16.4)%
Group Ebitda	631.2	610.9	20.3	+3.3%
Percentage weight	2.5%	3.1%	(0.6) p.p.	

* Adjusted results, as described in paragraph 1.03

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

Quantity	June 22	June 21	Abs. change	% change
Public lighting				
Lighting points (k)	585.8	560.8	+25.0	+4.5%
of which LED	37.7%	35.8%	+1.9	+0.0%
Municipalities served	195.0	180.0	+15.0	+8.3%

In the first six months of 2022, the Hera Group acquired approximately 60.8 thousand lighting points in 29 new municipalities. The most significant acquisitions were: approximately 15.2 thousand lighting points in Lombardy, approximately 12.4 lighting points in Tuscany, approximately 13.0 thousand lighting points in Umbria and approximately 9.0 thousand lighting points in other regions of central Italy. Also note the acquisitions made in the Triveneto region, coming to roughly 9.2 thousand lighting points, and in Sardinia, coming to roughly 2.0 thousand lighting points. The period's increases fully offset the loss of about 35.8 thousand lighting points and 14 municipalities served, mainly in the Triveneto and Emilia Romagna regions.

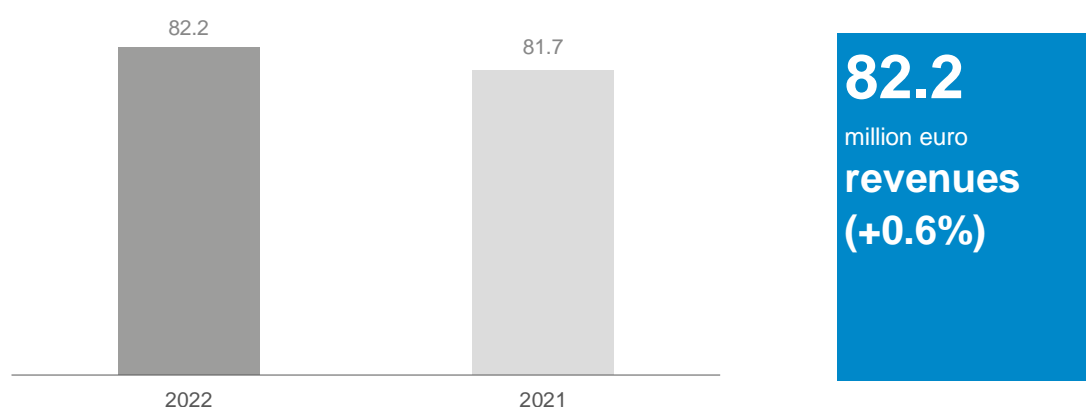
The percentage of lighting points that use LED bulbs also increased, reaching 37.7%, up 1.9 percentage points. This trend provides evidence of the Group's constant focus on an increasingly efficient and sustainable management of public lighting.

Quantitative indicators in the other services area also include the 4,452 km of proprietary ultra-wideband fibre optic network that the Hera Group owns through its digital company, Acantho Spa. This network serves the main cities in Emilia-Romagna, along with Padua and Trieste, and provides companies and individuals with high-performance connectivity, high reliability and maximum security for systems, data and service continuity.

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

Income statement (mn€)	June 22	% inc.	June 21	% inc.	Abs. change	% change
Revenues	82.2		81.7		0.5	+0.6%
Operating costs	(56.6)	(68.9)%	(52.1)	(63.7)%	4.5	+8.6%
Personnel costs	(11.0)	(13.4)%	(11.5)	(14.1)%	(0.5)	(4.3)%
Capitalised costs	1.2	1.5%	0.8	0.9%	0.4	+52.0%
Ebitda	15.8	19.3%	18.9	23.1%	(3.1)	(16.4)%

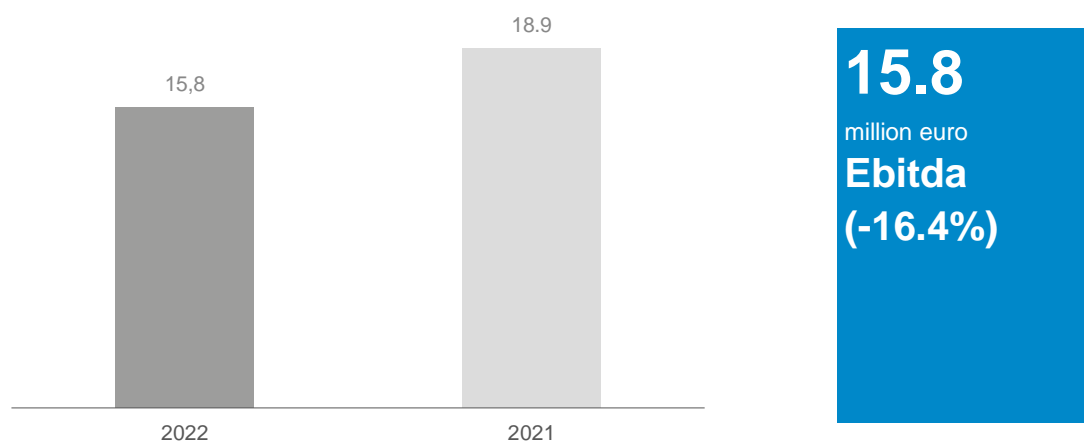
REVENUES (mn€)



The increase in revenues was mainly due to public lighting, which was up by 2.1 million euro. This growth was related to energy adjustments on public lighting fees, only partially reduced by the different state of progress in energy upgrading works compared to 2021. The growth in revenues was contained by the decrease recorded in the other businesses of this area and, in particular, by a drop in revenues in the telecommunications business, which was down by 1.4 million euro overall.

The rise in operating costs was mainly due to the lighting business and was affected by the significant rise in energy costs, despite the slowdown in construction sites caused by the unavailability of supplies with materials needed for energy upgrading.

EBITDA (mn€)

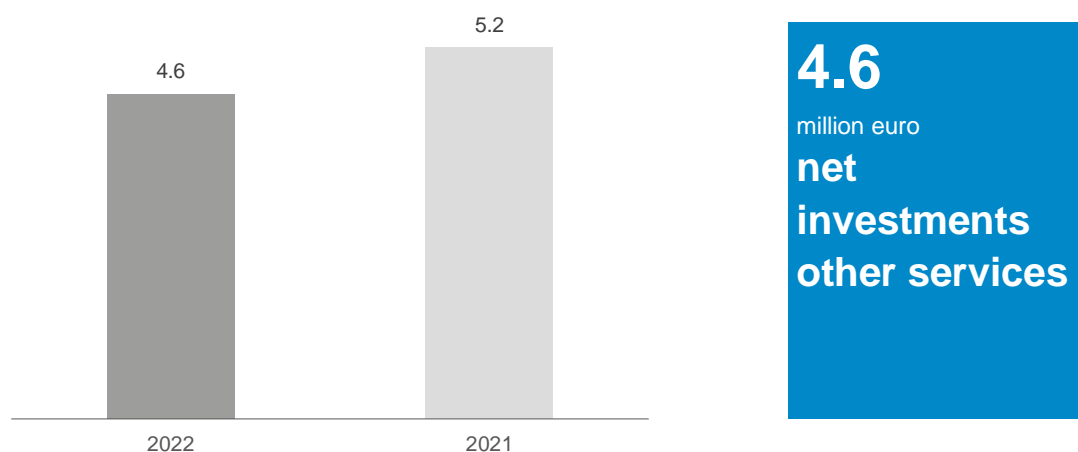


Ebitda for the other services area decreased by 16.4%, down 3.1 million euro. This trend was mainly related to the public lighting business, due to the slowdown in construction sites caused by the delay in the supply of materials required for upgrading, and an increase in the price of raw materials.

In the first half of 2022, net investments in the other services area amounted to 4.6 million euro, down 0.6 million euro compared to the same period one year earlier.

In telecommunications, investments totalling 3.8 million euro were made in network and TLC services, up compared to the previous year. In the public lighting service, investments were related to maintenance, upgrading and modernisation on the lighting systems in the areas served and did not include public lighting contracts subject to different accounting under the IFRIC 12 standards.

NET INVESTMENTS OTHER SERVICES (mn€)



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

Other services (mn€)	June 22	June 21	Abs. change	% change
TLC	3.8	3.3	0.5	+15.2%
Public lighting and traffic lights	0.8	2.0	(1.2)	(60.0)%
Total other services gross	4.6	5.2	(0.6)	(11.5)%
Capital grants	-	-	-	+0.0%
Total other services net	4.6	5.2	(0.6)	(11.5)%

CONSOLIDATED FINANCIAL STATEMENTS



2.01 FINANCIAL STATEMENT FORMATS

2.01.01 Income statement

mn€	notes	1H 2022	1H 2021
Revenues	1	8,896.0	4,179.7
Other operating revenues	2	219.4	140.2
Raw and other materials	3	(7,150.5)	(2,128.5)
Service costs	4	(1,105.2)	(1,260.1)
Personnel costs	5	(308.7)	(301.8)
Other operating costs	6	(39.3)	(37.9)
Capitalized costs	7	31.2	26.3
Amortisation, depreciation and provisions	8	(296.3)	(274.3)
Operating revenues		246.6	343.6
Share of profits (losses) pertaining to joint ventures and associated companies	9	6.1	5.4
Financial income	10	41.1	47.9
Financial expenses	10	(98.1)	(136.9)
Financial operations		(50.9)	(83.6)
Earnings before taxes		195.7	260.0
Taxes	11	(56.7)	(23.8)
Overall revenues for the period		139.0	236.2
To attribute to:			
Parent company shareholders		120.6	216.1
minority shareholders		18.4	20.1
Earnings per share	12		
Basic		0.083	0.148
Diluted		0.083	0.148

Pursuant to Consob Resolution 15519 of 27 July 2006, the effects of related party transactions are disclosed in the appropriate income statement schedule shown in Section 2.04.01 of these consolidated financial statements.

2.01.02 Statement of comprehensive income

mn€	notes	first six months of 2022	first six months of 2021
Profit (loss) for the period		139.0	236.2
Items reclassifiable to the income statement			
Fair value of derivatives, change for the period	20	(36.8)	102.2
Tax effect related to items reclassifiable to the income statement		10.9	(29.1)
Items not reclassifiable to the income statement			
Actuarial income (losses) post-employment benefits	27	11.0	4.7
Shares valued at fair value	17	(6.5)	(1.5)
Tax effect related to items not reclassifiable to the income statement		(2.3)	(0.8)
Total comprehensive profit (loss) for the period		115.3	311.7
To attribute to:			
parent company shareholders		99.7	291.8
minority shareholders		15.6	19.9

2.01.03 Statement of financial position

mn€	notes	30-Jun-22	31-Dec-21
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,905.2	1,941.0
Rights of use	14	84.4	101.6
Intangible assets	15	4,292.3	4,126.7
Goodwill	16	842.9	842.9
Shareholdings	17	199.8	198.5
Non-current financial assets	18	135.0	142.7
Deferred tax assets	19	279.0	229.4
Derivative instruments	20	0.3	6.9
Total non-current assets		7,738.9	7,589.7
Current assets			
Inventories	21	765.9	368.0
Trade receivables	22	2,485.3	2,918.0
Current financial assets	18	32.2	29.3
Current tax assets	23	30.8	21.2
Other current assets	24	497.1	422.3
Derivative instruments	20	2,939.0	1,797.4
Cash and cash equivalents	18	872.6	885.6
Total current assets		7,622.9	6,441.8
TOTAL ASSETS		15,361.8	14,031.5

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.04.02 of this consolidated financial statement.

mn€	notes	30-Jun-22	31-Dec-21
NET EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	25	1,454.9	1,459.6
Reserves	25	1,527.1	1,407.1
Profit (loss) for the period		120.6	333.5
Group net equity		3,102.6	3,200.2
Non-controlling interests	25	209.4	216.6
Total net equity		3,312.0	3,416.8
Non-current liabilities			
Non-current financial liabilities	26	4,155.1	3,716.0
Non-current lease liabilities	14	54.9	53.2
Post-employment and other benefits	27	89.5	105.4
Provisions for risks and charges	28	537.1	528.0
Deferred tax liabilities	19	192.8	132.1
Derivative instruments	20	10.4	13.5
Total non-current liabilities		5,039.8	4,548.2
Current liabilities			
Current financial liabilities	26	479.8	499.7
Current lease liabilities	14	22.3	43.4
Trade payables	29	2,045.9	2,356.6
Current tax liabilities	23	53.4	27.9
Other current liabilities	30	1,545.0	1,435.6
Derivative instruments	20	2,863.6	1,703.3
Total current liabilities		7,010.0	6,066.5
TOTAL LIABILITIES		12,049.8	10,614.7
TOTAL NET EQUITY AND LIABILITIES		15,361.8	14,031.5

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.04.02 of this consolidated financial statement.

2.01.04 Cash flow statement

mn€	notes	30-Jun-22	30-Jun-21
Earnings before taxes		195.7	260.0
Adjustments to reconcile net profit to the cashflow from operating activities			
Amortisation and impairment of assets	8	229.9	220.6
Allocation to provisions	8	66.4	53.7
Effects from valuation using the net equity method	9	(6.1)	(5.4)
Financial (income) expenses	10	57.1	89.0
(Capital gains) losses and other non-monetary elements		(25.8)	(12.6)
Change in provisions for risks and charges	28	(18.2)	(18.7)
Change in provisions for employee and post-employment benefits	27	(6.1)	(5.7)
Total cash flow before changes in net working capital		492.9	580.9
(Increase) decrease in inventories	31	(398.1)	(64.8)
(Increase) decrease in trade receivables	31	193.5	184.9
Increase (decrease) in trade payables	31	(316.6)	(201.7)
Increase/decrease in other current assets/liabilities	31	243.0	220.5
Changes in working capital		(278.2)	138.9
Dividends collected	31	6.4	6.7
Interest income and other financial income collected	31	13.8	16.3
Interest expenses, net charges on derivatives and other paid financial charges	31	(66.5)	(61.2)
Taxes paid	31	(39.6)	(78.5)
Cash flow from operating activities (a)		128.8	603.1
Investments in property, plant and equipment	13	(80.5)	(62.9)
Investments in intangible assets	15	(206.5)	(184.0)
Investments in subsidiaries and business units net of cash and cash equivalents	32	(37.8)	(27.3)
Other equity investments	32	(11.1)	(10.0)
Sale price of tangible and intangible assets	32	1.1	0.4
Divestments in shareholdings and contingent consideration	32	-	0.1
(Increase) decrease in other investment activities	32	10.5	8.7
Cash flow from (for) investing activities (b)		(324.3)	(275.0)
New issues of long-term financial debt	33	500.0	8.0
Repayments of non-current financial liabilities	33	-	(140.6)
Repayments and other net changes in financial liabilities	33	(59.6)	(141.5)
Lease contract payments	33	(32.0)	(11.4)
Acquisition of Interests in consolidated companies	33	(10.6)	-
Dividends paid out to Hera shareholders and non-controlling interests	33	(199.5)	(4.2)
Changes in treasury share	25	(15.8)	15.1
Cash flow from (for) financing activities (c)		182.5	(274.6)
Increase (decrease) in cash holdings (a+b+c)		(13.0)	53.5
Cash and cash equivalents at the beginning of the year	18	885.6	987.1
Cash and cash equivalents at the end of the year	18	872.6	1,040.6

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate cash flow statement outlined in paragraph 2.04.03 of this consolidated financial statement.

2.01.05 Statement of changes in net equity

mn€	Share capital	Reserves	Reserves derivatives valued at fair value	Reserves actuarial income (losses) employee and post-employment benefits	Reserves shares valued at fair value	Revenues for the period	Net equity	Non-controlling interests	Total
Balance at 31 December 2020	1,460.0	1,230.8	5.9	(35.1)	(3.5)	302.7	2,960.8	194.5	3,155.3
Revenues for the period						216.1	216.1	20.1	236.2
Other components of comprehensive income:									
fair value of derivatives, change for the period			73.8				73.8	(0.7)	73.1
Actuarial income (losses) employee and post-employment benefits				3.4			3.4	0.5	3.9
fair value of shares, change for the period					(1.5)		(1.5)		(1.5)
Overall revenues for the period	-	-	73.8	3.4	(1.5)	216.1	291.8	19.9	311.7
change in treasury shares	4.1	11.0					15.1		15.1
Allocation of revenues:									
dividends paid out						(163.8)	(163.8)	(17.6)	(181.4)
allocation to reserves		138.9				(138.9)	-		-
Balance at 30 June 2021	1,464.1	1,380.7	79.7	(31.7)	(5.0)	216.1	3,103.9	196.8	3,300.7
Balance at 31 December 2021	1,459.6	1,352.8	93.6	(33.7)	(5.6)	333.5	3,200.2	216.6	3,416.8
Revenues for the period						120.6	120.6	18.4	139.0
Other components of comprehensive income:									
fair value of derivatives, change for the period			(22.4)				(22.4)	(3.5)	(25.9)
Actuarial income (losses) employee and post-employment benefits				8.0			8.0	0.7	8.7
fair value of shares, change for the period					(6.5)		(6.5)		(6.5)
Overall revenues for the period	-	-	(22.4)	8.0	(6.5)	120.6	99.7	15.6	115.3
change in treasury shares	(4.7)	(11.1)					(15.8)		(15.8)
change in equity investments		(8.1)	1.2				(6.9)	(3.7)	(10.6)
other movements		0.1					0.1		0.1
Allocation of revenues:									
dividends paid out						(174.7)	(174.7)	(19.1)	(193.8)
allocation to reserves		158.8				(158.8)	-		-
Balance at 30 June 2022	1,454.9	1,492.5	72.4	(25.7)	(12.1)	120.6	3,102.6	209.4	3,312.0

2.02 EXPLANATORY NOTES

2.02.01 Accounting policies and evaluation criteria

The consolidated financial statement at 31 June 2022 was prepared in compliance with Regulation (EC) No. 1606/2002 of 19 July 2002, observing the International Accounting Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission, as well as the provisions enacted in implementing Article 9 of Italian Legislative Decree no. 38/2005. IFRSs also include the International Accounting Standards (IAS) currently in force, the interpretative documents issued by the International Financial Reporting Standards Interpretation Committee (IFRSIC) and the previous Standing Interpretation Committee (SIC).

In preparing the consolidated half-year financial statements, prepared in accordance with IAS 34 Interim Financial Reporting, the same accounting principles were adopted as those utilized in drafting the consolidated financial statements at 31 December 2021, which should be consulted for more detailed information.

The directors considered the applicability of the assumed going concern in drafting the consolidated financial statement and decided that such assumption is appropriate in that there are no doubts about the going concern. This assessment took into account the current pandemic context, as well as the context induced by the outbreak of the conflict between Russia and Ukraine.

The general principle adopted in preparing this half-year consolidated financial statement is the cost principle, except for the assets and liabilities (including the derivative instruments), which were measured at fair value.

The figures in this consolidated half-year financial statement are comparable with the same balances of the previous financial year, unless indicated otherwise in the notes commenting on the individual items. In comparing the single items of the income statement and statement of financial position any change in the scope of consolidation outlined in the specific paragraph must also be taken into account.

Information on the Group's operations and significant events occurred after the end of the six-month period is provided in the Directors' report.

This consolidated half-year financial statement as at 30 June 2022 was drawn up by the Board of Directors and approved by the same at the meeting held on 27 July 2022. This financial statement underwent limited auditing by Deloitte & Touche Spa.

Financial statement content and format

This abbreviated consolidated biannual financial statement comprises:

- primary reporting formats; they are the same as those used for the consolidated financial statements for the year ended 31 December 2021 and have the following features:
 - the income statement includes individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents company results;
 - the statement of comprehensive income is presented in a separate document and distinguishing items that may and may not be reclassified subsequently to profit and loss.
 - the statement of financial position makes the distinction between current and non-current assets and liabilities
 - the cash-flow statement has been prepared using the indirect method;
 - the statement of changes in net equity reports separately the other items of the comprehensive income statement.
- explanatory notes

In the financial statements any non-recurring costs and revenues are indicated separately. Moreover, with reference to Consob resolution 15519 of 27 July 2006 on financial statements, specific supplementary formats of income statement, statement of financial position and cash flow statement have been included, highlighting the most significant balances with related parties, in order to avoid altering the overall clarity of the financial statements.

The financial statement formats and the information included in the explanatory notes are expressed in millions of euro, unless otherwise indicated.

Risk management

Credit risk

The credit risk faced by the Group originates from the broad structure of the client portfolios in the main business areas in which it operates; for the same reason, this risk is spread out over a large number of clients. In order to manage the credit risk, the Group established procedures for selecting, monitoring and evaluating its customer portfolio. The Italian market is the benchmark market.

The Group's credit management model makes it possible to analytically determine the different risks associated with the collectability of trade receivables as soon as they arise and progressively according to their increasing seniority. This approach allows the company to reduce the concentration and exposure to credit risk posed by both business and household customers. With regard to receivables from small-sized customers, write-downs are carried out on the basis of future-oriented analysis regarding the amount of probable future income, taking into consideration the seniority of the receivables, the type of recovery action undertaken and the status of the creditor. From time to time, analyses are conducted on the individual credit positions yet to be resolved, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down.

Liquidity risk

Liquidity risk concerns the inability to meet the financial obligations taken on due to a lack of internal resources or an inability to find external resources at acceptable costs. Liquidity risk is mitigated by adopting policies and procedures that maximise the efficiency of management of financial resources. For the most part, this is accomplished through the centralised management of cash inflows and outflows (centralised treasury service); in the prospective assessment of the liquidity conditions; in obtaining adequate lines of credit; and preserving an adequate amount of liquidity.

The financial planning of requirements, focused on medium-term borrowings, and the availability of abundant funds in credit facilities, allow effective management of liquidity risk.

Interest rate risk and currency risk on financing operations

The cost of financing is affected by interest rate fluctuations. In the same way, the fair value of financial liabilities is also subject to interest rate and exchange rate fluctuations.

The Group regularly assesses its exposure to such risks and manages them by means of derivative financial instruments, in accordance with its risk management guidelines. To mitigate interest rate volatility risk and simultaneously ensure a correct balance between fixed rate debt and variable rate debt, the Group has stipulated interest rate derivatives in relation to a portion of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has signed foreign exchange derivatives to fully hedge loans in foreign currencies.

Under these guidelines, derivative financial instruments may only be used to manage its exposure to interest and exchange rate fluctuations related to cash flows and balance sheet assets and liabilities. These policies do not enable speculative activities to be carried out.

Market risk and currency risk on commercial operations

Concerning the wholesale business carried on by Hera Trading Srl, the Group manages risks related to the misalignment between indexation formulas related to the purchase of gas and electric energy and the indexation formulas related to the sales of the same commodities (including contracts entered into at fixed prices) as well as exchange rate risks in case the trading contracts for the commodities are denominated in currencies other than the euro (U.S. dollar).

In relation to these risks, the Group has set up a number of instruments, including different types of commodity derivatives (which may also include physical delivery) aimed at pre-establishing the effects

on sales margins irrespective of changes in market conditions. The organisational model adopted and the supporting management systems make it possible to identify the nature of the operation (hedging vs. trading) and produce the information required for a formal identification of the purpose of these instruments. Specifically, from an operational standpoint, the Group identified a commercial portfolio, including contracts signed to manage the Group's procurement activities, and a trading portfolio, including instruments whose purpose cannot be strictly related to the underlying procurement activities.

Ukraine crisis and energy scenario

Group management has deemed the war between Russia and Ukraine and the resulting impact on the energy scenario to be a material event as defined in paragraph 15 of IAS 34. The current and expected impacts of this event for the Hera Group, although significant as indicated in section 1.02 "Key Significant Events", have not currently resulted in the need to revise the estimates of the values in the financial statements, especially in light of the fact that significant margins have been maintained in all business areas, albeit with a decrease in the profitability of sales activities.

Based on the current situation and the information available to date, moreover, it is not believed that there are any indicators of impairment such as to lead to the re-calculation of the recoverable value of the assets recorded in the Group's consolidated financial statements at 30 June 2022.

Significant estimates and valuations

The preparation of the consolidated half-year financial statement and related notes required the use of estimates and valuations by the directors, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that are reasonably likely to occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. The main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next accounting period are set forth below.

Specifically, information is provided on the nature of these estimates and the assumptions on which they have been based, with indication of the reference book values.

Recognition of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply only if the consideration is expected to be collected. They include the allocation for services rendered between the date of the last reading and the end of the financial year, but still not billed. . This allocation is based on estimated of the customer's daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

Depreciation

Depreciation is calculated on the basis of the useful life of an asset, determined at the moment that said asset is entered into the financial statement. Assessments of the length of the useful life are based on historical experience, market conditions and the expectation of future events that could affect this useful life, including technological changes. Therefore, the actual useful life might differ from the estimated useful life.

Provisions for risks

These provisions were made by adopting the same procedures as in previous years, with reference to reports by the legal advisors and consultants that are following the cases, and on the basis of developments in the relevant legal proceedings as well as of the updates of the hypotheses concerning future expenses for post-mortem costs of the landfills, following the revision of the estimated costs identified by external consultants.

Income taxes

Income taxes are reported on the basis of the best estimate of the weighted average tax rate anticipated for the full financial period, also taking into account any tax effects resulting from the regulatory provisions introduced during the half year.

Deferred tax assets

Accounting for deferred tax assets takes place on the basis of expectations of taxable income in future years. The evaluation of the taxable income expected for the purposes of accounting for deferred tax assets depends on factors that may vary over time and significantly affect the recoverability of deferred tax assets.

Fair value assessment and evaluation process

The fair value of financial instruments, both on interest rates and foreign exchange rates, derives from market prices. In the absence of prices quoted in active markets, the method of discounting back future cash flows is used, taking the parameters observed on the market as reference. The fair value of derivatives contracts on commodity are determined using directly observable market inputs, where available. The methodology for calculating the fair value of these instruments includes the assessment of the non-performance risk, where relevant. All derivative contracts entered into by the Group are with leading counterparties.

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.

2.02.02 Scope of consolidation

The abbreviated consolidated biannual financial statement at 30 June 2022 include the financial statements of the Parent Company Hera S.p.A. and those of its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Equity investments in joint ventures in which the Hera Group exercises joint control with other companies as well as the companies over which the Group exercises significant control are consolidated with the equity method.

Small-scale subsidiaries with insignificant size are excluded from overall consolidation and valued at fair value recorded in other items of the comprehensive income statement. These companies are reported in note 17, item "Other shareholdings".

The main exchange rates used to translate the value of foreign companies are as follows:

	30-Jun-22	30-Jun-22	31-Dec-21	31-Dec-21	30-Jun-21	30-Jun-21
	Average	Specific	Average	Specific	Average	Specific
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Polish Zloty	4.635	4.690	4.565	4.597	4.537	4.520

Changes in the scope of consolidation

The table below shows changes in the scope of consolidation introduced during the first half of the 2022 financial year as compared to the consolidated financial statement at 31 December 2021:

Acquisition of control	Company/business unit
	"Bfeng" business unit
	Con Energia Spa
	Macero Maceratese Srl*

*The acquisition of control over the company Macero Maceratese Srl, which holds a 100% stake in the company Velluti Service R.E. Srl, took place on 30 June 2022. Given the insignificant economic and financial values in relation to the size of the Group and the fact that an interim statement is not yet available, the companies are temporarily excluded from the scope of consolidation and the transaction has been recorded under investments in other equity investments.

For further details regarding the acquisitions carried out during the period, reference should be made to chapter 1.02 "Main significant events" in the Directors' report.

Changes in equity investments

On 16 December 2021, the shareholder's meeting of Fernia Srl authorised, pursuant to Article 2482-ter of the Italian civil code, the coverage of the losses for the financial period, as well as the reconstitution of the share capital in the amount of 100,000 euro by means of cash injections. Following the failure of the minority shareholder to exercise the capital increase option, Herambiente Spa, on 31 January 2022, also took on the latter's share, becoming the sole shareholder of Feronia Srl.

On 12 January 2022, Atlas Utilities EAD purchased from a minority shareholder 500 ordinary shares of Primagas AD, equal to 0.43% of the share capital. The percentage of participation in the latter increased from 96.9% to 97.34%.

On 18 January 2022, the parent company Hera Comm Spa acquired a minority stake of 16% in Hera Comm Marche Srl, thereby becoming the sole shareholder.

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

Other corporate operations

On 7 February 2022, the shareholder TEA Spa sold its stake in Sinergie Italiane Srl in liquidation to the remaining shareholders on a pro rata basis, leaving the company. As a result of this transaction, EstEnergy Spa changed its shareholding from 31% to 32.56%.

On 6 April 2022, HASI Srl purchased 20% of the share capital of TEAM Srl from Marche Multiservizi Spa. The company, which operates in the provinces of Pesaro and Urbino and provides waste storage, transportation, and treatment services, continues to be listed at its previous carrying value under "Other equity investments".

In June, the sale of the 97.34% stake in Primagas AD from Atlas Utilities EAD to the direct parent company Aresgas EAD was finalized. The transaction, identified as under common control, does not affect the scope of consolidation.

Business combination operations

Business combination operations were accounted for in accordance with the international accounting standard IFRS3. Specifically, the management initiated analyses of the fair value of potential assets and liabilities and contingent liabilities, on the basis of information concerning facts and events available at the date of acquisition. The assessment is still ongoing at the date of these half-year financial statements, especially with regard to the identification and valuation of any unspecified intangible assets.

The table below shows the assets and liabilities acquired recognised at their provisional fair value:

	"Bfeng" business unit	Con Energia Spa	Total business combinations
Non-current assets			
Property, plant and equipment			-
Rights of use		0.3	0.3
Intangible assets	12.0	34.7	46.7
Deferred tax assets		0.4	0.4
Current assets			
Inventory and work in progress			-
Trade receivables		7.0	7.0
Financial assets		2.2	2.2
Current tax assets		0.1	0.1
Other current assets		0.4	0.4
Cash holdings		4.2	4.2
Non-current liabilities			
Financial liabilities			-
Lease liabilities		(0.2)	(0.2)
Post-employment		(0.1)	(0.1)
Provisions for risks and charges			-
Deferred tax liabilities		(10.0)	(10.0)
Current liabilities			
Financial liabilities			-
Lease liabilities		(0.1)	(0.1)
Trade payables		(5.9)	(5.9)

Current tax liabilities		(0.1)	(0.1)
Other current liabilities		(2.9)	(2.9)
Total net assets acquired	12.0	30.0	42.0
Equivalent fair value	12.0	30.0	42.0
Non-controlling interests acquired			-
Minority shareholders' put options			-
Total value of business combinations	12.0	30.0	42.0
(Goodwill) / Profit	-	0.0	0.0

The evaluation process resulted in the following adjustments to the carrying amounts as well as the following considerations in relation to the amount transferred:

	"Bfeng" business unit	Con Energia Spa	Total business combinations
Book value of net assets acquired	12.0	6.7	18.7
Adjustments for fair value evaluation			
Customer lists		34.6	34.6
Trade receivables		(1.8)	(1.8)
Deferred tax assets (liabilities)		(9.5)	(9.5)
Fair value of net assets acquired	12.0	30.0	42.0
Cash outlay	12.0	30.0	42.0
Deferred/contingent consideration			-
Equivalent fair value	12.0	30.0	42.0

The managements' evaluation of the fair value of the assets acquired and liabilities incurred, which also considered the recoverable value of the assets, led to the following amendments being identified in relation to the acquisition of Con Energia Spa:

- Enrolment of a 34.6 million customer list, amortized over a 15-year period representing the estimated churn rate of acquired customers;
- Adjustment of the allowance for doubtful accounts by 1.8 million euro to adjust the acquired trade receivables to their recoverable value. The amount was determined by applying the trade receivables valuation methodologies in use by the Hera Group.

The effects reported above resulted in the recognition of deferred tax liabilities determined on the basis of the applicable nominal tax rate.

In connection with the acquisition of the "Bfeng" business unit, a right of use was recognized in the financial statements of the acquirer Hera Spa, in force until the year 2043, concerning the operation, ordinary and extraordinary maintenance of the electro-thermofrigeration plant located in the municipality of Bologna, for an amount of €12 million.

Please see note 32 "Comments to the financial report" for an analysis of the cash flows associated with the combination operations.

2.02.03 Changes to international accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2022

With reference to the areas that are significant for the Group, beginning 1 January 2022, the following accounting standards and associated amendments as issued by the IASB and endorsed by the European Union apply:

Amendments to IFRS3 - Reference to the Conceptual Framework. Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. The amendments require entities to refer to the Conceptual Framework published in March 2018 and not the one in force when IFRS3 was introduced. It also introduces an exception to the use of the Conceptual Framework for certain types of liabilities, requiring to refer to IAS 37 when applying IFRS 3. Without this exception, an entity might recognise liabilities in gaining control of a business that it would not otherwise recognise, and immediately after the acquisition it would have to derecognise those liabilities by recording income that has no economic substance.

Amendments to IAS16 – Selling items produced while bringing an asset into the location and condition for its intended use. Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The entity must recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss for the period.

Amendments to IAS 37 - Onerous Contracts: cost of fulfilling a contract. Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. The changes specify that the cost of fulfilling a contract must comprise all the costs that relate directly to the contract. Accordingly, the valuation includes not only incremental costs (such as the cost of material used in the processing), but also all costs that the company cannot avoid because it entered into the contract (such as the share of personnel costs and depreciation of machinery used to fulfil the contract).

On 14 May 2020 the IASB published the document "Improvements to the International Financial Reporting Standard: 2018-2020 Cycle". The changes are applicable from 1 January 2022 with early application allowed. Improvements include, in particular, changes to existing international accounting standards, including:

- **IFRS 1** - First adoption of International Financial Reporting Standards. The improvement allows a subsidiary to measure cumulative exchange differences for all foreign currency transactions using the amounts that were recognised in the consolidated financial statements, based on the parent company's date of first adoption.
- **IFRS 9** - Financial Instruments. It specifies that the only fees to be taken into account for the purposes of the 10% test for derecognising a financial liability are those exchanged between the entity and the lender.
- **IFRS 16** - Leases. The improvement revises illustrative example 13, excluding the reimbursement of costs incurred to improve third-party assets, in order not to cause confusion on how to apply incentives on contracts.

With reference to the application of these amendments and new interpretations, there were no observable effects on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union which are not yet applicable and have not been adopted early by the Group.

With reference to the areas that are significant for the Group, beginning 1 January 2023 the following accounting standard amendments will be obligatorily applied, having also already been endorsed by the EU:

Amendments to IAS 1 - Disclosure of financial statements and accounting policies. Document issued by IASB on 12 February 2021, applicable from 1 January 2023 with early application allowed. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance to explain the application of the concept of significance to disclosure.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Document issued by IASB on 12 February 2021, applicable from 1 January 2023 with early application allowed. The amendments clarify that entities should distinguish between changes to accounting policies and accounting estimates.

These amendments clarify, correct or remove redundant or conflicting statements or formulations in the text of the relevant standards.

The directors are currently assessing possible effects deriving from the introduction of these amendments into the Group's consolidated financial statement.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union.

The following standards, updates and amendments to IFRS standards (already approved by the IASB) relevant to the Group are in the process of being adopted by the relevant European Union bodies:

Amendments to IAS 1 - Presentation of financial statements: reporting liabilities as current or non-current. Document issued by IASB on 23 January 2020 and updated on 15 July 2020, applicable from 1 January 2023 with early application allowed. The amendments clarify the requirements to be considered in determining whether payables and other liabilities with uncertain settlement date should be classified as current or non-current in the statement of financial position (including payables that can be settled by conversion into equity instruments).

Amendments to IAS 12 - Deferred taxes related to assets and liabilities arising from a single transaction. Document issued by IASB on 7 May 2021, applicable from 1 January 2023 with early application allowed. The amendments clarify how companies account for deferred tax on transactions such as leases and contracts with decommissioning obligations that may generate assets and liabilities of equal amounts, for which the exemption for reporting deferred taxation does not apply when assets and liabilities are recognised for the first time. The amendments aim at reducing the differences in deferred tax reporting between different types of contracts.

With reference to the new amendments described above, the directors are currently evaluating what possible effects introducing them might have on the Group's consolidated financial statements.

2.02.04 Commentary notes to the financial statement formats

Please note that paragraphs 1.03 and 1.05 of the Directors' report provide an analysis of the business management performance for each business area that may contribute to a better understanding of changes in the main categories of operating expenses and revenues.

1 Revenues

	first six months of 2022	first six months of 2021	Change
Revenues from sales and services	8,792.8	4,130.6	4,662.2
Changes in work in progress and semi-finished products	103.2	49.1	54.1
Total	8,896.0	4,179.7	4,716.3

Revenues are mainly generated domestically, with the exception of the natural gas wholesale business which has an international scope. The natural gas brokerage business on the Dutch Ttf market generated revenues of 1,569 million euro in the first half of 2022 (600.8 in the first half of 2021).

"Revenues from sales and services," the increase over the same period in the previous year is mainly attributable to the increase in energy commodity prices that became increasingly significant during the first half of 2022.

"Changes in work in progress and semi-finished products", the increase compared to the previous year is mainly attributable to the energy efficiency works the Group carried out for customers, mainly apartment blocks; this business, which develops in line with the strategic choices concerning the fight against climate change, is strongly increasing compared to the previous year, mainly due to the tax benefits provided by the current legislation on the subject.

2 Other operating revenues

	first six months of 2022	first six months of 2021	Change
Long-term contracts	164.1	143.5	20.6
Operating grants	7.9	10.8	(2.9)
Grants related to plants	5.9	6.0	(0.1)
Gains from asset disposals	0.4	0.3	0.1
Other revenues	41.1	(20.4)	61.5
Total	219.4	140.2	79.2

"Long-term contracts" include revenues generated from the construction or improvement of infrastructures held in concession as per the application of the accounting model for intangible assets for public services held under concession.

"Operating grants" mainly include Fer incentives recognised by the GSE for energy produced from renewable sources and grants awarded by public bodies, authorities or institutions for specific projects and activities carried out by the Group.

"Grants related to plants" represent the proceeds for the period associated with the depreciation rate of the assets subject to grants.

"Other revenues" mainly consist of insurance reimbursements, recovery of fees and white certificates. White certificates represent the revenues calculated on the basis of energy efficiency objectives as established by the GSE and regulated in relation to the Cassa per i Servizi Energetici e Ambientali, amounting to 9.2 million euro as of 30 June 2022.

The change from the comparison period is due to the adjustment of white certificate revenue recognized as of 30 June 2021 in compliance with the regulatory provisions introduced in May 2021, which both set a significantly lower number of certificates for the 2021 obligation than in previous periods and retroactively reduced the number of certificates planned for the 2020 obligation year by 60%.

3 Raw materials and materials

	first six months of 2022	first six months of 2021	Change
Raw materials earmarked for sale	7,186.3	2,080.7	5,105.6
Plastic materials	54.6	28.2	26.4
Environmental certificates	26.2	(45.8)	72.0
Materials for industrial use	24.1	17.3	6.8
Charges and revenues from derivatives	(223.5)	(22.3)	(201.2)
Maintenance and other materials	82.8	70.4	12.4
Total	7,150.5	2,128.5	5,022.0

"Raw materials earmarked for sale", net of changes in stocks, include supplies of natural gas, electricity and water. The natural gas brokerage business on the Dutch Ttf market generated costs of 1,788.2 million euro in the first half of 2022 (600.3 in the first half of 2021).

"Plastic materials", net of changes in stocks, include the cost of purchasing plastic raw materials destined for subsequent processing, transformation and sales as part of the Aliplast company activities. The change in costs is consistent with the increase in sales revenue due to the performance of the plastics market (both virgin and recycled polymer), which showed a significant price increase compared to the same period of the previous year.

"Environmental certificates", mainly include the purchase cost of white certificates, which are supplied in accordance with the obligations assigned to the distribution companies. This item also includes the environmental certificates in stock, mainly made up of white and grey certificates as well as the valorisation of commitments for purchasing electricity from renewable sources in relation to contracts signed with end customers. The value for the first half of the 2022 fiscal year and the resulting significant change from the same period of the previous fiscal year is due to the income recorded as of 30 June 2021 in correlation with the reduction of the liability for the 2020 obligation that the legislature retroactively applied, as described in Note 2 "Other operating revenues".

"Materials for industrial use" mainly include the procurement of methane gas and electricity to power the Group's production plants, as well as the purchase of fuels and lubricants for fleet management.

"Maintenance and other materials", net of changes in stocks, mainly include consumables used in the management of the Group's operating activities and, marginally, products purchased to be resold to end customers.

For the item "Charges and revenues from derivatives", please see note 20 "Derivative instruments".

4 Service costs

	first six months of 2022	first six months of 2021	Change
Work and maintenance expenses	363.7	255.6	108.1
Transport and storage	305.4	621.2	(315.8)
Waste transportation, disposal and collection	222.7	189.9	32.8
Technical services	36.4	23.2	13.2
Fees paid to local authorities	33.7	32.7	1.0
IT and data processing services	30.1	31.6	(1.5)
Professional services	18.3	19.2	(0.9)
Other service costs	94.9	86.7	8.2
Total	1,105.2	1,260.1	(154.9)

"Charges for works and maintenance" refer to costs for the implementation of energy efficiency measures carried out on behalf of end customers, costs incurred for the construction or improvement of infrastructure held under concession in application of the intangible asset accounting model to be used for public services under concession, and costs for maintaining the plants managed by the Group. The change from the previous period is due to the significant development of the business related to energy efficiency improvement work on apartment buildings, as shown in Note 1 "Revenues".

"Transport and storage" include the costs of distributing, transporting and storing gas as well as electricity distribution as well as the system charges. The change from the same period of the previous year is mainly due to the decrease in system charges, which are economic components rebilled to customers and therefore substantially unchanged in the Group's results. The substantial reduction in this item is due to the regulatory provisions that, starting back in October 2021 and developed further in the following six monthly periods, introduced among other changes the cancellation of general system charges in the electricity sector applied to specific utilities and eliminated the rates for certain segments of the gas distribution sector in order to address the high utility bills triggered by sudden increases in energy commodity prices.

"Waste transportation, disposal and collection" mainly include the operating costs of urban hygiene and waste disposal activities. The change from the same period of the previous year is the result of both the higher per-unit cost of services due to the increase in energy commodity prices in general and fuel prices in particular, and higher volumes handled in the first half of 2022 partly due to the acquisition transactions carried out in the second part of fiscal year 2021.

"Technical services" mainly include costs incurred in carrying out energy efficiency improvement work on apartment buildings, an area that has grown significantly compared to the previous period, as shown in Note 1 "Revenues".

The item "Fees paid to local entities" includes the charges incurred for the use of public owned networks, fees paid to companies that own these assets for the rent of gas, water and electricity cycle assets. It also includes, marginally, the fees paid for the use of telecommunications and district heating networks.

"IT and data processing services" include costs for maintaining and managing the IT and telecommunications infrastructure, as well as corporate applications and cybersecurity systems.

"Professional services" include charges for commercial, legal, notary, administrative and tax services. This item includes fees paid for the audit of financial statements and the issuance of certifications.

"Costs for other services" include all other costs for services not specified in the above categories. This item also includes banking fees of 7.2 million euro (5.8 million euro as of 30 June 2021).

It should also be noted that the item "Other service costs" also includes the instalments relating to short-term leases and low-value leases, the value of which is not significant for the first six months of 2022.

5 Personnel costs

	first six months of 2022	first six months of 2021	Change
Salaries and wages	219.7	216.9	2.8
Social security costs	68.1	66.0	2.1
Other costs	20.9	18.9	2.0
Total	308.7	301.8	6.9

The increase as compared to the previous year is mainly connected to:

- the increase in the number of employees, including as a result of business combination transactions carried out after the first half of 2021;
- salary increases provided for in national collective labour contracts;

These effects are partially offset by lower average staff presence during the first half of 2022 compared to the same period in 2021.

The average number of employees for the period in question, analysed by category, is as follows:

	first six months of 2022	first six months of 2021	Change
Managers	152	151	1
Middle managers	581	572	9
Clerks	5,092	5,034	58
Blue-collar workers	3,267	3,288	(22)
Total	9,092	9,045	47

Overall, the average cost of labour per capita for the first six months of 2022 was 34 thousand euro (33.4 thousand euro in the first half of 2021).

At 30 June 2022, the actual headcount of employees was 9,083 (9,036 at 30 June 2021).

6 Other operating costs

	first six months of 2022	first six months of 2021	Change
Taxation other than income taxes	11.8	10.8	1.0
State rentals	8.0	7.8	0.2
Losses on the sale and disposal of assets	1.5	0.9	0.6
Minor charges	18.0	18.4	(0.4)
Total	39.3	37.9	1.4

"Taxation other than income taxes" mainly relate to taxes on buildings, stamp duties and registration fees, public area occupation fee, fees related to the landfills managed and excise duties.

"State rentals" is related to fees paid to the Emilia Romagna region, land reclamation consortia, sector agencies and mountain-area communities, mainly regarding the withdrawal and use of water, as well as maintenance and management costs for hydraulic works; the item also includes fees for the preservation of hydrogeological protection areas in mountain municipalities (as provided for in Dgr 933/2012) and fees paid for the functioning of Atersir.

"Losses on the sale of goods and disposal of assets" mainly arise from the disposal of certain components of WTE plants and waste treatment plants.

"Minor charges" comprise numerous charges including membership fees, indemnities, sanctions and fines.

7 Capitalised costs

	first six months of 2022	first six months of 2021	Change
Increase of self-constructed assets	31.2	26.3	4.9

This item includes mainly the labour costs and other charges (such as storage materials and costs for use of equipment) directly attributable to the Group's self-constructed assets.

8 Depreciation, amortisation, provisions and write-downs

	first six months of 2022	first six months of 2021	Change
Depreciation	229.9	220.6	9.3
Write-downs	-	-	-
Amortisation and impairment of assets	229.9	220.6	9.3
Provisions	66.9	53.7	13.2
De-provisioning	(0.5)	-	(0.5)
Nominal change in provisions	66.4	53.7	12.7
Total	296.3	274.3	22.0

As breakdowns and further detail about these items, please refer to the comments under note 13 "property, plant and equipment", note 14 "Rights of use and leasing liabilities", note 15 "intangible assets", note 22 "trade receivables" and note 28 "Provisions for risks and charges".

"Depreciation" includes depreciation of tangible assets, rights of use and intangible assets. The changes as compared to the previous period is due primarily to:

- Higher amortisation related to customer lists recorded following the acquisition of control of companies for a total of 3.8 million euro;
- capitalisation of incremental costs related to the entering into new energy and gas sales contracts with end customers, represented primarily by commissions paid to agents, depreciated according to the average useful life of the acquired customers (churn rate), for 2.9 million euro.
- the increase in amortisation of assets relating to public services under concession as a result of new investments in public services that came into use over the course of the year, particularly in relation to the water cycle and gas distribution businesses, for approximately 2 million euro;

"Provisions" include:

- 47.4 million euro to the provision for bad debts, an increase of 13 million euro over the same period of the previous year. The change is mainly due to the markets of last resort in the gas business and the graduated protection service in the electricity business
- Provisions for risks and charges in the amount of 19.5 million euro, substantially in line with the 19.3 million euro in the same period of the comparison year.

"De-provisioning" includes the re-verification of funds in view of the fact that the underlying risks no longer exist.

9 Share of profits (losses) pertaining to joint ventures and associated companies

	first six months of 2022	first six months of 2021	Change
Joint venture share of net profits	1.8	0.8	1.0
Associated companies share of net profits	4.3	4.6	(0.3)
Total	6.1	5.4	0.7

The share of profits and losses of joint ventures and associated companies includes the effects generated by the valuation of the companies included in the scope of consolidation carried out using the equity method. For details, please refer to note 17 "Shareholdings".

The increase in the period was mainly due to the performance achieved in the first half of 2022 by Enomondo Srl, which is active in producing thermal energy and electricity from biomass combustion plants.

10 Financial income and expense

	first six months of 2022	first six months of 2021	Change
Income from valuation at fair value of financial liabilities	11.2	8.4	2.8
Customers	11.0	15.3	(4.3)
Income from derivatives	9.8	16.9	(7.1)
Other financial income	9.1	7.3	1.8
Total income	41.1	47.9	(6.8)
Expenses from bonds and loans	33.5	37.8	(4.3)
Factoring charges and transfer of tax credits	15.6	6.7	8.9
Expenses from derivatives	15.5	24.1	(8.6)
Valuation at depreciated cost of financial liabilities	14.2	14.7	(0.5)
Charges from earn out and minority put option	10.2	9.8	0.4
Discounting of provisions	8.8	9.9	(1.1)
Expenses from trading	-	28.5	(28.5)
Expenses from valuation at fair value of financial assets and liabilities	(2.4)	3.1	(5.5)
Other financial expenses	2.7	2.3	0.4
Total expenses	98.1	136.9	(38.8)
Total net financial income (expenses)	(57.0)	(89.0)	32.0

The change in overall financial management, including reference to the Group's average cost of debt, is described in the Directors' report in paragraph 1.03.02 "Equity structure and reclassified net financial debt".

"Income and expenses from derivatives" is commented in note 20 "Derivative instruments", while note 26 "Non-current and current financial liabilities" contains further details concerning "Expenses from bonds and loans" and "Charges from earn-outs and minority put options".

"Income from valuation at fair value of financial assets and liabilities" mainly include valuation adjustments, in application of fair value hedging, of a bond in the amount of 11.2 million euros (8.4 million euros as of 30 June 2021), as reported in Note 20 "Derivative Instruments".

"Customers" mainly include the interest on payments in arrears billing system for the gas and electricity customers.

The item "Other financial income" mainly includes:

- dividends distributed by unconsolidated investee companies in the amount of 3.7 million euro, an increase of 0.2 million euro over the same period of the previous year;
- discounting of non-current financial receivables in the amount of 2.2 million euro representing a deferred payment for asset construction work, in line with the same period of the previous year;
- Net income related to transfers to financial institutions of tax credits for energy efficiency work carried out on behalf of customers taking advantage of the 110% superbonus, amounting to 1.9 million euro. Transfers of this type of tax credit have been carried out consistently and continuously only since the second half of the 2021 fiscal year;
- interest earnings on loans granted to companies valued at equity or to minor subsidiaries, in the amount of 1.1 million euro, essentially in line with the same period of the previous year;

"Factoring charges and transfer of tax credits" include charges due to:

- Transfers to financial institutions of tax credits for energy efficiency work carried out on behalf of customers who took advantage of incentives other than the 110% superbonus, amounting to 12.1 million euro (5.3 million euro as of 30 June 2021);
- Transfer of trade receivables, amounting to 3.5 million euro (1.4 million euro as of 30 June 2021).

"Valuation at depreciated cost of financial liabilities" include imputed charges necessary to bring the face cost of debt in line with that calculated using the effective interest rate method. The item also includes figurative charges of 1.6 million euro, in line with the same period of the comparison year, relating to the put option held by Ascopiave Spa on the minority shareholding in Hera Comm, accounted for as a loan (with a nominal value of 54 million euro).

"Charges from earn out and minority put option " include discounting charges related to the fair value valuation of put options granted to non-controlling interests, as reported in Note 26 "Non-current and current financial liabilities".

"Expenses from trading" include the net effect of the partial repurchase transaction of a non-convertible bond with a nominal value of 700 million euro maturing in 2028.

"Expenses from valuation at fair value of financial assets and liabilities" mainly include:

- valuation adjustments, in application of the fair value hedge, of a bond for 7.4 million euro (3.1 million euro as of 30 June 2021), as reported in Note 20 "Derivative instruments";
- the correction related to the measurement at current market value of receivables related to the application of the so-called invoice discount to end customers for energy efficiency measures other than the 110% superbonus, having a positive effect in the amount of 9.8 million euro. The accounting policy adopted by the Group stipulates that, at the time of the actual sale, the final charge associated with the transaction be recorded in the item "Factoring charges and sale of tax receivables," proceeding at the same time to terminate the valuation position opened in the previous year, thereby generating a substantially offsetting effect. The positive value is only partially offset by valuation charges recognized on loans issued during the first half of 2022 for work other than 110% superbonus projects, which are significantly lower than those recorded as of 31 December of the previous year.

"Discounting of provisions" is broken down as follows:

	first six months of 2022first six months of 2021		Change
Post-closure landfills	5.6	6.9	(1.3)
Restoration of third-party assets	2.8	2.6	0.2
Post-employment and other employee benefits	0.3	0.3	-
Plant dismantling	0.1	0.1	-
Total	8.8	9.9	(1.1)

The main change as compared to the previous period in relation to post-closure landfill provisions, is due mainly to the lower costs arising from the update of the parameters used to reflect market conditions (Wacc), as well as the revision of the assumptions on the timing of future disbursements.

"Other financial expenses," which are residual in nature, include financial expenses recorded in connection with lease agreements in the amount of 1.4 million euro (1.5 million euro as of 30 June 2021).

11 Taxes

This item is made up as follows:

	first six months of 2022	first six months of 2021	Change
IRES	40.2	8.1	32.1
IRAP	14.2	10.1	4.1
Nonrecurring taxes	2.3	-	2.3
Substitute tax	-	5.6	(5.6)
Total	56.7	23.8	32.9

The significant increase in the tax burden and the increase in the tax rate from 9.2% to 29% is mainly due to:

- the nonrecurring effect of the tax realignment of certain goodwill values in accordance with Art. 110, paragraphs 8, 8 bis and 8-ter, of Legislative Decree 104/2020 carried out during the first half of the previous year. The realignment had resulted in the recognition of a tax benefit of 51.9 million euro as of 30 June 2021, against the payment of substitute taxes in the amount of 3 percent of the value of the realigned goodwill, amounting to 5.6 million euro;
- the reporting of the "extraordinary contribution to offset high utility bills" provided for in Law 51/2022, which converted Article 37 of Legislative Decree 21/2022, in the amount of 2.3 million euro. As of June 2022, the Group has paid 40% of the amount to the Treasury as an advance payment.

With reference to the nonrecurring taxes stipulated by Law 51/2022 and its application to two additional companies with respect to what has been recognized as a tax charge, while the Group deems that there is no objective probability of its having to pay the aforementioned contribution (a conclusion supported by the opinion of its tax advisors), albeit against a background of uncertainty related to the interpretation of this rule, in order to avoid the application of penalties it considered it appropriate to proceed with the payment of an additional 9 million euro (equal to 40% of the theoretical amount due), reserving the right to proceed as soon as possible with the request for reimbursement.

For a more consistent analysis of the tax rate trend, reference should be made to paragraph 1.03.01 "Income statement and investments" of the Directors' Report, in which both the pre-tax earnings and the tax charge for these two periods under comparison have been adjusted for any special items in order to determine a fully comparable adjusted tax rate.

Reporting on tax litigation

IRES, IRAP and VAT

Company	Description of litigation	Status of litigation	Disputed amount*	Amounts paid (including provisionally)**	Amounts booked in the financial statement
Tax					
Ascotrade Spa IRES, IRAP and VAT	Notice of assessment for the years between 2013 and 2017 concerning the deductibility of a number of components of the purchase cost of raw material and the irregular VAT deduction. Notice of assessment for the year 2018 concerning VAT alone.	The proceedings for the years 2013 and 2014 are pending before the Regional Tax Commission of Venice following the appeals lodged by the Inland Revenue Office against first instance rulings in favour of the company. For the year 2015, the judgments filed on 27 April 2022 annulled the assessment acts in their entirety and ordered the Inland Revenue Service to reimburse the costs of the case. For the years 2016 to 2018, the company filed an appeal in February 2022, by the deadline, and is waiting for a hearing to be scheduled.	10.1	0.7	-
Hera Trading Srl IRES and "Robin Tax" surtax	Notices of assessment for the years between 2011 and 2013 (only the latter for the Robin tax) concerning the deduction of net financial income related to commodity derivatives and environmental certificates.	The proceedings related to the 2011 and 2013 fiscal years are still pending before the relevant Regional Tax Commissions in appeal against the unfavourable first instance ruling. With reference to the 2012 tax period, an unfavourable ruling was handed down to the company by the Regional Tax Commission of Friuli Venezia Giulia in relation to which the terms of appeal are pending before the Court of Cassation.	6.6	2.6	-
Herambiente Spa IRAP	Notices of assessment for the years from 2009 to 2013, focused mainly on the amount the company owed in relation to the IRAP subsidy "tax wedge".	In relation to the tax years 2009, 2010 and 2011 proceedings are pending before the Court of Cassation following the appeals lodged by the losing party (the rulings are both favourable and unfavourable to the company). Second-degree judgments unfavourable to the company were rendered for the periods 2012 and 2013, and related appeals are being prepared.	4.1	4.1	-
Marche Multiservizi Spa IRES and IRAP	Notices of assessment for the years between 2009 and 2015 to objection to the deduction of provision to landfill post management allowance.	The proceedings for the years 2009 and 2014 are pending before the Regional Tax Commission of Ancona following the appeals lodged by the losing party against the rulings (the rulings are both favourable and unfavourable to the company). The proceeding for the year 2015 was decided by the Provincial Tax Commission of Ancona with a ruling favorable to the Company, but Inland Revenue has lodged an appeal and the Company will file suit by the deadline established under law.	2.5	1.8	0.1
Inrete Distribuzione Spa IRES and IRAP	IRES and IRAP notice of assessment for the year 2016 in which the verifiers contested the undue deduction of discounting charges and the erroneous determination of the maxi depreciation allowance, with regard to accessory charges related to smart meters, as well as the undue deduction of personnel-related expenses for IRAP purposes.	The company entered into negotiations with the Inland Revenue Office and settled the IRAP claim by paying the amount due. With reference to IRES, a first instance judgment was rendered wholly in favour of the company, with an order that the Inland Revenue Service be ordered to pay the costs.	0.3	0.1	-
Hera Luce Srl IRES and IRAP	Notice of assessment for the year 2013 concerning the deductibility of routine maintenance costs.	The company appealed against the first instance ruling issued by the Provincial Tax Commission of Forlì, which cancelled the penalties, but confirmed higher taxes.	0.3	0.3	-

* "redetermined amount" means the original amount of the claim inclusive of penalties, where due, and without interest, unless redeterminations occurred as a result of judicial conciliation, assessment with adhesion, partial annulment in court or self-correction.

** the amounts paid include penalties and interest, where due.

Other taxes

Company	Description of litigation	Status of litigation	Disputed amount*	Amounts paid (including provisionally)**	Provisions booked in the financial statements
Tax					
Herambiente Spa Eco-tax	Dispute documents related to the Sommacampagna landfill for the periods 2014-2017.	The proceedings are pending before the relevant Provincial Tax Commissions for the tax periods of 2014, 2016 and 2017. With respect to the 2015 tax period, a favourable ruling for the company was issued with a recalculation of the penalties. Deadlines for filing an appeal with the Regional Tax Commission of Emilia Romagna are pending.	7.0	-	-
Herambiente Spa ICI/IMU	Notices of assessment for the years 2008 to 2016 following the re-classification in the real estate registry of the Ferrara waste-to-energy plant.	The proceedings were concluded for the 2008-2013 notices with a favourable ruling for the Company, and are still pending before the Tax Commission for the remaining years.	2.8	-	-
Herambiente Spa ICI/IMU	Notices of assessment for the years between 2010 and 2020 concerning the classification in the real estate registry of land, facilities and buildable areas located in Ravenna.	Most of the notices of assessment for the period 2010-2015 were subject to judicial settlement in 2018 and the company is in the process of paying them. A number of notices of assessment for matters not included in the settlement agreement as well as notices of assessment for the period 2016-2020 are still pending before the Regional Tax Commission of Emilia-Romagna and the Provincial Tax Commission of Ravenna.	2.6	1.8	0.2
AcegasApsAmga Spa Excise on self-consumption	Technical-administrative audit of the Padua and Trieste waste-to-energy plants carried out by the Customs Agency for the years 2012 to 2015 in relation to the installation of measuring instruments for detecting electricity produced and used for self-consumption and associated payment of the excise.	The proceedings regarding the waste-to-energy plant in Padua are pending before the Appeals Court following the appeal filed by the company against the unfavourable judgment on appeal. The proceedings regarding the Trieste waste-to-energy plant are pending before the Friuli-Venezia Giulia Regional Tax Commission following the appeal filed by the Trieste Customs Agency against the first instance ruling favourable to the company.	2.1	1.0	-
Herambiente Spa ICI/IMU	Notices of assessment for the years between 2013 and 2019 concerning the waste to energy plant and the recycling plant located in the municipality of Coriano.	The proceedings for the years 2013-2015 are currently pending partly before the Provincial Tax Commission of Rimini and partly before the Regional Tax Commission of Emilia-Romagna. Assessments for the years 2016-2019 are pending before the Provincial Tax Commission of Rimini.	1.0	-	-
Hera Spa COSAP/TOSAP	Notices of assessment for the tax periods from 2013 to 2017, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	The TOSAP proceedings for the years between 2013 and 2016 are pending before the Regional Tax Commission of Emilia-Romagna following the appeal against the first instance judgment unfavourable to the company, with a reduction of the claim. In relation to the COSAP proceedings for the year 2017, the judgment of the Civil Court of Rimini, although unfavourable to the company, nonetheless reduced the initial claim amount.	1.2	1.0	
	COSAP notice of objection for the tax periods from 2018 and 2019, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	The proceedings are pending before the Civil Court of Rimini.	2.1	-	2.4
	TOSAP notices of assessment for the tax years 2014-2018, notified by the Municipality of Coriano for the permanent occupation of public land with waste bins.	The proceedings for the year 2014 are currently pending before the Regional Tax Commission of Emilia-Romagna, while the appeal for the year 2015 is pending before the Provincial Tax Commission of Rimini.	0.9	-	
		With respect to the notices for 2016, 2017 and 2018, the following appeals were filed in the first instance.			

* "redetermined amount" means the original amount of the claim inclusive of penalties, where due, and without interest, unless redeterminations occurred as a result of judicial conciliation, assessment with adhesion, partial annulment in court or self-correction.

** the amounts paid include penalties and interest, where due.

With reference to the disputes in question, having consulted its lawyers, the Group has decided to make the provisions indicated. In cases in which no provision has been made, the alleged violations have been deemed groundless.

12 Earnings per share

	first six months of 2022	first six months of 2021
Profit or loss for the period attributable to holders of ordinary shares of the parent entity (A)	120.6	216.1
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
base (B)	1,457,008,620	1,460,970,288
diluted (C)	1,457,008,620	1,460,970,288
Earnings (loss) per share (in euro)		
basic (A/B)	0.083	0.148
diluted (A/C)	0.083	0.148

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share are equal to the basic as there are no classes of shares other than ordinary shares and there are no instruments that can be converted into shares.

At the writing of this consolidated financial statement, the share capital of the parent company Hera Spa consisted of 1,489,538,745 ordinary shares, unchanged from 31 December 2021, which were used in determining basic and diluted earnings per share.

13 Property, plant and equipment

	30-Jun-22	31-Dec-21	Change
Land and buildings	593.7	585.3	8.4
Plants and machinery	1,051.5	1,107.8	(56.3)
Other movable assets	86.1	123.7	(37.6)
Assets under construction	171.8	122.1	49.7
Total operating assets	1,903.1	1,938.9	(35.8)
Investment property	2.1	2.1	-
Total	1,905.2	1,941.0	(35.8)

Property, plant and equipment are disclosed net of accumulated depreciation. Their composition and changes in the period are as follows:

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which depreciation provision
30-Jun-21									
Land and buildings	573.2	2.2	-	(10.6)	11.3	2.1	578.2	855.2	(277.0)
Plants and machinery	1,120.1	5.8	(0.4)	(58.5)	-	15.7	1,082.7	2,922.3	(1,839.6)
Other movable assets	126.5	2.5	(0.2)	(13.9)	-	6.5	121.4	491.8	(370.4)
Assets under construction	104.4	52.3	(0.1)	-	-	(18.6)	138.0	138.0	-
Total	1,924.2	62.8	(0.7)	(83.0)	11.3	5.7	1,920.3	4,407.3	(2,487.0)
30-Jun-22									
Land and buildings	585.3	2.3	-	(9.1)	-	15.2	593.7	871.4	(277.7)
Plants and machinery	1,107.8	10.0	(1.5)	(56.5)	0.1	(8.4)	1,051.5	2,984.1	(1,932.6)
Other movable assets	123.7	2.4	(0.2)	(10.1)	-	(29.7)	86.1	420.7	(334.6)
Assets under construction	122.1	65.8	(0.4)	-	-	(15.7)	171.8	171.8	-
Total	1,938.9	80.5	(2.1)	(75.7)	0.1	(38.6)	1,903.1	4,448.0	(2,544.9)

The breakdown and main changes within each category are commented on below, while for a detailed description of the investments made during the period, please refer to paragraph 1.05 "Analysis by strategic business areas" of the Directors' report.

"Land and buildings" consists of 128.9 million euro in land and 464.8 million euro in buildings. These are mainly company-owned properties on which the majority of the sites and production plants stand.

"Plant and machinery" is made up mainly of distribution networks and plants relating to business not falling within the scope of the concession system, such as district heating, electricity distribution in the Modena area, waste disposal and waste treatment, as well as plastic management and production plants. The main investments during the year related to waste treatment, for a total of 7.5 million euro.

"Other movable assets" mainly include the equipment, waste disposal bins in the amount of 52.2 million euro, and vehicles and cars in the amount of 33.9 million euro.

"Assets under construction" include mainly investments for the development of district heating in the amount of 34.8 million euro, the electricity distribution network in the amount of 8.5 million euro, and 7.9 million euro in expansion and extraordinary maintenance of the Group's operating sites.

"Other changes" covers the in-progress reclassification of fixed assets to the specific categories for assets brought into operation during the financial year, as well as the reclassification from tangible assets to intangible assets, especially when goods used in activities under concession are involved.

Specifically, during the first six months of 2022, the main operations were carried out:

- Reclassification to the item "Public services under concession" under "Intangible assets" of the assets used to provide urban hygiene services in the geographical basins of Bologna and the "Pianura e Montagna Modenese" area, amounting to 53.1 million euro, following the awarding of the tender for the period 2022-2036 to the temporary grouping of companies (RTI) led by the Hera Group;
- Reclassification in the item "Land and buildings" of the value of assets previously held by the Group through leasing contracts and classified under Rights of use, in the amount of 17.8 million euro.

For the "Changes in the scope of consolidation" column, please refer to section 2.02.02 "Scope of consolidation".

14 Rights of use and leasing liabilities

The following tables show the breakdown of rights of use (reported net of the associated amortisation provision) and lease liabilities at the transition date and the related movements. Contracts acquired as part of business combinations are identified separately in the movement for the period and classified as "Change in the scope of consolidation," for the details of which see Section 2.02.02 "Scope of consolidation."

	30-Jun-22		31-Dec-21		Change	
Rights of use land and buildings	52.9		65.7		(12.8)	
Rights of use plants and machinery	6.4		7.8		(1.4)	
Rights of use other assets	25.1		28.1		(3.0)	
Total	84.4		101.6		(17.2)	

	Net opening balance	New contracts and contractual changes	Decreases	Depreciation and amortisation	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which depreciation provision
30-Jun-21									
Rights of use land and buildings	68.7	1.9	-	(3.8)	-	(1.3)	65.5	106.1	(40.6)
Rights of use plants and machinery	7.9	-	-	(0.7)	1.1	-	8.3	12.2	(3.9)
Rights of use other assets	19.3	1.8	-	(3.7)	-	-	17.4	34.5	(17.1)
Total	95.9	3.7	-	(8.2)	1.1	(1.3)	91.2	152.8	(61.6)
30-Jun-22									
Rights of use land and buildings	65.7	8.5	-	(3.7)	0.2	(17.8)	52.9	93.3	(40.4)
Rights of use plants and machinery	7.8	-	-	(0.5)	-	(0.9)	6.4	10.7	(4.3)
Rights of use other assets	28.1	2.4	-	(5.0)	0.1	(0.5)	25.1	45.1	(20.0)
Total	101.6	10.9	-	(9.2)	0.3	(19.2)	84.4	149.1	(64.7)

"Rights of use land and buildings" consist of 46.8 million euro in rights of use of buildings and 6.1 million euro in rights of use of land. The rights of use for buildings refers mainly to contracts concerning the real estate structures used for headquarters, offices and customer service desk.

"Rights of use of plant and machinery" refer mainly to contracts regarding purification and composting plants.

"Rights of use of other movable assets" refer mainly to contracts concerning IT infrastructures (especially data centres), operational vehicles and cars.

The column "New contracts and contractual amendments" shows the leases signed during the year, as well as the change in the assumptions regarding their duration and contractual options. The increase in the period is mainly due to the signing of lease agreements and revising of the contract clauses of existing leases for operating headquarters in the amount of 8.5 million euro and corporate fleets in the amount of 1.8 million euro.

The column "Other changes" includes the residual value of leased assets redeemed during the period and reclassified under tangible assets due to their nature.

Financial liabilities are broken down below with details of the changes:

	Net opening balance	New contracts and contractual changes	Decreases	Financial expenses	Changes in the scope of consolidation	Other changes	Net terminal value
30-Jun-22							
Lease liabilities	96.6	10.9	(32.0)	1.4	0.3	0.1	77.2
of which							
non-current liabilities	53.2						54.9
current liabilities	43.4						22.3

Financial liabilities due to leases mainly include financial payables arising from the rental fees of the Group's operating and administrative offices. The column "New contracts and contractual changes" includes the new contracts signed in the period and the re-assessment of the debt of some of the existing contracts, generated by the update of the assumptions underlying the contracts themselves concerning options of renewal, purchase or early termination.

"Decreases" are generated by the reimbursement of contractual fees due over the course of the financial period and redemption options exercised. The value for the period includes, in particular, the redemption of some buildings holding Group important production facilities in the amount of 21 million euro as a result of agreements signed at the end of the 2021 fiscal year.

In accordance with its procurement policies, the Group subscribed contracts in line with market standards for all types of underlying assets. In the case of offices, customer service desks, cars and IT infrastructure, the contracts do not contain any binding clauses or special fees in the event of annulment, as these assets are perfectly interchangeable and are offered by a large number of counterparties. The liability reported in the financial statements therefore represents the most likely total sum of disbursements that the Group will have to make in future periods. For the same reasons, moreover, except for specific cases, there is no current expectation that what renewal clauses do exist will be exercised, possibly evaluating in the future the cost-effectiveness of these or the signing of new contracts with different counterparties.

The table below shows the lease liabilities broken down by category according to their expiration date, within the financial period, within the 2nd year, within the 5th year and after 5 years:

Type	30-Jun-22	Portion due within the period	Portion due within 2nd year	Portion due within 5th year	Portion due beyond 5th year
Lease liabilities	77.2	22.3	14.7	26.1	14.1

15 Intangible assets

	30-Jun-22	31-Dec-21	Change
IT applications	78.5	84.6	(6.1)
Concessions and other rights of use	118.0	113.8	4.2
Public services under concession	2,950.5	2,963.4	(12.9)
Customer lists	591.5	576.2	15.3
Other intangible assets	80.8	79.4	1.4
Intangible assets in progress, public services under concession	386.5	237.4	149.1
Intangible assets in progress	86.5	71.9	14.6
Total	4,292.3	4,126.7	165.6

Intangible assets are stated net of their accumulated amortisation and are broken down below with details of the changes during the year:

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which depreciation provision
30-Jun-21									
IT applications	78.8	1.2	-	(15.9)	-	8.9	73.0	489.5	(416.5)
Concessions and other rights of use	130.2	-	-	(8.6)	-	0.1	121.7	471.4	(349.7)
Public services under concession	2,860.1	24.3	-	(77.7)	2.2	36.4	2,845.3	4,962.4	(2,117.1)
Customer lists	546.3	-	-	(15.6)	-	-	530.7	629.2	(98.5)
Other intangible assets	67.7	14.3	(0.1)	(11.6)	0.1	1.5	71.9	216.7	(144.8)
Intangible assets in progress, public services under concession	169.5	120.2	(0.2)	-	-	(31.7)	257.8	257.8	-
Intangible assets in progress	71.8	24.0	-	-	0.1	(14.5)	81.4	81.4	-
Total	3,924.4	184.0	(0.3)	(129.4)	2.4	0.7	3,981.8	7,108.4	(3,126.6)
30-Jun-22									
IT applications	84.6	0.2	-	(18.4)	0.1	12.0	78.5	537.2	(458.7)
Concessions and other rights of use	113.8	-	-	(7.8)	12.0	-	118.0	483.6	(365.6)
Public services under concession	2,963.4	4.1	(0.2)	(85.4)	-	68.6	2,950.5	5,297.1	(2,346.6)
Customer lists	576.2	-	-	(19.4)	34.6	0.1	591.5	732.1	(140.6)
Other intangible assets	79.4	13.8	-	(14.0)	-	1.6	80.8	237.6	(156.8)
Intangible assets in progress, public services under concession	237.4	159.0	-	-	-	(9.9)	386.5	386.5	-
Intangible assets in progress	71.9	29.4	-	-	-	(14.8)	86.5	86.5	-
Total	4,126.7	206.5	(0.2)	(145.0)	46.7	57.6	4,292.3	7,760.6	(3,468.3)

The breakdown and main changes within each category are commented on below, while for a detailed description of the investments made during the period, please refer to paragraph 1.05 "Analysis by strategic business areas" of the Directors' report.

"IT applications" refers to costs incurred in purchasing licenses and implementing corporate information systems.

"Concessions and other rights of use" mainly includes:

- Authorization related to the operation of the Serravalle Pistoiese landfill, amounting to 56.3 million euro, amortized on the basis of tons received;
- concessions, in the amount of 41.2 million euro, primarily involving the rights relating to the activities of gas distribution and integrated water cycle, classified as intangible assets even before the IFRIC 12 interpretation "Service concession arrangements" was first applied;

"Public services under concession" includes assets relating to gas distribution, electricity distribution (Imola area), the integrated water cycle and public lighting activities (except for the latter, as specified in note 18 "Current and non-current financial assets") provided through contracts awarded the respective public bodies. These concession relationships and associated assets involved in carrying out the activities for which the Group holds the use rights, are accounted for by applying the intangible asset model as set forth by IFRIC 12 interpretation.

"Intangible assets under construction and public services under concession" represent investments related to these concessions that are still to be completed at the end of the period and mainly refer to

water networks, in the amount of 92.1 million euro, gas distribution networks, in the amount of 46.2 million euro, the Trieste waste-to-energy plant in the amount of 8.1 million euro and electricity distribution networks in the amount of 7.6 million euro.

"Intangible assets in progress" essentially comprises IT projects that are still incomplete.

"Customer lists" are recorded as a result of business combination transactions and the consequent valuation of the assets acquired. The amortisation period of these customer lists is correlated to the churn rate identified for each individual transaction. This item includes:

- 434.2 million euro related to natural gas sales;
- 121.1 million euro related to the waste treatment business;
- 36.2 million euro related to electricity sales.

The item "Other intangible assets" refers mainly to rights to the use of infrastructure for laying down telecommunications networks, in the amount of 19.4 million euro, and incremental costs incurred in obtaining new sales contracts, in the amount of 48.9 million euro. As required by IFRS 15, these incremental costs, involving mainly commissions paid to agents, were recorded as assets and are depreciated over the average lifetime of new customers (churn rate). The commissions recorded as assets for the first half of 2022 amount to 11.6 million euro (as compared to 12.6 million euro in the same period of the previous year).

"Other changes" include reclassifications of assets under construction to their specific categories for assets that began to be used during the year and reclassifications from/to tangible assets, especially when goods used in activities under contract are involved. During the first half of 2022, the assets of the urban hygiene business related to the performance of the aforementioned activity in the areas of Bologna and Modena for the period 2022-2036 were reclassified under assets for public services under concession, as explained in Note 13 "Tangible assets".

"Change in scope of consolidation" reflects the acquisitions of subsidiaries and business units made during the period. For further details, reference should be made to paragraph 2.02.02 "Scope of consolidation".

16 Goodwill

	30-Jun-22	31-Dec-21	Change
Goodwill	842.9	842.9	-

The value of goodwill at 30 June 2022, unchanged from 31 December 2021, is mainly attributable to the following transactions:

- acquisition of control of "Ascopiave commercial activities" in the Veneto, Friuli-Venezia Giulia and Lombardy regions, that is the companies EstEnergy Spa, Ascotrade Spa, Ascopiave Energie Spa, Blue Meta Spa and Etra Energia Srl, as well as the company Amgas Blu Srl operating in the province of Foggia, for a total of 431.2 million euro;
- integration that in 2002 resulted in the creation of Hera Spa, 81.3 million euro;
- acquisition of control through the merger of Agea Spa, effective beginning 1 January 2004, 41.7 million euros;
- acquisition of control over Gruppo Meta which took place at the end of the 2005 financial year, as a result of the merger of Meta Spa into Hera Spa, for 117.7 million euro;
- acquisition of control over Sat Spa through the merger into Hera Spa, effective beginning 1 January 2008, for 54.9 million euro;
- acquisition of control over the Gruppo Aliplast in early 2017, for 25 million euro;
- acquisition of control over the Marche Multiservizi Spa Group, for 20.8 million euro.

In accordance with the provisions of IAS 36 and having noted the absence of trigger events, based on the considerations set out in the "Risk Management" section of Section 2.02.01 "Accounting policies and evaluation principles", the impairment test on goodwill recorded at 30 June 2022 has not been prepared.

17 Shareholdings

	30-Jun-22	31-Dec-21	Change
Shareholdings valued using the equity method	147.3	150.6	(3.3)
Other shareholdings	52.5	47.9	4.6
Total	199.8	198.5	1.3

The changes in joint ventures and associated companies as compared to 31 December 2021 take into account the pro-quota losses and profits reported by the respective companies (including the other components of the comprehensive income statement) as well as the possible reduction of the value for any dividends that were distributed and for depreciations due to the impairment test. The share of profit or loss pertaining to companies accounted for by the equity method is shown in note 9 "Share of profit (loss) of joint ventures and associated companies".

Changes in consolidated investments using the net equity method are as follows:

	31-Dec-21	Investments and dis-investments	Profit for the period	Dividends paid out	Changes in the scope of consolidation	Write-downs and other changes	30-Jun-22
Joint ventures							
Enomondo Srl	17.6	-	1.8	(2.2)	-	-	17.2
Total joint ventures	17.6	-	1.8	(2.2)	-	-	17.2
Associated companies							
Aimag Spa	51.7	-	1.8	(2.8)	-	-	50.7
Set Spa	28.5	-	-	-	-	-	28.5
Sgr Servizi Spa	25.2	-	1.1	(2.0)	-	-	24.3
ASM SET Srl	18.9	-	0.7	(1.4)	-	-	18.2
SEA - Servizi Ecologici Ambientali Srl	8.7	-	0.7	(1.0)	-	-	8.4
Total associated companies	133.0	-	4.3	(7.2)	-	-	130.1
Total	150.6	-	6.1	(9.4)	-	-	147.3

Investments in companies not included in the scope of consolidation underwent the following changes:

	Fair value hierarchy	31-Dec-21	Investments and disinvestments	Fair value valuations	Other changes	30-Jun-22
Ascopiave Spa	1	39.9	-	(6.6)	-	33.3
Veneta Sanitaria Finanza di Progetto Spa	3	3.6	-	-	-	3.6
Other minor companies	3	4.4	11.1	-	0.1	15.6
Total		47.9	11.1	(6.6)	0.1	52.5

In the case of shareholdings with a fair value hierarchy 1, the value adjustment, recorded in the components of the comprehensive income statement, makes it possible to align the book value of the equity investment with the market prices at the end of the fiscal year. In the case of hierarchy 3 shareholdings, partly in view of the insignificant value of the investments in the portfolio, the change in fair value was not significant.

Investments for the period mainly refer to the company Macero Maceratese Srl, control of which was acquired by the Group on 30 June 2022. By virtue of its insignificant economic and equity amounts and since an interim statement is not yet available due to the simultaneous timing of the closing date and

the half-yearly financial statements, the company is temporarily excluded from the scope of consolidation and classified under Other equity investments.

18 Current and non-current financial assets

	30-Jun-22	31-Dec-21	Change
Receivables for construction services	59.3	59.2	0.1
Loan receivables	30.2	35.8	(5.6)
Portfolio securities	1.9	1.9	-
Other financial receivables	43.6	45.8	(2.2)
Total non-current financial assets	135.0	142.7	(7.7)
Loan receivables	6.8	5.8	1.0
Other financial receivables	25.4	23.5	1.9
Total current financial assets	32.2	29.3	2.9
Total cash holdings	872.6	885.6	(13.0)
Total financial assets and cash holdings	1,039.8	1,057.6	(17.8)

"Loan receivables", comprises loans, regulated at market rate, made to the following companies:

	30-Jun-22			31-Dec-21		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Aloe SpA	5.8	1.3	7.1	6.1	0.8	6.9
Aspes Spa	3.9	-	3.9	3.9	-	3.9
Calenia Energia Spa	4.7	0.2	4.9	7.1	0.3	7.4
Set Spa	13.8	3.1	16.9	15.4	3.1	18.5
Other minor companies	2.0	2.2	4.2	3.3	1.6	4.9
Total	30.2	6.8	37.0	35.8	5.8	41.6

The loan to Set Spa, a vehicle through which the Group holds shares in the production of electric generation plants, in the absence of a trigger event (the latter having occurred with reference to the first half of 2022), is subject to impairment testing at the end of the year.

"Portfolio securities" include for the non-current part 1.9 million euro in bonds, funds and insurance policies to guarantee post-mortem management of the landfill managed by the subsidiary Asa Sspa. These securities are financial instruments measured at fair value through other comprehensive income components.

"Receivables for construction services", are recorded in relation to municipalities for construction services for public lighting systems in compliance with the financial activity model provided for by the IFRIC 12 interpretation.

"Other financial receivables", in the non-current section, include the following counterparties:

- The Municipality of Padua, receivables regulated at market value and concerning the construction of photovoltaic systems which will be reimbursed at the end of 2030 in the amount of 12.1 million euro;
- The "Collinare Consortium of Municipalities" in the amount of 12.9 million euro represents the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end;
- Acosea Impianti Srl, regarding a security deposit in the amount of 12.6 million euro;

- The Municipalities of Vigarano, Goro and Castello d'Argile in relation to the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end, in the amount of 3.9 million euro.

"Other financial receivables", the current section is mainly comprised of:

- public grants to be received from various subjects (Cato and the Veneto Region) in the amount of 6.7 million euro;
- receivables for cash-pooling claimed from the affiliated company Asm Set Spa in the amount of 5.9 million euro;
- advance payments to cover expenses paid by several Group companies as gas distribution service operators in view of the commencement of the calls for tender, in the amount of 4.3 million euro.

The increase from the previous year is mainly attributable to cash pooling receivables claimed from the associated company Asm Set Spa, partially offset by the collection of the grant provided by the Friuli Venezia-Giulia Region for the construction of the Servola sewage treatment plant, amounting to 2.1 million euro, and by the collection of the demerger receivable of 1.6 million euro from the related company Società Italiana Servizi Spa (Sis Spa), whose distribution networks had been given in concession to Hera Spa until last year at which point Hera Spa returned the assets subject to the business unit lease.

"Cash and cash equivalents" include almost exclusively bank and postal deposits. To better understand the financial dynamics taking place during the course of fiscal year 2021, see the financial statements and the comments shown in the Directors' report in paragraph 1.03.02 "Equity structure and reclassified net financial debt".

19 Deferred tax assets and liabilities

	30-Jun-22	31-Dec-21	Change
Pre-paid tax assets	547.9	458.3	89.6
Offsetting of deferred tax liabilities	(269.2)	(229.2)	(40.0)
Substitute tax credit	0.3	0.3	-
Total net deferred tax assets	279.0	229.4	49.6
Deferred tax liabilities	462.0	361.3	100.7
Offsetting of deferred tax liabilities	(269.2)	(229.2)	(40.0)
Total net deferred tax liabilities	192.8	132.1	60.7

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with the corresponding current tax liabilities.

"Pre-paid tax assets" arise from timing differences between reported profit and taxable profit, mainly in relation to bad debt provisions, risks and expenses funds, instances of civil depreciation that are greater than those relevant for tax purposes, and the redemption of goodwill customers lists and controlling interests.

The increase in the period was mainly due to the change in the fair value of commodity derivatives designated as cash flow hedges, which resulted in an increase of 115 million euro in assets with a balancing entry in the statement of comprehensive income.

The amount includes the assets recorded at 31 December 2021 for the realignment operation between the book and tax values of the goodwill already recorded in the financial statements at 31 December 2019, as regulated by Article 1, paragraph 83, of the Budget Law 2021, in the amount of 78.2 million euro.

Deferred tax assets were recorded in the financial statements in view of the high likelihood of generating taxable income in future years against which the deductible temporary difference may be used. In particular, in relation to the assets recorded against the realignment of goodwill carried out

during the 2021 fiscal year, for which tax regulations provide for annual use on a straight-line basis for a period of 50 years, management has assessed they are fully recoverable in view of the extension of the predictability timeframes of the regulated distribution businesses (assessed on the basis of parameters such as the residual useful life of the assets, the extension of the concessions and their renewal likelihood), the particularly limited impact of the taxable income required to recover these deferred tax assets on the overall taxable income generated by the distribution assets with a residual useful life of several decades, as well as the tax consolidation regime under which the Group operates, which makes it possible to offset any tax losses across all businesses.

"Deferred tax liabilities" arise from timing differences between reported profit and taxable profit, mainly in relation to greater tax deductions taken in previous years for provisions and amounts of property, plant and equipment not relevant for tax purposes. The item also includes the significant tax effects of recognising or adjusting assets and liabilities in the consolidated financial statements.

The increase compared to 31 December 2021 is mainly due to deferred taxes related to changes in the financial period in the fair value of commodity derivatives used as cash flow hedges, which brought about an increase in liabilities of 108.8 million euro with a balancing entry in the comprehensive income statement.

20 Derivative instruments

	30-Jun-22			31-Dec-21			Change
	Fair value assets	Fair value liabilities	Net effect	Fair value assets	Fair value liabilities	Net effect	Net effect
Interest/exchange rate derivatives							
Loans	0.3	-	0.3	-	0.1	(0.1)	0.4
Foreign currency loans	-	10.4	(10.4)	6.9	13.4	(6.5)	(3.9)
Total interest/exchange rate derivatives	0.3	10.4	(10.1)	6.9	13.5	(6.6)	(3.5)
Commodity derivatives			-				-
Commercial portfolio	2,690.4	2,596.6	93.8	1,716.1	1,616.6	99.6	(5.6)
Trading portfolio	248.6	267.0	(18.4)	81.3	86.6	(5.3)	(13.1)
Total commodity derivatives	2,939.0	2,863.6	75.4	1,797.4	1,703.3	94.2	(18.8)
Total derivatives	2,939.3	2,874.0	65.4	1,804.3	1,716.8	87.5	(22.1)
of which non current	-	10.4		6.9	13.5		
of which current	2,939.3	2,863.6		1,797.4	1,703.3		

The derivative instruments used by the Group are divided into two types based on the underlying assets hedged: interest and exchange rates with reference to financing transactions, and commodities with reference to the commercial purchase and sale of gas and electricity. All commodity derivatives are classified as current assets and liabilities by virtue of the high level of liquidity and the operational time span that characterize these instruments.

The Group's financial management policy envisages the use of hedging instruments to effectively offset changes in the fair value, cash flows of the hedged instrument or, more specifically, changes in interest and exchange rate fluctuations that affect the sources of funds used. With regard to fair value relative to derivatives on non-current interest and exchange rates in the form of interest rate swaps (IRS) and cross currency swaps (CCS) at 30 June 2022, the Group's net negative exposure is greater as compared to the previous period and is due to the realisation of cash flows as well as declining interest rate curves and a strengthening of the euro against the yen.

The Group's operational management, on the other hand, is carried out through a process that identifies objectives, strategies and responsibilities for each operation. Contracts, both financial and physical (i.e. involving the exchange of raw materials), are classified into two portfolios according to their purpose, either commercial or trading. The Group's internal organisational model, that is the

management systems utilized, make it possible to identify the nature of the operation (commercial or trading) and underlying hedging relationships right from the moment of formulating the contract and to produce the information required for a formal identification of the purpose of the derivative tool. The commercial portfolio includes financial and physical procurement contracts and financial or physical derivative or similar contracts, entered into for the purpose of hedging future transactions for which cash flow hedge accounting is envisaged on the basis of the effectiveness of the hedge. Specifically, the valuation of physical contracts varies according to their purpose: for those referring to procurement activities there is an own-use exemption, while those referring to price or volume risk management activities are equated with derivative financial instruments and consequently valued at fair value from the moment they are signed. The centralised management of hedging transactions that allows for all possible synergies for hedging the electricity consumption needs of the Central Market Department is integrated with exchange rate transactions towards the market and is carried out through the exclusive use of swap contracts or other authorised derivatives. All other derivatives or similar instruments that are not intended to hedge the Group's requirements are classified in the trading portfolio. At 30 June 2022, the increase in assets and liabilities relating to commodity derivatives reflects the high volatility of energy commodity prices and the increase in prices in the six-month period, the latter of which also reflect an increase in the cost of raw materials (gas and electricity).

The fair value of financial instruments is deduced from market prices; in the absence prices quoted on active markets, the method of discounting back future cash flows is used, taking the parameters observed on the market as reference. All derivative contracts entered into by the Group are with leading counterparties.

Interest/exchange rate derivatives

Interest rate and foreign exchange derivative instruments held as at 30 June 2022, subscribed in order to hedge loans, can be classed into the following categories:

Type	Fair value hierarchy	30-Jun-22			31-Dec-21		
		Notional	Fair value assets	Fair value liabilities	Notional	Fair value assets	Fair value liabilities
Cash flow hedge	2	8.3 mln	0.3	-	9 mln	-	0.1
Fair value hedge	2	149.8 mln	-	10.4	149.8 mln	6.9	13.4
Total fair value			0.3	10.4		6.9	13.5

Type	Fair value hierarchy	30-Jun-22			30-Jun-21		
		Income	Expenses	Net effect	Income	Expenses	Net effect
Cash flow hedge	2	0.1	0.0	0.1	0.0	(0.1)	(0.1)
Fair value hedge	2	9.7	(15.4)	(5.7)	5.3	(12.4)	(7.1)
Non-hedge accounting	2	-	-	-	11.6	(11.6)	-
Total income (expenses)		9.8	(15.5)	(5.6)	16.9	(24.1)	(7.2)

The positive change in the fair value of derivatives classified as cash flow hedges, against a rate curve with an upward trend, is also mainly due to the realization of flows that took place during the period, i.e. the reduction of the notional benchmark. No significant ineffective portions connected to the residual financial instruments were found in the financial period. The overall effect of these instruments on the statement of comprehensive income was equal to 0.2 million euro in the first six months of 2022.

Derivatives designated as hedges of interest rate and exchange rate risks and of the fair value of foreign currency financial liabilities (fair value hedges), in the form of interest rate swaps (IRS) and cross currency swaps (CCS), are related to a bond denominated in Japanese yen with a remaining notional amount of 20 billion yen equal to 149.8 million euro (converted at the original exchange rate being hedged). The change in fair value is mainly due to the exchange rate effect, the Japanese yen having depreciated against the euro in the first six months of the year, as well as the upward trend in interest rates.

The table below provides a breakdown of financial income and expense associated with derivatives designated as fair value hedges and related underlying liabilities, as adjusted for the income and losses attributable to the hedged risk:

Fair value hedges	30-Jun-22			30-Jun-21		
	Income	Expenses	Net effect	Income	Expenses	Net effect
Assessment of derivatives	7.4	(11.2)	(3.8)	3.1	(8.4)	(5.3)
Accrued interest	0.0	(0.2)	(0.2)	0.0	(0.1)	(0.1)
Realised cash flows	2.3	(4.1)	(1.8)	2.2	(3.9)	(1.6)
Economic effect of derivatives	9.7	(15.4)	(5.7)	5.3	(12.4)	(7.1)
Fair value hedges						

Underlying amounts hedged	30-Jun-22			30-Jun-21		
	Income	Expenses	Net effect	Income	Expenses	Net effect
Assessment of financial liabilities	11.2	(7.4)	3.9	8.4	(3.1)	5.3

The derivatives on interest rates, identified as non-hedge accounting, are entirely extinguished as they matured during the course of 2021. The category originated in full from past restructuring operations and, despite not including instruments that qualify as hedges pursuant to IFRS 9, have as their main objective to hedge against interest rate fluctuations and had no impact on the income statement (mirroring).

Commodity derivatives - Commercial and trading portfolios

The commercial portfolio includes commodity derivative and comparable instruments, of a financial and physical nature, entered into to hedge mismatches between purchase and sale formulas, which are classed into the following categories:

Operations management – Commercial portfolio

Type	Fair value hierarchy	30-Jun-22			31-Dec-21		
		Notional	Fair value assets	Fair value liabilities	Notional	Fair value assets	Fair value liabilities
Gas formulas	3	24,639,099 MWh	1,906.3		29,740,528 MWh	1,309.2	
Electricity formulas	2	5,369,878 MWh	784.5		4,829,772 MWh	406.8	
Exchange	2	45,994,333 USD	(0.3)		10,408,061 USD	0.1	
Gas formulas	3	27,281,845 MWh		2,039.0	31,287,589 MWh		1,440.8
Electricity formulas	2	4,935,981 MWh		557.5	2,905,219 MWh		175.6
Exchange	2	14,137,660 USD		0.1	30,477,506 USD		0.2
Total fair value			2,690.4	2,596.6		1,716.1	1,616.6

The commercial portfolio includes financial and physical contracts that are almost all formally inserted in hedging relationships for masses, designated to hedge planned future electricity and gas purchase transactions that are considered highly likely, and consequently accounted for using hedge accounting if formal requirements are met. The main objectives of these hedges are to replicate the cash flows of the formulas on sale in the market and to cover the spread between the TTF price, the benchmark market for continental Europe, and the price of PSV, the virtual trading point and Italian gas hub. The fair value changes are recorded to the statement of comprehensive as per the effective quota; such changes are transferred to the income statement as soon as the underlying hedged instrument is realised. In order to assess the impact that fluctuations in the market price of the underlying asset have

on the financial derivatives attributable to the commercial portfolio, the PaR (Profit at Risk) tool is used, that is the change in the value of the portfolio of derivative financial instruments within pre-established probability hypotheses as a result of a shift in market indexes.

The increase in the net fair value of commodity derivatives related to the commercial portfolio is due to the increase in the gas price and the PUN.

The trading portfolio includes derivative or comparable instruments entered into for negotiation purposes, which can be distinguished into the following types of instruments:

Operations management – Trading portfolio

Type	Fair value hierarchy	30-Jun-22			31-Dec-21		
		Notional	Fair value assets	Fair value liabilities	Notional	Fair value assets	Fair value liabilities
Gas formulas	3	720,981 MWh	44.8		546,478 MWh	20.6	
Electricity formulas	2	1,756,355 MWh	203.3		1,323,041 MWh	60.4	
Crude oil	2	1,160 Bbl	0.1		4,253 Bbl	0.1	
Other commodities	2	1,283 Ton	0.4		3,578 Ton	0.3	
Gas formulas	3	932,374 MWh		58.4	682,525 MWh		35.1
Electricity formulas	2	2,433,434 MWh		205.1	2,183,368 MWh		49.9
Crude oil	2	9,758 Bbl		0.4	18,514 Bbl		0.2
Other commodities	2	8,919 Ton		3.0	16,163 Ton		1.3
Total fair value			248.6	267.0		81.3	86.6

The operational logic of trading activities is based on position taking logics whenever there is a market opportunity, always within the risk limits defined by the Board of Directors of the parent company. The purpose of the contracts included in this portfolio is univocally identified at source and follows a dedicated workflow, with exclusive instruments and reporting.

In order to assess the impact that fluctuations in market prices of the underlying asset have on the derivatives attributable to the trading portfolio, the VaR (Value at Risk) instrument is used, that is the negative change in the value of the portfolio of financial instruments within pre-established probability hypotheses as a result of an unfavourable shift in market indexes.

The effect on the comprehensive income statement and the income statement of the commercial and trading portfolios can be broken down as follows:

Type	30-Jun-22		
	Assessment of derivatives	Realised cash flows	Net effect
Commercial portfolio	1.2	(3.7)	(2.5)
Trading portfolio	(13.1)	15.6	2.5
Economic effect of derivatives	(11.9)	11.9	(0.0)

Regarding the commercial portfolio, it should be noted that the economic components associated with hedging operations, i.e. the balancing entries to the changes in the cash flow hedge reserve accounted for at the time the instruments are realised, although falling within operations management, are classified according to the nature of the instrument in question. In particular, at the time the underlying hedged item materializes, changes in the reserve relating to financial derivative contracts are classified as an adjustment to the cost of raw material, since, acting in a differential manner and mainly on procurement, they make it possible to represent the correct amount of cost incurred, while changes generated by physical contracts treated as derivatives are classified as sales revenues or as purchase costs of raw material, depending on whether they relate to the sale or procurement of commodities. At 30 June 2022, the net effect from the realisation of derivatives valued in cash flow hedge is generated

by 215.5 million net positive components related to financial derivative contracts and 219.2 million net negative components related to physical contracts treated as derivatives.

At 30 June 2022, the net effect of the commercial portfolio on comprehensive income also includes the reclassification to profit or loss of the reserve related to those derivative instruments previously valued under hedge accounting for which the existing hedging relationship was redefined during the previous fiscal year. Instead, components recorded in the statement of comprehensive income related to those instruments that have not yet reached their vesting date will be reclassified to the profit and loss account at the vesting dates of the corresponding hedged positions, which are scheduled to occur by fiscal year 2022.

With regard to the trading portfolio, changes in fair value are recognized in the income statement for the period in which they occur. Settlement of financial contracts generates income and expenses referable to commodities and, as such, they are classified as operating expenses whereas the settlement of contracts treated as derivatives is accounted for as sales revenue or as commodity purchase costs, depending on whether it is a sale or purchase of commodities, respectively. At 30 June 2022, the settlement of financial contracts in the trading portfolio generated 20 million euro in net positive components, while the realization of physical commodity contracts treated as derivatives in the same portfolio generated 0.6 million euro recognized as sales revenue and 5 million euro recognized as purchase costs, respectively.

21 Inventories

	30-Jun-22	31-Dec-21	Change
Gas stocks	349.5	58.9	290.6
Raw materials and stocks	54.7	50.5	4.2
Materials earmarked for sale and final products	12.7	6.7	6.0
Contract work in progress	349.0	251.9	97.1
Total	765.9	368.0	397.9

"Gas stocks" includes stocks of natural gas earmarked for sale. The change compared to the previous year is due both to the substantial increase in wholesale raw material prices that occurred in the first half of 2022 and to the volumes in stock as of June 2022, which were almost twice the amount as in December 2021. The book value of stocks is recoverable on the basis of forward sales contracts already signed by the Group at the date of the financial statements for gas deliveries planned in correspondence with upcoming winter withdrawals.

"Raw materials and stocks", already presented net of an associated obsolescence provision, mainly includes:

- replacement parts and equipment used for the maintenance and running of operating plants, equal to 47.5 million euro (44 million euro at 31 December 2021).
- plastic materials to be regenerated, equal to 7.2 million euro (6.5 million euro at 31 December 2021).

"Materials earmarked for sale and final products" mainly include plastic products made in the Group's regeneration plants equal to 9.9 million euro (5.8 million euro at 31 December 2021).

The item "contract work in progress" includes long-term contracts for plant construction work, mainly in relation to water, heat and public lighting management (for 283.7 million euro, 31.1 million euro and 21.3 million euro respectively). The change in the period is related in particular to energy efficiency upgrading activities in apartment buildings, a business that has undergone a significant increase since the second half of 2021 as a result of the numerous tax incentives in the sector (construction bonuses).

22 Trade receivables

	30-Jun-22	31-Dec-21	Change
Receivables from customers	1,688.0	1,842.9	(154.9)
Provision for bad debts	(485.2)	(444.6)	(40.6)
Receivables from customers for bills and invoices not yet issued	1,282.5	1,519.7	(237.2)
Total	2,485.3	2,918.0	(432.7)

Trade receivables comprise invoices to be issued for estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 30 June 2022, as well as receivables for revenues coming due during the period, referring to the water sector, which will be billed in the following months in accordance with the billing methods for final customers established by the Authority.

The value of trade receivables reported in the financial statements at 30 June 2022 represents the Group's maximum exposure to credit risk. Changes in the provision for bad debts is as follows:

	Opening balance	Provisions	Changes in the scope of consolidation	Uses and other movements	Closing balance
first six months of 2021	394.4	34.4	-	(13.1)	415.7
first six months of 2022	444.6	47.4	2.1	(8.9)	485.2

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on future-oriented analyses of the receivables regarding the general body of customers (in relation to the age of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the section "Risk management" in paragraph 2.02.01 "Accounting policies and evaluation principles".

The increase in provisions for the first half of 2022 compared to the same period of the previous year is discussed in Note 8 "Depreciation, Amortisation, Provisions and Write-downs."

23 Current tax assets and liabilities

	30-Jun-22	31-Dec-21	Change
Income tax receivables	29.9	20.3	9.6
IRES refund receivables	0.9	0.9	-
Total current tax assets	30.8	21.2	9.6
Income tax payables	49.7	24.2	25.5
Substitute tax payables	3.7	3.7	-
Total current tax liabilities	53.4	27.9	25.5

"Income tax receivables" refer to the excess of the previous year's IRES and IRAP direct tax balances and advance payments made in the period over the amount due.

"IRES refund receivables" include taxes for which the Group has filed for a refund and is awaiting the corresponding amount to be collected from Inland Revenue.

"Income tax payables" includes the IRES and IRAP amounts allocated in relation to the profit produced in the first half of this fiscal year plus any debit balances from the previous period that will be paid in the second half of 2022.

The item also includes 1.4 million euro related to the balance, equal to 60%, to be paid by November 2022, of the extraordinary contribution to offset high utility bills that the Group has accounted for in income taxes for the period and for which it made an advance payment of 40% in June 2022.

"Substitute tax payables" include the liability for redeeming the higher value of the controlling interest in Recycla Spa; an operation that the management has already approved as of 31 December 2021 and which will be paid in July 2022.

24 Other current assets

	30-Jun-22	31-Dec-21	Change
Tax receivables and tax breaks	111.6	20.2	91.4
Security deposits	73.2	121.0	(47.8)
Fund for energy and waste management services for equalisation and continuity income	71.5	49.9	21.6
Pre-paid costs	61.6	26.5	35.1
Energy efficiency bonds and emissions trading	44.4	46.9	(2.5)
Advances to suppliers	37.6	42.7	(5.1)
VAT, excise and additional taxes	36.7	47.6	(10.9)
Incentives from renewable sources	6.4	23.4	(17.0)
Other receivables	54.1	44.1	10.0
Total	497.1	422.3	74.8

"Tax credits and tax concessions" mainly include tax receivables arising from the application of the invoice discount to end customers, in connection with subsidized energy efficiency improvement measures amounting to approximately 106 million euro, almost all of which will be sold to financial institutions.

"Security deposits" mainly include deposits provided as security for participation in foreign platforms that deal in commodity contracts, auctions on the electricity market, and to secure transactions on wholesale markets for electricity and natural gas, totalling 64 million euro; The decrease from the previous year is due to fewer operations in the period on foreign platforms due to price volatility, commodity volatility, and the simultaneous closure of positions opened in the previous year.

"Fund for energy and waste management services for equalisation and continuity income" consists of equalization receivables in the amount of 32.9 million euro and continuity income in the amount of 38.6 million euro.

Equalisation credit increased by 5.2 million euro compared to the previous year. The change is mainly due to the higher equalization of electricity service distribution in the amount of 5.1 million euro and gas service equalization in the amount of 1.8 million euro, offset by lower equalization of protected electricity service sales in the amount of 1.8 million euro. In particular, the increase in the equalization credit for electricity service distribution should be viewed in relation to the decrease in volumes distributed during the first half of 2022, leading to a greater use of the equalization mechanism in relation to the regulated revenues earned by the Group.

The increase in continuity income in the amount of 16.4 million euro compared to the previous year, mainly related to the gas distribution business, stems primarily from the measures introduced by the government beginning in the autumn of 2021 designed to contain energy prices. The regulatory measures have involved in particular expanding the number of households covered and raising the amounts of gas and electricity welfare bonuses. The distribution companies, through sales companies, guarantee discounts on rates to customers covered by welfare bonuses and in return acquire a credit versus the Energy and Environmental Services Fund.

"Prepaid costs" mainly include future accruals for services and external processing, costs incurred for insurance coverage, surety bonds and bank fees, as well as costs for licenses, fees payable and concession fees for network services, and personnel costs for the unaccrued portion of the bonus paid in June.

"Energy efficiency bonds and emissions trading" includes the following:

	30-Jun-22	31-Dec-21	Change
White certificates	23.8	22.7	1.1
Grey certificates	10.8	14.4	(3.6)
Green certificates	9.8	9.8	-
Total	44.4	46.9	(2.5)

The portfolio related to white certificates includes the valuation of both securities calculated on the basis of the energy efficiency targets set by the GSE for gas and electricity distribution companies in the amount of 21.1 million euro (20.8 million euro at 31 December 2021), and securities stemming from energy efficiency improvement measures carried out by the Group in the amount of 2.7 million euro (1.9 million euro at 31 December 2021).

The portfolio related to grey certificates includes the valuation of both securities held by the Group in the amount of 8.2 million euro (7.4 million euro at 31 December 2021) and the exposure for forward contracts to buy and sell greenhouse gas emission allowances in the amount of 2.6 million euro (7 million euro at 31 December 2021). The decrease from the previous year is due to the decline in the fair value of forward contracts, only partially offset by the increase in the volume and market price of securities held by the Group.

The green certificate portfolio includes securities recognised on an accrual basis prior to 2016 in relation to the electricity production of certain waste-to-energy plants operated by the Group. These securities are the subject of a complaint by the GSE concerning the methodology for calculating the self-consumption of auxiliary services. To cover the potential risk of non-recognition, the Group has already set up a risk provision in previous years to cover the entire amount of the portfolio. For further details see note 28 "Provisions for risks and charges".

"VAT, excise and additional taxes" are comprised of tax credits receivables to the treasury for value added tax in the amount of 4.5 million euro and for excise and additional taxes in the amount of 32.2 million euro. The change as compared to 31 December 2021 is attributable to a decrease of 1.6 million euro in receivables for value added tax and an increase of 9.3 million euro in receivables for excise and additional taxes. These changes should be interpreted together with the same changes shown in note 30 "Other current liabilities". In particular, with regard to excise duties and additional taxes, the procedures that govern the financial relations with the tax authorities should be taken into account: as a matter of fact, advance payments made during the year are calculated on the basis of the quantities of gas and electricity billed in the previous year. These methods can generate credit or debit positions with differences that may be significant even between one period and another.

"Incentives from renewable sources" consist of receivables from the GSE for the new incentive mechanism to promote the production of electricity from renewable sources. The decrease from the previous financial period is due to the collection of almost the whole amount of receivables for 2021, partially offset by the half-yearly instalments recognised on an accrual basis. In this regard, it should be noted that incentives for the period are in sharp decline compared to the same period in 2021 as, for the same volumes, there has been a substantial reduction in the price of incentives (GRIN), which are determined inversely to the price of energy (PUN) in the previous year.

"Other receivables", the increase is due mainly to receivables for dividends from associated companies, in the amount of 6.7 million euro, that will be collected in the second half of 2022.

25 Share capital and reserves

Compared to 31 December 2021, shareholders' net equity decreased by 104.9 million euro due to the combination of the following effects:

- overall revenues for the period in the amount of 115.3 million euro;
- distribution of dividends in the amount of 193.8 million euro;
- decrease due to transactions on treasury shares, in the amount of 10.6 million euro.
- decrease due to transactions on treasury shares, in the amount of 15.8 million euro;

The statement of changes in net equity is shown in section 2.01.05.

Share capital

The share capital at 30 June 2022 amounted to 1,454.9 million euro, made up of 1,489,538,745 ordinary shares with a nominal value of 1 euro each and is fully paid-up.

The treasury shares, whose nominal value at 30 June 2022 was 33.9 million euro, and the costs associated with the new share issues, net of the relevant tax effects, are deducted from share capital.

The number of treasury shares in the Group portfolio as of 30 June 2022 was 33,937,655 (29,217,962 as of 31 December 2021).

Reserves

This item, amounting to 1,527.1 million euro, includes retained earnings and reserves accrued in previous financial years and in-kind equity injections, or shares, in the amount of 1,529.7 million euro, cumulative losses in the other components of comprehensive income in the amount of 34.6 million euro and negative reserves for operations on treasury shares in the amount of 37.2 million euro. These latter items reflect transactions carried out on treasury shares as at 30 June 2022. Changes over the course of the six-month period generated an overall capital gain in the amount of approximately 0.1 million euro.

Non-controlling interests

This item reflects the amount of capital and reserves of subsidiaries held by parties other than the parent company's shareholders. It includes mainly the minority equity interests of the Herambiente Group and the Marche Multiservizi Spa Group.

With reference to the shareholding of the Ascopiave Group in EstEnergy Spa, nominally equal to 48%, note that Ascopiave Spa was granted an irrevocable put option. This option may be exercised annually, on a discretionary basis on all or part of the shareholding, in a time window between 15 July and 31 October and, in any event, no later than 31 December 2026. According to the provisions of IAS 32, the existence of such a right held by the minority shareholder has led to the need to classify the option on the shares of EstEnergy currently held by Ascopiave Spa in the consolidated financial statements as a financial liability, thus considering the shareholding in EstEnergy Spa to be fully owned. For additional details on the calculation of fair value of put option debt, please refer to note 26 "Current and non-current financial liabilities".

The following is a reconciliation between the Parent Company's separate financial statements and the consolidated financial statements.

	Net Profit	Net equity
Balances as per parent company's financial statements	250.7	2,526.5
Excess of shareholders' equity reported in the financial statements for the period over the carrying amounts of investments in consolidated companies	(115.4)	306.8
Consolidation adjustments:		
net equity valuation of companies recognised in the separate financial statements at cost	(3.1)	42.6
difference between purchase price and corresponding net book equity	(23.1)	252.0
elimination of intra-group transaction effects	11.5	(25.3)
Total	120.6	3,102.6
Allocation of third-party holdings	18.4	209.4
Balances as per consolidated financial statements	139.0	3,312.0

26 Current and non-current financial liabilities

	30-Jun-22	31-Dec-21	Change
Bonds and loans	3,556.8	3,105.9	450.9
Minority shareholders' put option	573.5	585.2	(11.7)
Payables to acquire controlling shareholdings and potential consideration	23.1	23.0	0.1
Other financial liabilities	1.7	1.9	(0.2)
Total non-current financial liabilities	4,155.1	3,716.0	439.1
Overdrafts and interest liabilities	80.5	64.8	15.7
Bonds and loans	78.3	56.1	22.2
Payables to acquire controlling shareholdings and potential consideration	1.9	2.2	(0.3)
Other financial liabilities	319.1	376.6	(57.5)
Total current financial liabilities	479.8	499.7	(19.9)
Total financial liabilities	4,634.9	4,215.7	419.2

"Bonds and loans" for the non-current part, increased mainly thanks to the overall net effect of the following:

- Issuance of the third green bond (under the Euro Medium Term Notes program), which is part of the sustainability strategy aimed at financing or refinancing several projects already carried out or planned in the business plan to 2025, selected on the basis of the Green Financing Framework and divided into 3 areas: integrated water cycle circular economy, pollution prevention and control, and energy efficiency and infrastructure. The new bond, which is listed on the regulated markets of the Irish, Luxembourg and Italian stock exchanges, has a nominal value of 500 million euro, a duration of 7 1/2 years and an annual fixed-rate coupon of 2.5%. For further details regarding the new issuance, reference should be made to chapter 1.02 "Main significant events" in the Directors' report;
- classification in the current portion of a bond loan with a remaining face value of 22 million euro, maturing in May 2023.

The item includes the value of the sale option, in the amount of 53.2 million euro, related to Ascopiave Spa's minority shareholding in Hera Comm Spa which, as a result of the contractual provisions, is classified as a loan and valued according to the depreciated cost method. The face value of such debt amounts to 54 million euro.

"Bonds and loans" in the current portion increased mainly due to the reclassification from non-current liabilities of the bond loan with a remaining nominal value of 22 million euro maturing in May 2023.

"Minority shareholders' put option", which includes the fair value measurement of the sale options that are granted, with specific contractual arrangements, to minority shareholders on their own shares. The policy of the Group provides not to represent the holdings of minority shareholders in the result component for the period, therefore in evaluating the value of the debt for the options (to be paid at the date of exercising the option according to the contractual mechanism agreed between the parties) increased of the dividends that are expected to be distributed by the subsidiary companies along the hypothetical life of the options themselves. The fair value recognised as a liability in the balance sheet is therefore not only the present value of the expected price of the put option at the date of it is exercised, but also contains the discounted estimate of future dividends distributed as part of the variable consideration due to the counterparty. Given the structure of the operation, during the period in which the option is exercised, the profit generated by the subsidiary companies will be distributed according to their respective nominal shareholdings. This mechanism means that the portion of the fair value of the put option that will be settled through the distribution of future dividends is actually self-liquidating, since the necessary financial resources (i.e. dividends of non-controlling shareholdings) will be directly generated by the subsidiary companies, without thus determining during that period a real additional financial need for the Group.

This item refers to the sale option on the non-controlling shares in EstEnergy Spa, equal to 48% of the share capital, held by the Gruppo Ascopiave. The fair value of the option is calculated with reference to the future scenario of exercising the option deemed to be the most likely by the management in line with the updated planning assumptions, adopting applied multiples to margin indicators in accordance with the conditions agreed between the parties and discounting the corresponding future cash flows, using as a discount rate the average cost of the Group's long-term debt at the date of the transaction. The change from the previous year results from the recognition of notional financial expenses generated by the discounting and distribution of dividends carried out by EstEnergy Spa during the period. The following table, which also includes the value of the option granted on the minority interest in Hera Comm Spa, shows the value adjustments of the option described above during the six-month period:

	31-Dec-21	Financial expenses	Dividends paid out	Hypothesis change	30-Jun-22
Put option (equity value)	419.2	7.3	-	-	426.5
Put option (future dividends)	138.6	2.5	(21.0)	-	120.1
Financing to Ascopiave	55.0	1.6	(3.4)	-	53.2
Total put option	612.8	11.4	(24.4)	-	599.8

"Payables to acquire controlling shareholdings and potential consideration" include the amounts still to be paid to transferor shareholders as part of the business combination transactions concluded in the period or in previous periods, as well as the estimate of the potential payments foreseen by the agreements signed at the time of the acquisition, as of the balance sheet date. As of 30 June 2022 this item mainly refers to the acquisition of:

- Aliplast Group, for 17.9 million euro (in the non-current part for 17.4 million euro and in the current part for 0.5 million euro);
- Pistoia Ambiente Spa (later merged into Herambiente Spa) for 5.6 million euro.

"Other financial liabilities", for the portion due after the current period, include 1.7 million euro due to the Municipal Pension Fund of the Municipality of Trieste. In relation to the current portion, the composition and changes in the main items are shown below:

- Advances related to contracts for the exchange of electric power carried out on the EEX platform, which provide for the daily settlement of differentials, equal to 226.2 million euro (266.6 million euro at December 31 2021). The change is due to the dynamic increase in energy commodity prices, which has oriented the Group to prioritize the settlement of expiring contract positions while reducing the underwriting of new positions;
- collections from customers under a safeguard regime, customers for last resort services of the gas sector and proceeds from system charges for 52.5 million euro (39 million euro at 31 December 2021);
- collection of receivables factored without recourse still to be transferred to factoring companies at year-end, in the amount of 23.1 million euro (in line with the previous fiscal year);
- RAI licence fee collection for 5.3 million euros (2.3 million euros at 31 December 2021);

Compared to last year, it should also be noted that a payment of 39.4 million euro was made to the companies that own the assets as a result of the conclusion of the tender process and consequent awarding of the management of the water service in the area of the province of Rimini, where the Group, although confirmed as provider, was formally obliged as the outgoing operator to pay compensation for the previous contracting period.

In "Overdrafts and interest liabilities", the significant change compared with the previous financial period is generated by the higher demand for short-term loans, in the form of hot money, amounting to approximately 30 million euro (23.3 million euro at 31 December 2021).

The table below shows the financial liabilities as at 30 June 2022 and indicates the portion expiring within the fiscal year, within 2 years, within 5 years and after 5 years:

Type	30-Jun-22	Portion due within the period	Portion due within 2nd year	Portion due within 5th year	Portion due beyond 5th year
Bonds	3,203.3	21.6	-	1,663.3	1,518.4
Loans	431.8	56.7	55.2	208.0	111.9
Minority shareholders' put options	573.5	-	-	573.5	-
Payables to acquire controlling shareholdings and potential consideration	25.0	1.9	-	23.1	-
Other financial liabilities	320.8	319.1	0.3	1.4	-
Overdrafts and interest liabilities	80.5	80.5	-	-	-
Total	4,634.9	479.8	55.5	2,469.3	1,630.3

The main conditions of the bonds outstanding at 30 June 2022 are as follows:

Bonds	Negotiation	Duration (years)	Maturity	Nominal value (mln)	Coupon	Annual rate
Sustainability linked bond	Listed	12.5	25 Apr 2034	500.0 Eur	Annual	1.00%
Bond	Listed	10	03 Dec 30	500.0 Eur	Annual	0.25%
Bond	Unlisted	15/20	14 May 27/32	102.5 Eur	Annual	5.25%
Green Bond	Listed	7	25 May 29	500	Annual	2.50%
Bond	Listed	15	29 Jan 28	599.02 Eur	Annual	5.20%
Green Bond	Listed	8	05 Jul 27	357.2 Eur	Annual	0.88%
Bond	Listed	10	14 Oct 26	325.44 Eur	Annual	0.88%
Bond	Listed	12	22 May 25	15 Eur	Annual	3.5%
Bond	Unlisted	15	05 Aug 24	20,000 JPY	Six monthly	2.93%
Green Bond	Listed	10	04 Jul 24	288.3 Eur	Annual	2.38%

At 30 June 2022, the outstanding bonds, with a nominal value of 3,359.2 million euro (2,859.2 million euro at 31 December 2021) and an amortized cost book value of 3,203.3 million euro, had a fair value of 3,051.8 million euro (3,100.7 euro at 31 December 2021) determined by market prices, where available.

There are covenants on a few loans that require compliance with the corporate rating limit, namely that not a single rating agency lowers its corporate rating below Investment Grade (BBB-).

As of the balance sheet date, this parameter has been complied with.

Current cash and lines of credit, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. At 30 June 2022, the Group has committed credit lines of 480 million euro and uncommitted credit lines of 667 million euro. These credit lines are distributed among leading Italian and international banks and allow for adequate diversification of counterparty risk and competitive conditions.

27 Post-employment and other benefits

This includes provisions for employee leaving indemnities and other contractual benefits, net of advances paid out and payments made to the social security institutions pursuant to current regulations. The calculation is made using actuarial techniques and discounting future liabilities to the balance sheet date. These liabilities comprise the employee's matured receivables at the presumed date of leaving the company.

The "Tariff reduction" provision was provided to cover the charges deriving from the acknowledgement to retired staff of the electricity business unit of tariff concessions for electricity consumption. The item "Gas discount" represents annual indemnities provided to Federgasacqua employees, hired prior to January 1980, which may be transferred to their heirs. "Premungas" is a supplementary pension fund for employee members of Federgasacqua hired prior to January 1980. This fund was closed with effect from January 1997, and changes quarterly solely to settle payments made to eligible retirees.

The table below shows the changes in the above provisions during the period.

	31-Dec-21	Service cost	Financial expenses	Actuarial profit (losses)	Uses	Other movements	Changes in the scope of consolidation	30-Jun-22
Post-employment	93.7	0.7	0.2	(9.1)	(5.5)	0.2	0.1	80.3
Tariff reduction	6.2	-	-	(1.4)	(0.2)	-	-	4.6
Gas discount	3.0	-	-	(0.4)	(0.2)	-	-	2.4
Premungas	2.5	-	-	(0.1)	(0.2)	-	-	2.2
Total	105.4	0.7	0.2	(11.0)	(6.1)	0.2	0.1	89.5

The item "Service Cost" regards companies with a small number of employees for whom the employee severance indemnity fund continues to represent a defined benefit plan.

"Financial charges" are calculated by applying a specific discount rate for each company, determined on the basis of the average financial life of the bond.

"Actuarial profit (losses)" reflects the re-measurement of the liabilities for employee benefits arising from changes in actuarial assumptions. These components are recorded directly in the comprehensive income statement.

"Uses" include the amounts paid to employees in the course of the six monthly period.

"Changes in scope of consolidation" includes the post-employment provision acquired following the business combinations completed in the course of the six monthly period.

28 Provisions for risks and charges

	31-Dec-21	Provisions	Financial expenses	Uses	Other movements	Changes in the scope of consolidation	30-Jun-22
Provision for third-party asset restoration	207.5	3.2	2.8	-	-	-	213.5
Provision for closure and post-closure landfill expenses	182.6	0.7	5.6	(7.6)	-	-	181.3
Provision for personnel legal cases and disputes	10.7	0.9	-	(0.7)	(0.1)	-	10.8
Provisions for waste disposal	8.1	7.2	-	(6.8)	-	-	8.5
Provision for plants dismantling	6.0	-	0.1	-	-	-	6.1
Other provisions for risks and charges	113.1	7.5	-	(3.1)	(0.6)	-	116.9
Total	528.0	19.5	8.5	(18.2)	(0.7)	-	537.1

"Financial expenses" referring to "Provision for third party asset restoration", "Provision for closure and post-closure landfill expenses" are discussed in note 10 "Financial income and expenses".

The "Provision for third-party asset restoration" includes provisions made in relation to law and contractual requirements for the Group companies as lessees of the distribution networks of the entity that owns the assets. The allocations are made on the basis of depreciation rates held to be representative of the remaining useful life of the assets in question in order to compensate the owner

companies for the wear and tear of the assets used for business activities. The provision reflects the present value of these outlays which will be determined in future periods (usually on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted to present value, and the financial expenses reflecting the component arising from the discounting of cash flows.

The "Provision for landfill closure and post-closure expenses" represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently managed. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value. The increases in the provision comprise the financial component derived from the discounting process and provisions due to changes in the assumptions about future outlays, following the change in expert estimates on closed landfills. Uses represent the effective outlays taking place in the six monthly period.

The "Provision for legal cases and disputes brought by personnel" reflects the outcomes of lawsuits and disputes brought by employees.

"Provision for plants dismantling" includes the amounts allocated for the future dismantling of the WTE plants.

"Provision for waste disposal" reports the estimated costs of disposal of the waste already stored at the Group's plants. The provisions reflect the estimated costs of contributions for the first half of 2021 not yet processed at the end of the financial period, while the uses represent the costs incurred over the six monthly period for the processing of waste that was residual as at 31 December 2021.

"Other provisions for risks and charges" comprises provisions made against sundry risks. Below, there is a description of the main items:

Liabilities	Type	Amount (mn €)
The amount of the WTE and cogeneration plants' green certificates, calculated according to the difference between auxiliary services resulting from total self-consumption and services estimated on the basis of the benchmark percentage, was not recognised;	Likely	18.7
Outstanding bonds (guarantee on financial exposure given by AcegasApsAmga S.p.A.) in case of abandonment of the operations run by the foreign subsidiary AresGas (Bulgaria).	Contingent	11.3
The higher cost of the electricity used in the water service provision was not recognised, due to the volatility of the energy market, which resulted in price values higher than the allowed maximum limit provided for by the tariff system and which may only be recognised by submitting a specific request to the relevant regional authorities, with no certainty that it will be approved.	Likely	7.5
Risks arising from the activity of energy efficiency upgrading of buildings carried out on behalf of end customers, particularly apartment blocks	Likely	7.2
Dispute concerning the granting of CIP6 incentives for the Trieste WTE plant for the years 2010-2012	Likely	6.6
Higher expenses that may be incurred in connection with extraordinary maintenance on the Ponte San Nicolò (Padua) landfill	Contingent	6.3
Reimbursement of a portion of the sewerage and purification tariffs for the water service	Likely	4.7
Potential litigations arising from the risk of disputes in relation to the gas distribution unit of the Veneto and Friuli Venezia-Giulia regions, which was sold at the end of 2019	Likely	3.5
Risk arising from the Authority's resolution 2016/527, which, in keeping with the findings of the GSE, established that the Fund for Energy and Environmental Services recover the amounts that the Group would have been unduly received for the electricity produced by the Granarolo (Bo) WTE plant	Likely	3.3

The liabilities classified as contingent were recognised as part of the business combinations in the period of reference for the operation.

For detailed information on risk provisions for tax litigations, see note 11 "Taxes".

29 Trade payables

	30-Jun-22	31-Dec-21	Change
Payables to suppliers	697.5	741.2	(43.7)
Payables to suppliers for invoices not yet received	1,348.4	1,615.4	(267.0)
Total	2,045.9	2,356.6	(310.7)

The change in trade payables from the previous year is mainly due to the seasonality of gas and electricity sales and distribution businesses.

Trade payables are mainly generated from operations in the Italian national territory, with the exception of natural gas and electricity brokerage activities carried out at the European level.

30 Other current liabilities

	30-Jun-22	31-Dec-21	Change
Payables for advances to the fund for energy and waste management services	316.1	336.9	(20.8)
VAT, excise and additional taxes	253.4	155.0	98.4
Plant investment grants	230.4	228.7	1.7
Security deposits from customers	133.3	129.8	3.5
Advances for works	110.5	50.4	60.1
Anticipated revenues and other expenses	102.7	167.6	(64.9)
Personnel and employee withholding	86.3	81.7	4.6
Fund for energy and waste management service components and equalisation	85.8	85.8	-
Payables to social security institutions	67.8	63.6	4.2
Energy efficiency bonds and emissions trading	42.9	49.2	(6.3)
Other payables	115.8	86.9	28.9
Total	1,545.0	1,435.6	109.4

"Payables for advances to the Fund for energy and waste management services" comprises non-interest-bearing advances granted by the Fund for energy and waste management services, as follows:

- 213.6 million euro (233.4 million euro at 31 December 2021) in compliance with the integration mechanism provided for in Resolutions 370/2012/R/Eel and 456/2013/R/Eel of the Regulatory Authority for Energy Networks and Environment (ARERA) against overdue and uncollected receivables owed by customers managed as protected customers; The latest reports concern the years 2009-2019;
- 89 million euro (90 million euro at 31 December 2021) in compliance with the integration mechanism set forth in Law 239 of 23 August 2004 and by Arera's Tivg, for the charges for delinquency of services of last resort in the natural gas sector (Fui, Ftf and Fdd) until the 2019-2020 thermic year;
- 11.8 million euro (11.8 million euro at 31 December 2021) in compliance with Resolution 32/2021/R/Eel (former Resolution 445/2020/R/Eel), relating to the procedures for accessing the reimbursement mechanism for general system charges not collected from end customers and already paid to distribution companies for 2016-2020. The scope is restricted to the sale of electricity on the free market, the Safeguard market (disconnectable) and the gradual protection service (disconnectable);
- 1.7 million euro (1.7 million euro at 31 December 2021) in compliance with the recognition mechanism established by Arera resolution 627/2015/R/com for overdue charges related to the supply of electricity, gas and integrated water service to the populations affected by the 20 May 2012 earthquakes in the Emilia-Romagna region;

"VAT, excise and additional taxes" include excise and additional tax liabilities of 171.8 million euro (76.1 million euro at 31 December 2021) and for value added tax in the amount of 81.6 million euro (78.9 million euro at 31 December 2021). As outlined in note 24, "Other current assets", this increase must be understood taking into account the factors that regulate financial relations with the Inland Revenue Office, which can generate credit/debit positions with differences that can be significant even between one financial period and another.

With regard to excises and surcharges, the sharp increase compared to the previous year, in addition to the explanation provided above in relation to financial regulatory mechanisms, is also due to both the higher volumes sold in the markets of last resort for which the Group has been awarded, through tenders, certain lots in the territory of Italy as of 1 October 2021, and the increased volumes provided to the public administration as a result of the awarding of Consip tenders.

"Plant investment grants" refers mainly to investments made in the water and environment sector; this item decreases in proportion to the amount of depreciation calculated on the fixed assets in question and increases as a result of new investments subject to grants. The item includes, in particular, the following contributions received by the Group:

- 77.8 million euro related to the FoNI fund (new water system investment fund);
- 34.9 million euro related to purification plants for the Servola plant built in the Municipality of Trieste;
- 33.4 million euro for investments earmarked for purification and sewer networks;
- 17.8 million euro to build rolling basins and underwater pipes in the area of Rimini.

"Security deposits from customers" reflect the amount paid by customers for gas, water and electricity provision contracts.

"Advances for works" include advances received from municipalities and apartment buildings for works in progress relating to public lighting and energy efficiency upgrades of private buildings, respectively, which will be completed in the following period the increase of which reflects the significant growth of the energy services business.

"Anticipated revenues and other expenses" comprise 87.1 million euro of invoices for energy efficiency measures benefiting from tax incentives for which the work will be completed mainly by the end of the 2022 financial year. The decrease from the previous year is due to the completion, in the first half of the year, of work still in progress as of 31 December 2021.

"Personnel and employee withholding" includes for the most part the vacation time accrued and not used, as well as the productivity bonuses and additional monthly payments accounted for on an accrual basis at 30 June 2022, plus withholding taxes to be paid to the state treasury as tax substitute for employees.

"Fund for energy and waste management service components and equalisation" reflects debt positions owed to the Energy and Environmental Services Fund for some system components of the electricity (mainly related to sales to protected market categories), gas and water services, and gas distribution service equalization.

"Payables to social security institutions" relate to contributions owed to social security institutions in relation to compensation for June.

"Energy efficiency bonds and emissions trading", include specifically:

	30-Jun-22	31-Dec-21	Change
White certificates	22.7	26.7	(4.0)
Grey certificates	12.0	17.2	(5.2)
Guarantee of origin certificates	8.2	5.3	2.9
Total	42.9	49.2	(6.3)

White certificates include, beginning in 2021, the valuation of exposure with respect to obligations to return energy efficiency certificates to the relevant authorities.

Gray certificates reflect the valuation of both the redelivery obligation of certificates calculated according to current regulations in the amount of 7.9 million euro (10.6 million euro at 31 December 2021) and the exposure for forward contracts for the purchase and sale of greenhouse gas emission allowances in the amount of 4.1 million euro (6.6 million as at 31 December 2021). The decrease is attributable to both lower obligations for the six-month period compared to compliance obligations already laid out at 30 June 2022 for the previous year, and the lower fair value of forward contracts.

GO (guarantee of origin) certificates include market exposure with respect to obligations to certify electricity generated from renewable energy sources against sales made to customers who have chosen that type of supply. The increase in the liability for GO certificates is a result of the increase in market prices in the first half of 2022.

The item "other payables" mainly comprise the following:

- dividend payables of 21.7 million euro (5.6 million euro at 31 December 2021) not yet paid at 30 June 2022 to shareholders of the Parent Company in the amount of 4 million euro and to minority shareholders in the amount of 17.7 million euro;
- payments on account and specific tariff concessions to users in the amount of 13.5 million euro (12.8 million euro at 31 December 2021), mainly related to the water cycle service in the amount of 6.9 million euro and the waste disposal and treatment service in the amount of 5.4 million euro;
- insurance deductibles in the amount of 11.6 million euro (12.2 million euro at 31 December 2021) that the Group must repay directly to damaged third parties or insurance companies;

31 Operational activity

Changes in net working capital

The following is a breakdown of information on changes in net working capital during the first six months of 2022, differentiating between cash flows and non-cash flows.

Type	30-Jun-22	31-Dec-21	Change (a)	Non-cash flows			Other changes (e)	Cash flows (f)=(b)+(c)+(d)+(e)-(a)
				Acquisitions divestitures (b)	Economic valuation components (c)	Changes in fair value (d)		
Inventories	765.9	368.0	397.9				(0.2)	(398.1)
Trade receivables	2,485.3	2,918.0	(432.7)	7.0	(49.4)	0.6	(197.4)	193.5
Trade payables	(2,045.9)	(2,356.6)	310.7	(5.9)				(316.6)
Other current assets/liabilities	(1,047.9)	(1,013.3)	(34.6)	(2.6)	4.3	0.4	206.3	243.0
Changes in working capital	157.4	(83.9)	241.3	(1.5)	(45.1)	1.0	8.7	(278.2)

"Acquisitions divestitures" include the effects of the acquisitions of control carried out in the course of the first six months of 2022, as illustrated in detail in paragraph 2.02.02 "Scope of consolidation", in the section "Business combinations".

"Economic valuation components" mainly include:

- Provision for bad debts in the amount of 47.4 million euro and loan losses in the amount of 2 million euro;
- The period's portion of plant grants amounting to 4.3 million euro.

"Other changes" mainly include transfers within net working capital of trade receivables arising from the application of the invoice discount to end customers for energy efficiency improvement work that, during the period, finished undergoing the process of tax recognition to become tax credits.

Dividends collected

During the first half of 2022, dividends of 4.4 million euro (4.8 million euro in the first half of 2021) were received from companies consolidated under the equity method and 2 million euro (1.9 million euro in the first half of 2021) were received from investments held in other companies.

Net interest paid

The following is a reconciliation of the balance sheet values of financial income and expenses and the related net cash flows for the year.

Type	30-Jun-22 (a)	Non-cash components		Other changes (d)	Cash components (e)=(a)-(b)-(c)-(d)
		Economic valuation components (b)	Changes in fair value (c)		
Financial income	41.1	2.2	18.8	6.3	13.8
Financial expenses	(98.1)	(33.2)	(9.0)	10.6	(66.5)
Total	(57.0)	(31.0)	9.8	16.9	(52.7)

"Economic valuation components" includes income and expenses arising from both the measurement at amortised cost and the discounting of liabilities with medium- to long-term monetary outlays.

"Changes in fair value" represent current market value valuations referable to:

- Financial assets related to receivables associated with the application of the invoice discount in relation to eligible energy efficiency improvement work carried out on behalf of end customers;
- Financial liabilities represented by a bond and the derivative financial instruments contracted to hedge the bond.

For further details on the above items, please see note 10 "Financial income and expenses" and note 20 "Derivative instruments".

"Other changes" mainly include:

- cash flows related to charges recognized on an accrual basis in previous years in the amount of 10.9 million euro;
- the components of income received and expenses paid during the year, the cash flows of which are shown in specific items in the cash flow statement, relating mainly to dividends of 3.7 million euro and expenses on lease contracts of 1.3 million euro;
- the payment of dividends related to the put option held by Ascopiave Spa on the minority shareholding in Hera Comm Spa, which is accounted for as a loan and therefore involves the recognition of notional interest, in the amount of 3.4 million euro.

Taxes paid

The breakdown of flows by tax type is as follows:

	30-Jun-22	30-Jun-21
Income taxes	29.7	72.9
Nonrecurring taxes	9.9	-
Substitute tax	-	5.6
Taxes paid	39.6	78.5

At 30 June 2021, the item "Substitute tax" included the amount paid in connection with the tax realignment of goodwill carried out in the first half of the previous year.

For "Nonrecurring taxes," please refer to the discussion in Note 11 "Taxes".

32 Investment activities

Investments in subsidiaries and business units net of cash Investments in other equity investments

For more details on the acquisition transactions carried out in the first half of fiscal year 2022, please refer to Section 1.02 "Significant Events" of the Directors' report.

The table below details the main cash disbursements and cash holdings acquired, when present, associated with shareholdings in companies and business units as well as other shareholdings.

30-Jun-22	"Bfeng" business unit	Con Energia Spa	Other operations	Total investments
Cash outlays leading to the acquisition of control	12.0	30.0		42.0
Fees payables				-
Cash holdings acquired		(4.2)		(4.2)
Investments in subsidiary companies and business units net of cash holdings	12.0	25.8	-	37.8
Cash outlays in other shareholdings			11.1	11.1
Investments in subsidiary companies, business units and other shareholdings	12.0	25.8	11.1	48.9

Increase/decrease in other investment activities

The following is a breakdown of information on changes in the other investment activities during the first half of the 2022 financial year, differentiating between cash flows and non-cash flows.

Type	30-Jun-22	31-Dec-21	Change (a)	Non-cash flows				Cash flows (f)=(b)+(c)+(d)+(e)-(a)
				Acquisitions divestitures (b)	Economic valuation components (c)	Changes in fair value (d)	Other changes (e)	
Current and non-current financial assets	167.2	172.0	(4.8)	2.2	2.2		1.3	10.5

"Acquisitions divestitures" include the effects arising from control acquisition transactions carried out during the first half of fiscal year 2022, as detailed in section 2.02.02 "Scope of consolidation" under "Business combination transactions".

"Economic valuation components" include income from discounting financial receivables in the amount of 2.2 million euro. For further details, please see note 10 "Financial income and expenses".

33 Financing activities

Changes in financial liabilities

The table below shows the changes in financial liabilities that occurred in the first half of 2022, broken down into cash and non-monetary flows.

For further details on "Changes in fair value" please refer to note 20 "Derivative instruments", while for "Economic valuation components" and "Other changes" please refer to notes 10 "Financial income and expenses", 14 "Rights of use and lease liabilities" and 26 "Non-current and current financial liabilities".

Type	30-Jun-22	31-Dec-21	Change (a)	Non-cash flows			Cash flows (f)=(b)+(c)+(d)+(e)-(a)	
				Acquisitions divestitures (b)	Economic valuation components (c)	Changes in fair value (d)		Other changes (e)
Non-current financial liabilities	4,155.1	3,716.0	439.1		24.4	(3.8)	(81.5)	500.0
Current financial liabilities	479.8	499.7	(19.9)		0.1		39.6	(59.6)
Cash flows related to financial liabilities	4,634.9	4,215.7	419.2		24.5	(3.8)	(41.9)	440.4
of which								
New issue of long-term bonds								500.0
Repayments of non-current financial liabilities								-
Repayments and other net changes in financial liabilities								(59.6)
Lease liabilities	77.2	96.6	(19.4)	0.3	1.4		10.9	(32.0)
Financial liabilities generated by financing activities	4,712.1	4,312.3	399.8	0.3	25.9	(3.8)	(31.0)	408.4

"Acquisitions divestitures" include the effects stemming from control acquisition transactions carried out during the first half of fiscal year 2022, as detailed in section 2.02.02 "Scope of consolidation" under "Business combination transactions."

"Economic valuation components" include:

- valuation at depreciated cost of bonds and financing for 14.2 million euro;
- discounting charges related to the put options of minority shareholdings and earn-outs contracted as part of the acquisition of control over companies and business units, amounting to 10.3 million euro;
- expenses related to leases for 1.4 million euro.

"Changes in fair value" include the adjustment made to the carrying amount of a bond loan as a result of the fair value hedge for 3.8 million euro.

"Other changes" in the items "Non-current financial liabilities" and "Current financial liabilities" include net effect mainly due to:

- payment of dividends to minority shareholders with whom the Group contracted put options at the time of acquiring control, amounting to 21.9 million euro. In the statement of cash flows, the related cash flow is represented by dividends paid in the period, while in the financial statements it is a change in financial liabilities, since the Group's policy provides for the recognition of an estimate of the total amount of dividends that will be distributed over the life of the put option granted to minority shareholders; this mechanism is described in note 26 "Non-current and current financial liabilities".
- recognition of the amortized cost in connection with the bond issued during the first half of 2022, amounting to 6.8 million euro.

"Other changes" in the item "Lease liabilities" include payables related to contracts signed during the period and the remeasurement of payables under existing contracts, generated by an update of the underlying assumptions on renewal, purchase or early termination options.

Acquisition of Interests in consolidated companies

The value refers mainly to the outlay related to the purchase of non-controlling shares in Hera Comm Marche Srl, as described in section 2.02.02 "Scope of consolidation".

Dividends paid out to Hera shareholders and non-controlling interests

The value refers to dividends paid out during the period to:

- parent company's shareholders for 174.4 million euro;
- minority shareholders in the amount of 25.1 million euro, of which 21.9 million euro were paid to minority shareholders to whom the Group had recognized payables for put options in previous years. As a result, the relevant amount was deducted from the put option liability, as shown in Note 26 "Non-current and current financial liabilities".

Finally, it should be noted that non-monetary flows due to exchange rate differences were absent in the first six months of 2022.

2.02.05 Reporting by operational sector

Reporting by operational sectors is based on the approach management uses to monitor the performance of the Group by homogeneous business areas. The net costs and assets for business support functions, in keeping with the internal control model, are entirely associated with operational businesses.

As of 30 June 2022, the Hera Group is organized according to the following business lines:

- **Gas:** includes the costs of distributing and selling methane gas as well as district heating and energy services;
- **Electricity:** includes the costs of producing, distributing and selling electricity;
- **Water Cycle:** includes aqueduct, purification and sewage services;
- **Waste management:** includes waste collection, treatment, recycling and disposal services;
- **Other services:** includes public lighting, telecommunications and other minor services.

The following are assets and liabilities by business line for the first six months of 2022 and the 2021 financial year:

30-Jun-22	Gas	Electricity	Water cycle	Waste management	Other services	Total
Current year						
Assets (tangible and intangible)	2,043.0	621.2	2,185.8	1,308.7	123.2	6,281.9
Goodwill	494.8	72.2	42.7	228.3	4.9	842.9
Shareholdings	103.1	30.4	18.4	47.9	-	199.8
Not attributed fixed assets						86.2
Net fixed assets	2,640.9	723.8	2,246.9	1,584.9	128.1	7,410.8
Attributed net working capital	199.1	23.1	(175.9)	81.4	29.6	157.3
Non attributed net working capital						52.9
Net working capital	199.1	23.1	(175.9)	81.4	29.6	210.2
Other provisions	(181.5)	(32.4)	(130.7)	(278.0)	(4.0)	(626.6)
Net invested capital	2,658.5	714.5	1,940.3	1,388.3	153.7	6,994.4

31-Dec-21	Gas	Electricity	Water cycle	Waste management	Other services	Total
Previous year						
Assets (tangible and intangible)	1,943.3	647.6	2,134.2	1,315.4	128.8	6,169.3
Goodwill	494.8	72.2	42.7	228.3	4.9	842.9
Shareholdings	111.7	30.4	18.9	37.5	-	198.5
Not attributed fixed assets						97.3
Net fixed assets	2,549.8	750.2	2,195.8	1,581.2	133.7	7,308.0
Attributed net working capital	(95.5)	108.1	(155.4)	66.8	(7.9)	(83.9)
Non attributed net working capital						87.4
Net working capital	(95.5)	108.1	(155.4)	66.8	(7.9)	3.5
Other provisions	(181.1)	(33.4)	(129.4)	(285.2)	(4.3)	(633.4)
Net invested capital	2,273.2	824.9	1,911.0	1,362.8	121.5	6,678.1

The most significant results by operational sector at 30 June 2022 and the same period of the previous fiscal year are outlined as follows:

first six months of 2022	Gas	Electricity	Water cycle	Waste management	Other services	Structure	Total
Current year							
Direct revenues	6,040.7	1,837.2	466.7	693.4	59.3	18.2	9,115.5
Infra-cycle revenues	90.8	145.7	2.7	55.8	22.8	21.0	338.8
Total direct revenues	6,131.5	1,982.9	469.4	749.2	82.1	39.3	9,454.3
Indirect revenues	7.6	1.8	20.7	9.1	0.1	(39.3)	-
Total revenues	6,139.0	1,984.6	490.1	758.4	82.2	-	9,454.3
Gross operating margin	211.0	40.1	125.3	150.7	15.8	-	542.9
Direct amortisations and provisions	87.3	32.6	56.9	72.6	11.1	35.9	296.3
Indirect amortisations and provisions	4.6	1.3	15.2	14.5	0.2	(35.9)	-
Total amortisations and provisions	91.9	33.9	72.1	87.1	11.3	-	296.3
Operating revenues	119.2	6.2	53.2	63.6	4.5	-	246.6

first six months of 2021	Gas	Electricity	Water cycle	Waste management	Other services	Structure	Total
Previous year							
Direct revenues	2,133.4	1,081.2	426.9	610.2	60.6	7.6	4,320.0
Infra-cycle revenues	43.7	57.6	1.6	26.8	20.8	27.6	178.1
Total direct revenues	2,177.1	1,138.8	428.5	637.1	81.5	35.2	4,498.1
Indirect revenues	8.5	2.4	18.2	5.8	0.2	(35.2)	-
Total revenues	2,185.6	1,141.2	446.7	642.9	81.7	-	4,498.1
Gross operating margin	244.1	90.0	122.3	142.6	18.9	-	617.9
Direct amortisations and provisions	74.0	28.0	56.8	73.0	9.6	32.9	274.3
Indirect amortisations and provisions	4.0	1.4	14.0	13.2	0.2	(32.9)	-
Total amortisations and provisions	77.9	29.5	70.8	86.2	9.9	-	274.3
Operating revenues	166.2	60.5	51.4	56.4	9.0	-	343.6

As fully described in the management report, the gross operating margin for the gas operational segment has been adjusted for management purposes in order to comment on its performance for the period. Chapter 1.05 "Analysis by Strategic Business Area", to which reference should be made in order to understand business dynamics, shows the adjusted value on the valuation of gas stocks.

2.03 NET FINANCIAL INDEBTEDNESS

2.03.01 Net financial indebtedness

		30-Jun-22	31-Dec-21
A	Cash holdings	872.6	885.6
B	Cash holdings and equivalents	-	-
C	Other current financial assets	32.2	29.3
D	Liquid assets (A+B+C)	904.8	914.9
E	Current financial debt	(401.5)	(443.6)
F	Current part of non-current financial debt	(100.6)	(99.5)
G	Current financial indebtedness (E+F)	(502.1)	(543.1)
H	Current net financial indebtedness (G+D)	402.7	371.8
I	Non-current financial debt	(1,039.4)	(1,073.8)
J	Debt instruments	(3,180.7)	(2,702.0)
K	Commercial and other non-current payables	-	-
L	Non-current financial indebtedness (I+J+K)	(4,220.1)	(3,775.8)
M	Total financial indebtedness (H+L)	(3,817.4)	(3,404.0)
	Guidelines ESMA 32 - 382 - 1138		
	Non-current financial receivables	135.0	142.7
	Net debt	(3,682.4)	(3,261.3)

2.03.02 Net financial indebtedness according to the Consob notice DEM/6064293 of 2006

			30-Jun-22				31-Dec-21				
			A	B	C	D	A	B	C	D	
A	Cash holdings	872.6	-	-	-	-	885.6	-	-	-	-
B	Cash holdings and equivalents	-	-	-	-	-	-	-	-	-	-
C	Other current financial assets	32.2	-	11.3	3.6	2.0	29.3	-	4.8	4.4	3.2
D	Liquid assets (A+B+C)	904.8					914.9				
	of which related parties		-	11.3	3.6	2.0		-	4.8	4.4	3.2
E	Current financial debt	(401.5)	-	-	(0.5)	-	(443.6)	-	-	(0.8)	(39.4)
F	Current part of non-current financial debt	(100.6)	-	-	(1.3)	-	(99.5)	-	-	(1.2)	(0.1)
G	Current financial indebtedness (E+F)	(502.1)					(543.1)				
	of which related parties		-	-	(1.8)	-		-	-	(1.9)	(0.1)
H	Current net financial indebtedness (G+D)	402.7					371.8				
	of which related parties		-	11.3	1.8	2.0		-	4.8	2.4	(36.3)
I	Non-current financial debt	(1,039.4)	-	-	(5.8)	(0.2)	(1,073.8)	-	-	(6.4)	(0.2)
J	Debt instruments	(3,180.7)	-	-	-	-	(2,702.0)	-	-	-	-
K	Commercial and other non-current payables	-	-	-	-	-	-	-	-	-	-
L	Non-current financial indebtedness (I+J+K)	(4,220.1)					(3,775.8)				
	of which related parties		-	-	(5.8)	(0.2)		-	-	(6.4)	(0.2)
M	Total financial indebtedness (H+L) Guidelines ESMA 32 - 382 - 1138	(3,817.4)					(3,404.0)				
	of which related parties		-	11.3	(4.0)	1.8		0.3	4.8	(5.0)	36.5
	Non-current financial receivables	135.0					142.7				
	of which related parties		-	15.9	12.1	30.9		-	18.6	13.6	29.8
	Net debt	(3,682.4)					(3,261.3)				
	of which related parties		-	27.2	8.1	32.7		-	23.4	9.6	(6.7)

Key to column headings for related parties:

A Non-consolidated subsidiaries

B Associated and jointly controlled companies

C Related companies with significant influence (shareholder municipalities)

D Other related parties

2.04 FINANCIAL STATEMENT FORMATS AS PER CONSOB RESOLUTION 15519/2006

2.04.01 Income statement as per Consob resolution 15519/ 2006

	notes	first six months of 2022	of which related parties						first six months of 2021	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	1	8,896.0	-	62.3	136.3	8.6	207.2	2.3%	4,179.7	-	20.3	138.5	5.7	164.5	3.9%
Other operating revenues	2	219.4	-	0.3	0.3	-	0.6	0.3%	140.2	-	0.1	0.6	-	0.7	0.5%
Raw and other materials	3	(7,150.5)	-	(64.8)	-	(21.5)	(86.3)	1.2%	(2,128.5)	-	(38.3)	-	(20.8)	(59.1)	2.8%
Service costs	4	(1,105.2)	-	(4.4)	(5.5)	(11.1)	(21.0)	1.9%	(1,260.1)	-	(4.2)	(7.5)	(12.4)	(24.1)	1.9%
Personnel costs	5	(308.7)	-	-	-	-	-		(301.8)	-	-	-	-	-	
Other operating costs	6	(39.3)	-	-	(1.5)	(0.4)	(1.9)	4.8%	(37.9)	-	-	(0.5)	(0.1)	(0.6)	1.6%
Capitalized costs	7	31.2	-	-	-	-	-		26.3	-	-	-	-	-	
Amortisation, depreciation and provisions	8	(296.3)	-	-	-	-	-		(274.3)	-	-	-	0.0	0.0	(0.0)%
Operating revenues		246.6	-	(6.6)	129.6	(24.4)	98.6		343.6	-	(22.1)	131.1	(27.6)	81.4	
Share of profits (losses) pertaining to joint ventures and associated companies	9	6.1	-	6.1	-	-	6.1	100.0%	5.4	-	5.4	-	-	5.4	100.0%
Financial income	10	41.1	-	0.8	0.3	0.2	1.3	3.2%	47.9	-	1.0	0.3	0.2	1.5	3.1%
Financial expenses	10	(98.1)	-	-	(0.1)	-	(0.1)	0.1%	(136.9)	-	1.0	(0.2)	-	0.8	(0.6)%
Financial operations		(50.9)	-	6.9	0.2	0.2	7.3		(83.6)	-	7.4	0.1	0.2	7.7	
Earnings before taxes		195.7	-	0.3	129.8	(24.2)	105.9		260.0	-	(14.7)	131.2	(27.4)	89.1	
Taxes	11	(56.7)	-	-	-	-	-		(23.8)	-	-	-	-	-	
Net profit for the period		139.0	-	0.3	129.8	(24.2)	105.9		236.2	-	(14.7)	131.2	(27.4)	89.1	
To attribute to:															
Parent company shareholders		120.6							216.1						
Minority shareholders		18.4							20.1						
Earnings per share	12														
basic		0.083							0.148						
diluted		0.083							0.148						

Column headings related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

2.04.02 Statement of financial position as per Consob resolution 15519/ 2006

	notes	30-Jun-22	of which related parties						31-Dec-21	of which related parties						
			A	B	C	D	Total	%		A	B	C	D	Total	%	
ASSETS																
Non-current assets																
Property, plant and equipment	13	1,905.2	-	-	-	-	-		1,941.0	-	-	-	-	-		
Rights of use	14	84.4	-	-	-	-	-		101.6	-	-	-	-	-		
Intangible assets	15	4,292.3	-	-	-	-	-		4,126.7	-	-	-	-	-		
Goodwill	16	842.9	-	-	-	-	-		842.9	-	-	-	-	-		
Shareholdings	17	199.8	11.1	149.0	-	2.0	162.1	81.1%	198.5	-	152.4	-	2.0	154.4	77.8%	
Non-current financial assets	18	135.0	-	15.9	12.1	30.9	58.9	43.6%	142.7	-	18.6	13.6	29.8	62.0	43.4%	
Deferred tax assets	19	279.0	-	-	-	-	-		229.4	-	-	-	-	-		
Derivative financial instruments	20	0.3	-	-	-	-	-		6.9	-	-	-	-	-		
Total non-current assets		7,738.9	11.1	164.9	12.1	32.9	221.0		7,589.7	-	171.0	13.6	31.8	216.4		
Current assets																
Inventories	21	765.9	-	-	-	-	-		368.0	-	-	-	-	-		
Trade receivables	22	2,485.3	-	8.0	61.6	17.8	87.4	3.5%	2,918.0	-	10.3	65.6	15.0	90.9	3.1%	
Current financial assets	18	32.2	-	11.3	3.7	2.0	17.0	52.8%	29.3	-	4.8	4.4	3.2	12.4	42.3%	
Current tax assets	23	30.8	-	-	-	-	-		21.2	-	-	-	-	-		
Other current assets	24	497.1	-	6.7	(0.4)	4.5	10.8	2.2%	422.3	-	2.4	(1.2)	3.9	5.1	1.2%	
Derivative financial instruments	20	2,939.0	-	-	-	-	-		1,797.4	-	-	-	-	-		
Cash and cash equivalents	18	872.6	-	-	-	-	-		885.6	-	-	-	-	-		
Total current assets		7,622.9	-	26.0	64.9	24.3	115.2		6,441.8	-	17.5	68.8	22.1	108.4		
TOTAL ASSETS		15,361.8	11.1	190.9	77.0	57.2	336.2		14,031.5	-	188.5	82.4	53.9	324.8		

Column headings related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

	notes	30-Jun-22	of which related parties						31-Dec-21	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
NET EQUITY AND LIABILITIES															
Share capital and reserves															
Share capital	25	1,454.9	-	-	-	-	-		1,459.6	-	-	-	-	-	
Reserves	25	1,527.1	-	-	-	-	-		1,407.1	-	-	-	-	-	
Profit (loss) for the period		120.6	-	-	-	-	-		333.5	-	-	-	-	-	
Group net equity		3,102.6	-	-	-	-	-		3,200.2	-	-	-	-	-	
Non-controlling interests		209.4	-	-	-	-	-		216.6	-	-	-	-	-	
Total net equity		3,312.0	-	-	-	-	-		3,416.8	-	-	-	-	-	
Non-current liabilities															
Non-current financial liabilities	26	4,155.1	-	-	1.7	-	1.7	0.0%	3,716.0	-	-	1.8	-	1.8	0.0%
Non-current lease liabilities	14	54.9	-	-	4.2	0.2	4.4	8.0%	53.2	-	0.1	4.6	0.2	4.9	9.2%
Post-employment and other benefits	27	89.5	-	-	-	-	-		105.4	-	-	-	-	-	
Provisions for risks and charges	28	537.1	-	1.5	-	-	1.5	0.3%	528.0	-	1.5	-	-	1.5	0.3%
Deferred tax liabilities	19	192.8	-	-	-	-	-		132.1	-	-	-	-	-	
Derivative financial instruments	20	10.4	-	-	-	-	-		13.5	-	-	-	-	-	
Total non-current liabilities		5,039.8	-	1.5	5.9	0.2	7.6		4,548.2	-	1.6	6.4	0.2	8.2	
Current liabilities															
Current financial liabilities	26	479.8	-	-	0.5	-	0.5	0.1%	499.7	-	-	0.7	39.4	40.1	8.0%
Current lease liabilities	14	22.3	-	0.0	1.3	0.1	1.4	6.4%	43.4	-	0.0	1.2	0.1	1.3	3.1%
Trade payables	29	2,045.9	-	39.1	14.6	20.4	74.1	3.6%	2,356.6	-	31.8	16.7	24.6	73.1	3.1%
Current tax liabilities	23	53.4	-	-	-	-	-		27.9	-	-	-	-	-	
Other current liabilities	30	1,545.0	-	0.7	4.0	0.2	4.9	0.3%	1,435.6	-	4.8	4.8	0.4	10.0	0.7%
Derivative financial instruments	20	2,863.6	-	-	-	-	-		1,703.3	-	-	-	-	-	
Total current liabilities		7,010.0	-	39.8	20.4	20.7	80.9		6,066.5	-	36.6	23.4	64.5	124.5	
TOTAL LIABILITIES		12,049.8	-	41.3	26.3	20.9	88.5		10,614.7	-	38.2	29.8	64.7	132.7	
TOTAL NET EQUITY AND LIABILITIES		15,361.8	-	41.3	26.3	20.9	88.5		14,031.5	-	38.2	29.8	64.7	132.7	

Column headings related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

2.04.03 Financial statement as per Consob resolution 15519/2006

	30-Jun-22	of which related parties
Earnings before taxes	195.7	
Adjustments to reconcile net profit to the cashflow from operating activities		
Amortisation and impairment of assets	229.9	
Allocation to provisions	66.4	
Effects from valuation using the net equity method	(6.1)	
Financial (income) expenses	57.1	
(Capital gains) losses and other non-monetary elements	(25.7)	
Change in provisions for risks and charges	(18.2)	
Change in provisions for employee and post-employment benefits	(6.1)	
Total cash flow before changes in net working capital	493.0	
(Increase) decrease in inventories	(398.1)	
(Increase) decrease in trade receivables	193.5	3.5
Increase (decrease) in trade payables	(316.6)	1.0
Increase/decrease in other current assets/liabilities	243.0	(5.8)
Changes in working capital	(278.2)	
Dividends collected	6.4	4.5
Interest income and other financial income collected	13.8	1.6
Interest expenses, net charges on derivatives and other paid financial charges	(66.5)	
Taxes paid	(39.6)	
Cash flow from operating activities (a)	128.9	
Investments in property, plant and equipment	(80.6)	
Investments in intangible assets	(206.5)	
Investments in subsidiary companies and business units net of cash holdings	(37.8)	
Other equity investments	(11.1)	(11.1)
Sale price of tangible and intangible assets	1.1	0.1
Disinvestimenti in partecipazioni and contingent consideration	-	
(Increase) decrease in other investment activities	10.5	2.1
Cash flow from (for) investing activities (b)	(324.4)	
New issue of long-term bonds	500.0	
Repayments of non-current financial liabilities	-	
Repayments and other net changes in financial liabilities	(59.6)	(39.7)
Lease contract payments	(32.0)	(0.6)
Acquisition of Interests in consolidated companies	(10.6)	
Dividends paid out to Hera shareholders and non-controlling interests	(199.5)	(68.1)
Changes in treasury share	(15.8)	
Cash flow from (for) financing activities (c)	182.5	
Increase (decrease) in cash holdings (a+b+c)	(13.0)	
Cash and cash equivalents at the beginning of the year	885.6	
Cash and cash equivalents at the end of the year	872.6	

2.04.04 List of related parties

The figures in the table as at 30 June 2022 refer to the correlated parties listed below:

Group A - Non-consolidated subsidiaries

-

Macero Maceratese Srl

Group B- Affiliated and jointly controlled companies:

Adria Link Srl

Aimag Spa

ASM SET Srl

Energio Doo

Enomondo Srl

Hea Spa

H.E.P.T. Co. Ltd

Natura Srl in liquidation

Oikothén Scarl in liquidation

SEA - Servizi Ecologici Ambientali Srl

Set Spa

Sgr Servizi Spa

Sinergie Italiane Srl in liquidation

Tamarete Energia Srl

Tre Monti Srl

Group C - Related parties with significant influence

Municipality of Bologna

Municipality of Casalecchio di Reno

Municipality of Cesena

Municipality of Ferrara

Municipality of Imola

Municipality of Modena

Municipality of Padua

Municipality of Ravenna

Municipality of Rimini

Municipality of Trieste

CON.AMI

Holding Ferrara Servizi Srl

Ravenna Holding Spa

Rimini Holding Spa

Group D - Other related parties

Acosea Impianti Srl

Dragone Impianti Spa Acqeduct

Aloe Spa

Amir Spa - Asset

Apa2 consulting Sas

Aspes Spa

BPI Learning Consulting Spain S.L.

Calenia Energia Spa

CIR S.p.A.

Co.ra.b. Srl

Cora costr. Resid. Artig. Srl

Dental invest Srl

Executive Advocacy Srl

Fiorano Gestioni Patrimoniali Srl

Fonderia cab Srl
Fonderia fomar ghisa Srl
Formigine Patrimonio Srl
Ire immobiliare riqualificazione ed
Maranello Patrimonio Srl
Medeopart 2 Srl
Medeopart 3 Srl
Medeopart 4 Srl
Medeopart 5 Srl
Medeopart 6 Srl
Medeopart associates Srl
Medeor Capital S.r.l.
Rabofin Srl
Romagna Acque Spa
Sassuolo Gestioni Patrimoniali Srl
Se.r.a. Srl servizi ristorazione
Serramazzoni Patrimonio Srl
Sis Società Intercomunale di Servizi Spa in liquidation
Società Italiana Servizi Spa - Sis Spa asset
SOGEFI S.p.A.
SPS S.r.l.
Te.Am Srl
Team Srl
Unica Reti Spa - Asset
Vanpart Srl
Auditors, directors, strategic executives, family members of strategic executives

2.04.05 Explanatory notes to relations with related parties

Service management

In most of the areas it serves competence and in almost all of shareholding municipalities for the provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna, Rimini, Padua, Udine, Trieste, Gorizia and Pesaro, the Hera Group holds the concession for the local public services of economic interest (distribution of natural gas through local gas pipelines, integrated water service and environmental services, including sweeping, waste collection, transport and recovery and disposal). The electricity distribution service is carried out in the areas of Modena and Imola, and in the municipalities of Trieste and Gorizia. Other public utilities (including urban district heating, energy services and public lighting) are carried out in a free market regime or through specific agreements with the local authorities concerned. Through specific relations with the local authorities and / or local agencies, the Hera Group is also responsible for waste treatment and disposal services, not included in urban hygiene activities.

Water sector

The water services managed by the Hera Group are carried out in the areas served in the Emilia-Romagna, Veneto, Friuli-Venezia Giulia and Marche regions. It is carried out on the basis of conventions with the relevant local agencies, with a variable duration, which is usually twenty years.

The Hera Group's mandate for managing integrated water services refers to activities of water collection and drinking water treatment and distribution for civil and industrial applications as well as sewerage and sewage treatment. The agreements signed with the local area authorities also require the operator to carry out the planning and construction of new networks and plants aimed at providing the service. The conventions regulate the economic aspects of the contractual agreement, as well as the modes of managing the service, and the performance and quality standards.

Beginning in 2012, authority for rates was transferred from the state to the national agency ARERA which, as part of this task it has been assigned, approved a transitional rate method for the period 2012-2013, a two-year period of consolidation from 2014 to 2015, second tariff period of 2016-2019 and the current provision regime 2020-2023.

The adjustment for 2020-2023 is in continuity with the previous 2016-2019 period, with the introduction of several new elements related to incentivizing energy and environmental sustainability as well as standard levels of contractual and technical quality. Each operator is granted a revenue (VRG) independent of the dynamics of volumes distributed and determined on the basis of operating costs (endogenous and exogenous) and capital costs based on the investments made as well as, for the Rimini area, the result of the tender procedure concluded with a new concession contract signed for the 2022-2039 period.

For the purpose of carrying out the service, the operator uses networks, facilities and other equipment owned by the company itself or the municipalities or asset companies. These assets, part of the inaccessible water stores, or granted or leased to the provider, must be returned to the municipalities, asset companies or local area authorities at the end of the concession to be made available to the incoming provider. Any work carried out by the Hera Group for the water service must be returned to the above mentioned entities following payment or the residual value of the assets in question.

Hera's relations with users are regulated by provisioning regulations as well as Service Charters drafted on the basis of templates approved by local area authorities in compliance with provisions set out by Arera regarding the quality of the service and the resource.

Waste management sector

The municipal waste service managed by the Hera Group in the area it serves is provided on the basis of agreements with local authorities and comprises the exclusive management of the collection, transportation, sweeping and cleaning of streets, preparations for waste recovery or disposal and other minor services. Agreements concluded with local area authorities regulate the economic aspects of the contractual agreement, as well as the modes of organising and managing the service, and the

performance and quality standards. Beginning in 2020, the compensation due to the provider for services rendered, including municipal waste disposal/treatment/recovery activities, has been defined annually on the basis of Arera's new national rate regulation (Authority resolution 2019/433), as well as on the basis of the results of the tender process that had already been concluded for the areas in which new contracts were to be awarded (areas of Ravenna and Cesena, Bologna, Modena, and Saccolongo).

The municipal waste management service is billed by the Hera Group to the individual municipalities in the case of the Tari regime or to the individual users in cases where the punctual correspondent tariff (TCP) is applied.

For the operation of municipal waste treatment plants, the Hera Group is required to obtain authorizations at the provincial level; in addition, for 2022 the subsidiary Herambiente Spa is also subject to the new national regulation concerning undifferentiated waste disposal plants and composting plants, as they are classified as "minimum plants" by the Emilia-Romagna Region.

In compliance with the principle of public service continuity, in accordance with the agreements in force, the provider is obliged to continue providing the service even in the areas where the date of expiration of the concession has already passed and until the beginning of the new concessions.

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (so-called Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market. Inrete Distribution Energy Spa, an Hera Group company that took over natural gas and electricity distribution from Hera SpA, takes advantage of longer residual terms established for operators that have promoted partial privatizations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing. The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Rates for the distribution of gas are fixed under current regulations and by periodical resolutions issued by the agency in charge of this sector (Arera). The area in which Inrete Distribuzione Energia Spa provides gas distribution services is divided into rate zones in which a uniform distribution rate is applied to different categories of customers. The rate regulations in force at the time of the approval of these half-yearly financial statements are mainly represented by Arera Resolution 620/2021/R/gas of 29 December 2021 (Update of rates for gas distribution and metering services, for the year 2022), which replaced the previous Resolution 596/2020/R/gas of 29 December 2020 and through which the mandatory rates for natural gas distribution, metering and marketing services were approved for the year 2022.

The rates in effect beginning 1 January 2022 are shown in Table 1 attached to the above resolution.

The rates for the 2022 financial year fall within the so-called 2020-2025 rate period.

Beginning 1 January 2020, in fact, the new Regulation governing gas distribution and metering service rates for the regulation period 2020-2025 (Rtdg 2020-2025) came into force, approved with resolution 570/2019/R/gas.

Pursuant to Article 43 of the Rtdg 2020-2025, the mandatory natural gas distribution and metering rates are broken down into different rate areas:

- the northwest area, which includes the regions of Valle d'Aosta, Piedmont and Liguria;
- the northeast area, including the regions of Lombardy, Trentino - Alto Adige, Veneto, Friuli - Venezia Giulia, and Emilia - Romagna;
- the central area, comprising the regions of Tuscany, Umbria and the Marche;
- the central-southeastern area, including the regions of Abruzzo, Molise, Apulia and Basilicata;
- the central-southwestern area, including the Lazio and Campania regions;
- the southern area, including the regions of Calabria and Sicily.
- the Sardinia area, including the region of Sardinia.

The value of the rate components GS, RE, RS and UG1 referred to in paragraph 42.3, sections c), d), e), f) of the Rtdg 2020-2025 is subject to quarterly updating.

As of 1 January 2022, the rates already valid in Q4 2021 were confirmed - Resolution 635/2021/R/com and Table 7 annexed to Resolution 396/2021/R/com, and beginning 1 April 2022 - Resolution 141/2022/R/com and Table 7 annexed to Resolution 396/2021/R/com.

In fact, as of 1 October 2021, Table 7 annexed to Resolution 396/2021/R/com is applicable.

With regard to electricity, the contracts (lasting thirty years and renewable pursuant to the current regulations) govern power distribution activities comprising, inter alia, the management of distribution networks and the operation of associated plants, ordinary and extraordinary maintenance, the planning and identification of development projects, and metering. The contract may be suspended or terminated, on the judgement of the national Authority, if defaults and violations occur on the part of the concessionary company that seriously affect the performance of the distribution and metering of electricity. The distribution company is obliged to apply to its customers (so called Distribution Users) the rates set by current regulations and resolutions adopted by the sector Authority. The rate regulations in effect at the time the half-yearly financial statements are approved refers to the Authority's resolution 654/2015/R/Eel of 23 December 2015 (Rate regulations for electricity transmission, distribution and metering, for the regulatory period 2016-2023), which replaced the previous Authority resolution Arg/elt no. 199/2011 and subsequent amendments and additions (Official directives for the provision of electricity transmission, distribution and metering services for the regulatory period 2012-2015 and provisions on economic conditions for the provision of connection services), in force until 31 December 2015. With this resolution, the Authority issued the provisions on the tariff regulation of electricity transmission, distribution and measurement services for the 2016-2023 regulatory period, defining an eight-year regulatory period made up of two four-year semi-periods, also providing for an intra-period update between the first and second semi-periods.

The mandatory rate for distribution services covers the costs of transporting electricity along distribution networks. It is applied to all end customers, with the exception of low-voltage household customers. The rate has a trinomial structure and is expressed in hundredths of a euro per sampling point per year (fixed component), euro cents per KW per year (power component) and euro cents per kWh consumed (energy component).

The compulsory tariff for the distribution service is periodically updated by the national authority Arera by means of an appropriate provision, therefore, on 27 December 2019, resolution 568/2019/R/Eel was issued, approving the tariff regulation of electricity transmission, distribution and measurement services for the 2020-2023 regulatory semi-period.

For household customers for the year 2022, the update of rates for electricity transmission, distribution and metering services has been established by Resolution 623/2021/R/eel of 28 December 2021.

For non-domestic customers, the 2022 update of mandatory rates for electricity distribution and metering services and the economic conditions for the provision of connection service was set by Resolution 621/2021/R/eel of 28 December 2021.

2.05 LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euro) (*)	Consolidated percentage		Total interest
			direct	indirect	
Acantho Spa	Imola (BO)	23,573,079	80.64%		80.64%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasApsAmga Servizi Energetici Spa	Udine	11,168,284		100.00%	100.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sarl	La Wantzenau (France)	1,025,000		75.00%	75.00%
Aliplast Iberia SL	Calle Castilla -Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spoo	Zgierz (Poland)	1,200,000 PLN		75.00%	75.00%
Amgas Blu Srl	Foggia	10,000		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Ares Trading Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Ascopiave Energie Spa	Pieve di Soligo (TV)	250,000		100.00%	100.00%
Ascotrade Spa	Pieve di Soligo (TV)	1,000,000		100.00%	100.00%
Atlas Utilities EAD	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Biorg Srl	Bologna	3,000,000		75.00%	75.00%
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%
Con Energia Spa	Forli	500,000		100.00%	100.00%
Eco Gas Srl	Castel di Sangro (AQ)	100,000		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		75.00%	75.00%
Fruzzo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Green Factory Srl	Pesaro	30,000		46.70%	46.70%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	5,000,000		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		100.00%	100.00%
Hera Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Srl	Forli	1,110,430		67.61%	67.61%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Hydro Mud Srl	Torrebelvicino (VI)	50,000		75.00%	75.00%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%

Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000	46.70%	46.70%
Primagas AD	Varna (Bulgaria)	1,149,860 Lev	97.34%	97.34%
Recycla Spa	Maniago (PN)	90,000	75.00%	75.00%
Tri-Generazione Scarl	Padova	100,000	70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%	97.00%
Vallortigara Servizi Ambientali Spa	Torrebelvicino (VI)	330,000	75.00%	75.00%
Vallortigara Angelo Srl	Torrebelvicino (VI)	80,000	75.00%	75.00%
Vegri Scarl	Torrebelvicino (VI)	20,000	75.00%	75.00%
Wolmann Spa	Bologna	400,000	100.00%	100.00%

(*) unless otherwise specified

Jointly controlled 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%
SEA - Servizi Ecologici Ambientali Srl	Camerata Picena (AN)	100,000		31.00%	31.00%
Set Spa	Milan	120,000	39.00%		39.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%
Tre Monti Srl**	Milan	100,000		23.25%	23.25%

*The share capital of these companies consists of 67,577,681 euro of ordinary shares and 10,450,000 euro of related shares.

** Due to the insignificance of the book values, the company is still represented at cost

2.06 DECLARATION ON THE CONSOLIDATED FINANCIAL STATEMENT PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1 - I sottoscritti Orazio Iacono, in qualità di Amministratore Delegato e Luca Moroni, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Hera Spa, attestano, tenuto anche conto di quanto previsto dall'articolo 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n.58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato nel corso del 1° semestre 2022.

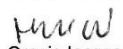
2 - Si attesta, inoltre, che:

2.1 - il bilancio semestrale abbreviato:

- a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n.1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
- b. corrisponde alle risultanze dei libri e delle scritture contabili;
- c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

2.2 - La relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul bilancio semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La relazione intermedia sulla gestione, comprende, altresì, un'analisi attendibile delle operazioni rilevanti con parti correlate.

L'Amministratore Delegato


Orazio Iacono

Il Dirigente Preposto alla redazione
dei documenti contabili societari

Luca Moroni


Bologna, 27 luglio 2022

2.07 REPORT BY THE INDEPENDENT AUDITOR



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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
HERA S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Hera S.p.A. and subsidiaries (the "Hera Group"), which comprise the statement of financial position as of June 30, 2022 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Hera Group as at June 30, 2022 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Francesco Masetti
Partner

Bologna, Italy
August 2, 2022

*This report has been translated into the English language solely for the convenience of international readers.
Accordingly, only the original text in Italian language is authoritative.*

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