2014
Consolidated and Separate Financial Statements

INTRODUCTION

LETTER FROM THE CHAIRMAN TO THE SHAREHOLDERS

Dear Shareholders,

We hereby present the Group's financial statements for the year 2014, approved by the Board of Directors at the end of the first year of its mandate.

As is well known, the overall economic situation showed no significant positive changes during 2014, and winter temperatures were also milder than had been seen in the past, with a significant impact on the level of gas consumption. In spite of this, the economic results that we are now able to present are once again positive, and the growth in question has also had encouraging repercussions on the Group's financial solidity. These results, that have constantly remained above those of the sector in question, in all quarters of the year, highlight the value of the strategic direction pursued, and the resiliency of the balanced portfolio developed by the Group.

The measures taken towards the consolidation of your Group were worthy of note in 2014 as well, with a further step forward consisting in full acquisition of the energy distribution activities managed in the Province of Gorizia. Furthermore, at mid-year, the Amga Udine merger took effect, thus widening Hera's operational area in the Friuli Venezia Giulia Region.

The economic results achieved in 2014 include an Ebitda of 868 million, with a +7,1% growth, and 163.6 million in net profits for shareholders, a +27% increase with respect to the previous year, non-recurring effects excluded. The data on share prices is equally positive, proving that the results of growth through external lines were non-dilutive for shareholders.

Increased efficiency in activities, cost reductions and investments all contributed to the 65% rise in the year's Ebitda, with an organic growth involving all business areas managed by the Group. Particular note should be taken of the growth in Ebitda per employee, which exceeded 100 thousand Euro, all the more significant considering recent consolidations and the further shares gained in liberalised markets for energy sales and waste recovery and disposal.

These full year 2014 results are the consequence of having activated all levers for growth, in line with the predictions of our current five-year Business Plan. This guaranteed the continuity of a strategic outlook whose aim is to create value for all main stakeholders. It also sustained the performance of the Group's shares on the stock market; for the third consecutive year, a positive performance was seen: the year closed at 1.95€ (+18,5%), bringing Hera's market capitalisation to roughly 2.9 billion Euro (three times larger than its initial one, in 2002) and placing it 31st among listed companies.

The level of investments reached 327 million Euro, substantially in line with the predictions of the Business Plan. The management was able to guarantee sufficient resource generation to cover investment necessities and dividend payments for 2014, at the same time allowing the Group's financial solidity to be reinforced to an even greater degree (with the net financial debt/Ebitda ratio going from 3.17 to 3.04), a solidity that at the end of the financial year was still among the best in the sector.

These positive results allow us to propose, this year as well, a dividend per share that is in line with the previous year, to the extent provided for by the Business Plan.

Our attention to service quality, once again positively evaluated by our customers, along with our attention to environmental sustainability and our widespread presence over the reference area, are fully confirmed in the Sustainability Report, approved by the Board of Administrators together with the year-end financial statements.

This most recent evidence of an effort sustained over many years in implementing the mission entrusted to us by our shareholders is the fruit of a long path of linear development, ever-increasing results, transparency and loyalty to the promises we have made. All of this rests at the foundation of a reputation that can only contribute to safeguarding the Group's assets.

We are therefore confident that you will appreciate the results of our operations and the transparency of their presentation, prepared as always to meet the challenges that await the Group.

The Chairman of the Board of Directors

Mr. Tomaso Tommasi di Vignano

GOVERNANCE AND CONTROL BODIES

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
CEO	Stefano Venier
Vice President	Giovanni Basile
Director	Mara Bernardini
Director	Forte Clò
Director	Giorgia Gagliardi
Director	Massimo Giusti
Director	Riccardo Illy
Director	Stefano Manara
Director	Luca Mandrioli
Director	Danilo Manfredi
Director	Cesare Pillon
Director	Tiziana Primori
Director	Bruno Tani
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Antonio Gaiani
Standing Auditor	Marianna Girolomini
Control and Risk Committee	
Chairman	Giovanni Basile
Member	Massimo Giusti
Member	Stefano Manara
Member	Danilo Manfredi
Remuneration Committee	
Chairman	Giovanni Basile
Member	Mara Bernardini
Member	Luca Mandrioli
Member	Cesare Pillon
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice President	Giovanni Basile
Member	Stefano Venier
Member	Riccardo Illy
Ethics Committee	
Chairman	Massimo Giusti
Member	Mario Viviani
Member	Filippo Maria Bocchi
Independent auditing firm	
	PricewaterhouseCoopers S.p.A.

CORPORATE STRUCTURE

Parent company Hera SpA: effective management of operations

Hera Group's structure (the Group) develops from a complex rationalization process started up in 2002 after the incorporation of 11 companies that were part of it; the Group's evolution has since adapted to legislative changes over time, unbundling its activities under separate companies (unbundling process). The Group principally operates in the Environment, Energy and Water sectors and it consists of Hera Spa, Spa Herambiente, HeraComm Srl, Hera Trading Srl, Marche Multiservizi and AcegasApsAmga.

At the top of the structure is parent company Hera Spa, an industrial holding company in charge of the governance, coordination and financial management of all of the Group's subsidiaries; Hera Spa is also responsible for consolidating their operations.

Herambiente: leading the environmental sector

Herambiente Spa, 75% of which is owned by Hera Spa and 25% by Eiser Infrastructural Fund and by APG, was established in 2009 as a waste-disposal spin-off, ensuring coordinated plant management in the national territory.

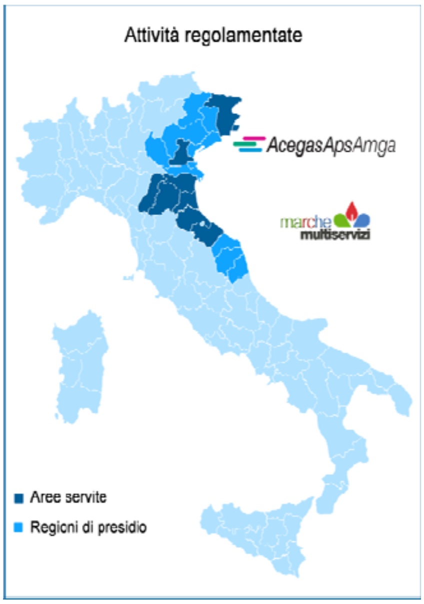
Herambiente Spa in its turn established Herambiente Servizi Industriali (Hasi srl), which is targeted to an industrial customer base.

HeraComm: 2,1 million clients in the Energy industry

HeraComm Srl, 100% under Hera Spa, with 2,1 million customers is the Group's stronghold on national energy markets. As provided by industry laws, the company separates free-market and regulated energy activities.

HeraTrading: purchasing energy commodities

HeraTrading Srl, 100% under Hera Spa, deals with the procurement of wholesale energy commodities through its flexible supply logic, consistent with the international market. Over the years, the Group's outward-looking expansion has resulted in the integration of over a dozen multi-utility companies.



Such operations have been achieved by mergers through incorporation into the holding company in order to produce synergies, exploit scale economies and convey expertise.

Marche Mutiservizi and AcegasapsAmga: the group's outposts

Marche Multiservizi Spa and AcegasApsAmga Spa are two multi-utility companies operating respectively in the Marches and in the Triveneto; they have kept their own corporate formula even after the integration, with a view to supporting a solid, well-rooted stronghold in the area, to safeguarding territorial proximity and to seizing opportunities for expansion. In 2014, the Group expanded its range in the Triveneto right through AcegasApsAmga, which completed the merger through incorporation of multi-utility Amga Udine (effective as of 1 July); following the rationalization of its joint venture with Eni, AcegasApsAmga now fully controls energy distribution in Gorizia.

Below is an outline of the Group's corporate structure.

Hera Spa

Herambiente S.p.A. 75%

Romagna Compost Srl	60%
Fea Srl	51%
Herambiente Servizi Industriali Srl	100%
Enomondo Srl	50%
Consorzio Akhea	51%
Herambiente Recuperi Srl	100%
Asa Scpa	51%
Feronia Srl	70%
Akron Spa	57,5%

Hera Comm Srl 100%

So.Sel. Spa	26%
Adriatica Acque Srl	22,32%
SGR Servizi Spa	29,61%
Hera Comm Marche Srl	57,38%
Hera Servizi Energia Srl	57,38%*
Estense Global Service Scarl	23%
Amga Energia & Servizi Srl	100%
Amga Calore & Impianti Srl	100%

AcegasApsAmga Spa 100%

Hera Trading Srl 100%

Galsi Spa	10,41%

Marche Multiservizi Spa 46,39%

Other partially owned companies

^Hera Energie Rinnovabili Spa	100%	^^Hera Luce Srl	100%
**Sviluppo Ambiente Toscana	95%	Uniflotte Srl	97%
Aimag Spa	25%	Energia Italiana Spa	11%
Medea Spa	100%	Sei Spa	20%
Set Spa	39%	Tamarete Energia Srl	40%
Acantho Spa	77,36%	Energo Doo	34%
Calenia Energia Spa	15%		

* established as of 01/01/2015 from Hera Energie Srl's merger into Sinergia Srl, which changed its registered name into Hera Servizi Energie Srl.
** Besides 5% of Herambiente.
^ Hera Energie Rinnovabili Spa holds a 33% share in Ghirlandina Solare Srl.
^^ Hera Luce Srl holds a 100% share in E.S.I.L. Scarl
AcegasApsAmga Spa partially owned companies are: Black Sea Company for Gas Compressed Ltd, Centro Idrico di Novoledo Srl, Adria Link Srl, Acegas Aps Service Srl, La Dolomiti Ambiente Spa, Elettrogorizia Spa, Estenergy Spa, Sinergie Spa e Rilagas EAD. The divestment of the shares held by AcegasApsAmga in SIGAS and Trieste Onoranze Funebri Srl, as well as a merger between Black Sea Technology Company AD and Rilagas EAD, are due in the fiscal year 2015.
The following operations are due in 2015:

- divestment of Hera Spa's share in Service Imola Srl;
- merger of MMS Ecologica Srl and of Naturambiente Srl into Marche Multiservizi Spa;
- merger of Fucino Gas Srl into Hera Comm Marche Srl

MISSION

"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

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

CHAPTER 1

REPORT ON OPERATIONS

1.01 GROUP PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2014

(€/million)	31-dic-14	Inc.%	31-dic-13	% Inc.	Abs. Change	% change
Revenues	**4.189,1**		4.456,9		-267,8	-6,0%
EBITDA	**867,8**	20,7%	810,2	18,2%	+57,6	+7,1%
Operating profit	**441,2**	10,5%	399,7	9,0%	+41,5	+10,4%
Net profit Adjusted	**181,2**	4,3%	145,3	3,3%	+35,9	+24,7%
Net profit	**182,4**	4,4%	181,7	4,1%	+0,7	+0,4%

1.01.1 Operating results and investments

Committed to growth

For the year under review, the Group's performance metrics are all up. Adjusted net profit rose by 24.7% and net profit as well was slightly better, even though the previous year was positively affected by substantial non-recurring items after the AcegasAps acquisition. The Hera Group's strategy, as outlined also in the latest operational plan, was borne out in full also by the 2014 results, which grew through the time-tested multi-business model and through expansion in other geographies.

The year just ended saw the completion of the following corporate actions and transactions:

- Merger of Amga Spa, which is operational in the province of Udine, with and into Hera Spa as of 1 July 2014 and simultaneous transfer of the assets related to gas distribution and public lighting to AcegasAps Spa which changed its name to AcegasApsAmga Spa.
- Acquisition of equity interests in Amga Energia e Servizi, a company engaged in the sale of gas and electric energy, and Amga Calore e Impianti, following the above merger.
- Acquisition of equity interests in Black Sea Technology Company and Black Sea Gas Company Ltd, two companies engaged in the sale and distribution of gas; both are now under AcegasApsAmga Spa's control.
- Acquisition of Isontina Reti Gas and Est Reti Elettriche, two companies engaged in gas and electric energy distribution in the province of Gorizia. As of 1 July 2014, effective retroactively as of 1 January 2014, these companies were merged with and into AcegasApsAmga.
- Creation of Herambiente Servizi Industriali - following the spin-off of assets by Herambiente Spa and Hera Spa to Nestambiente spa - as of 1 July 2014. The company engages in the waste disposal business, with the objective to provide companies with a global waste management service in all productive sectors.
- HeraComm was awarded the Default gas service contract for the period 1 October 2014 – 30 September 2016 in the regions of Emilia Romagna, Friuli Venezia-Giulia, Toscana, Umbria and Marche. The effects of this contract will materialize mainly starting in 2015.

Adjustments to fiscal year 2013

The income statement of 2013 was adjusted by applying IFRS 11 for consistency with the income statement for 2014. This standard, which took effect as of 11 January 2014, requires the recognition of investments in joint ventures with the equity method, as opposed to the proportionate method applied until 31 December 2013. The investments concerned included the following companies: Estenergy Spa, Est Reti Elettriche Spa, Estpiù Spa, Isontina reti gas Spa, Esil scarl (ex Aristea) and Enomondo Srl. More details are available in the notes.

As already indicated in previous financial reports, the consolidated income statement reflects the application of IFRIC 12 "Service Concession Arrangements" which modified the accounting methods used by enterprises that operate in sectors regulated by specific concession arrangements. The effect of the application of this standard, which did not affect the results, is the recognition in the income statement of the capital expenditure on network assets held under concession. Thus, other operating revenues were up €186.2 million and €160.8 for the same period of 2013; capitalized costs were down €55.7 million in 2014 and €39.5 million in 2013 while service, material and other operating costs were down €130.5 million in 2014 and €121.3 million in 2013.

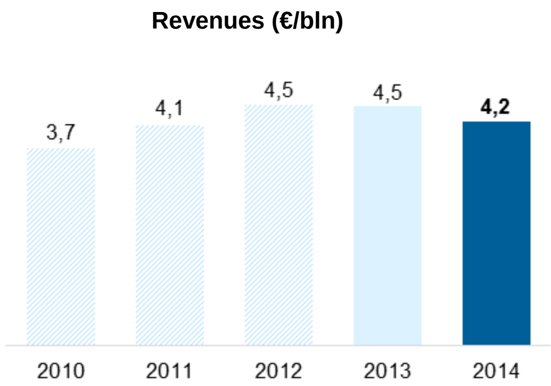
The table below shows the results for the year ended 31 December 2014 and 2013, with the above adjustments:

Improving results

Income statement (millions of euro)	**31-dic-14**	**Inc%**	**31-dic-13**	**% Inc.**	**Abs. Change**	**% Change**
Revenues	4.189,1		4.456,9	0,0%	-267,8	-6,0%
Other operating income	324,5	7,7%	270,6	6,1%	+53,9	+19,9%
Commodities and materials	(1.965,5)	-46,9%	(2.367,8)	-53,1%	-402,3	-17,0%
Service cost	(1.143,6)	-27,3%	(1.029,3)	-23,1%	+114,3	+11,1%
Other operating costs	(57,1)	-1,4%	(59,9)	-1,3%	-2,8	-4,7%
Personnel costs	(496,9)	-11,9%	(478,6)	-10,7%	+18,3	+3,8%
Capitalised costs	17,3	0,4%	18,2	0,4%	-0,9	-4,9%
EBITDA	**867,8**	**20,7%**	**810,2**	**18,2%**	**+57,6**	**+7,1%**
Deprec. and amort.	(426,6)	-10,2%	(410,5)	-9,2%	+16,1	+3,9%
Operating profit (EBIT)	**441,2**	**10,5%**	**399,7**	**9,0%**	**+41,5**	**+10,4%**
Financial operations	(138,0)	-3,3%	(136,2)	-3,1%	+1,8	+1,3%
Pre-tax profit Adjusted	**303,2**	**7,2%**	**263,4**	**5,9%**	**+39,8**	**+15,1%**
taxes	(122,0)	-2,9%	(118,1)	-2,7%	+3,9	+3,3%
Net profit Adjusted	**181,2**	**4,3%**	**145,3**	**3,3%**	**+35,9**	**+24,7%**
Non-recurring financial charge	(8,1)	-0,2%	(8,8)	-0,2%	-0,7	+7,9%
Non recurring financial gain	9,3			0,0%	+9,3	+100,0%
Other non operating revenues		0,0%	45,2	1,0%	-45,2	-100,0%
Net profit for the year	**182,4**	**4,4%**	**181,7**	**4,1%**	**+0,7**	**+0,4%**
Attributable to:			-	0,0%		
Shareholders of the parent Company	**164,8**	**3,9%**	**164,9**	**3,7%**	**-0,1**	**-0,1%**
Non-controlling interests	17,6	0,4%	16,8	0,4%	+0,9	+5,1%

€4.2 billion in revenues

In 2014 revenues amounted to €4,189.1 million, down €267.8 million (-6%) from €4,456 million in 2013.There are several reasons for this decrease: in gas services, heat and district heating management, volumes fell by about €200 million due to the particularly mild weather. Revenues from electric energy and gas decreased by approximately €110 million following the drop or raw material prices; in electric energy sales volumes fell by approximately €30 million, due to a lower demand, while trading activities slipped by around €65 million. These negative effects were partly offset by the consolidation of the businesses in Gorizia and Udine, for about €120 million, and the higher revenues from the increase in waste disposal and the higher revenues from regulated activities. For further details, reference is made to the analysis of the single business areas.



Other operating revenues grew by €53.9 million, due to higher other revenues resulting from the application of IFRIC12, for approximately €19.5 million, on a like-for-like basis with 2013; the greater contribution derived from white certificates following resolution 13/2014/R/efr of the Authority for electricity, gas and water (AEEGSI); and the inclusion in the scope of consolidation of Gorizia and Udine for about €13 million. This last increase is partly offset by the reclassification of "Sundry provisions" from "Other revenues and income" to "Lower provisions".

Costs of raw and other materials fell by €402.3 million, compared to 2013 (-17%). As with revenues, this was due to the lower volumes of gas and electricity sales, other minor trading activities and the lower purchasing costs for gas and electricity. The change in the scope of consolidation (+ €22 million) did not have a substantial effect on this item.

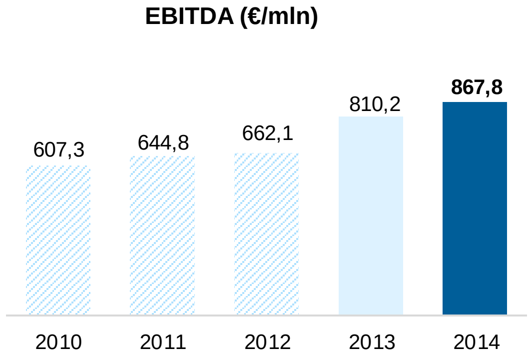
Other operating costs (service costs up €114.3 million and other operating expenses up €2.8 million) grew overall by €111.4 million (+10.2%). This difference was due to different factors: change in scope of consolidation by €54 million; a reclassification, in 2014, to service costs of electricity transmission costs, for a total of €15 million from raw material costs in 2013 and greater transmission costs for customers outside the network for €18 million; greater waste disposal costs for the increase in volumes treated for €22 million; greater costs for outsourcing contracts, especially in connection with the Cleaner Sea Bathing Plan. Net of all the above, this item was down by 1.6%.

Personnel costs rose by €18.3 million (+ 3.8%), from €478.6 million in 2013 to €496.9 million in 2014. This increase was due to the salary raises provided for by the national labour agreement and the change in the scope of consolidation due to the merger of Amga with and into the Group, accounting for €5.3 million.

Capitalized costs were down €0.9 million from the previous year.

EBITDA at €868 million (+7.1%)

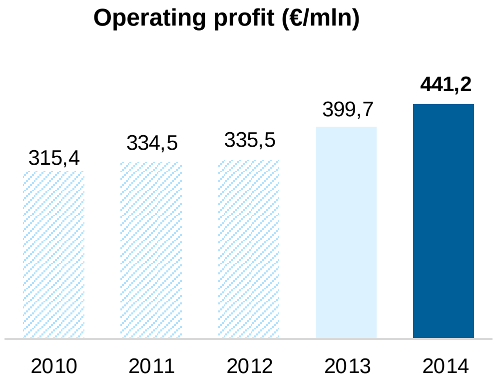
EBITDA went from €810.2 million for 2013 to €867.8 million for 2014, up €57.6 million (+7.1%), , thanks to all the main business segments of the Group: the gas business rose by €10.5 million, the electricity business was up €23.5 million, the water business increased by €19.3 million and the waste management business chalked up s €2.5 million rise. More details are available in the sections on the individual business segments



Amortization, depreciation and provisions rose overall by €16.1 million (+ 3.9%) from €410.5 million to €426.6 million for 2014. The change in depreciation (+ €26.5 million) was due mainly to the effect of the new investments and the change in scope of consolidation for €11 million. Provisions were down, due to the new classification of releases, which were previously recorded as other revenues, and lower provisions for social security litigation. The allowance for bad debts rose by €4.3 million, mainly in the sales companies.

Operating profit of €441 million (+10.4%)

Operating profit for the year amounted to €441.2 million, up €41.5 million (+10.4%), compared to €399.7 million for the same period of 2013.



For the year ended 31 December 2014, financial expense exceeded financial income by €138 million, with an increase of €1.8 million (+1.3%) on 2013. The increase was due to the lower profits of associated companies and joint ventures for €3.8 million, especially Estenergy, the sales company of AcegasApsAmga, which was adversely affected by the mild weather in early 2014 and rising financial charges, following the discounting to present value of provisions. The overall performance of this item benefited from the lower cost of net debt, compared to the previous year, which stood at 4% after the refinancing transactions completed in 2014, and dividend income from equity interests.

Base on the above, adjusted pre-tax profit rose by 15.1%, to €263.4 million in 2013 to €303.2 million in 2014.

Income tax rose from €118.1 million in 2013 to €122 million for 2014. The recalculated tax rate improved, if no account is taken of the non-recurring items arisen in both years (especially financial charger resulting from the impairment of certain equity interests and tax credits related to the decrease in the value of certain assets recorded by the subsidiary AcegasApsAmga), going from 44.8% to 40.20%. This improvement was due mainly to: the decrease of 4 percentage points, in relation to 2014, for the so-called Robin Tax (applicable to the Group companies that operate in the energy sector); an extraordinary item in the form of an IRES deduction from the regional business tax (IRAP) under Law Decree 185/2008; and the overall effect generated by the elimination of the deferred tax liability related to the Robin Tax following decision no. 10 of the Constitutional Court dated 11 February 2015 which upheld the principle that the increase starting in 2015 was unconstitutional.

Thus, net adjusted profit rose by €35.9 million (+24.7%), from €145.3 million to €181.2 million for 2014.

The results for 2014 were impacted by the impairment charges taken on Tamarete for approximately €4.8 million, Energia Italiana for approximately €2.1 million and Oikothen for approximately €0.8 million. In 2013, comparable impairment charges resulted from the combined effects of the write-down of the investment in Energia Italiana for approximately €11.1 million and a gain on disposal of the investment in Estpiù for approximately €3.2 million.

The acquisitions of Acegas Aps and Est Reti Elettriche in 2013 resulted in the recognition of €45.2 million as other non-operating revenues due to "badwill" arising on acquisition. This amount was determined with the 'purchase price allocation' by comparing the acquisition price with the fair value of the assets and liabilities purchased.

Lastly, non-recurring tax credits refer to the decrease in the value of assets (mainly gas distribution grids) held by AcegasApsAmga, following the actions and transactions described above.

Net profit of €182.4 million (+0.4%)

Thus, net profit was up 0.4%, going from €181.7 million in 2013 to €182.4 million for 2014.

Net profit attributable to the shareholders of the parent company amount instead to €164.8 million, which is basically in line with that for 2013 (€164.9 million), despite other non-operating revenues for €45.2 million, as described above.

Net earnings per share for 2014 amounts to €0.114, up 29% compared to 2014, if no account is taken of non-recurring revenues.

1.01.02 ANALYSIS OF THE GROUP'S FINANCIAL STRUCTURE

The Group's size increases

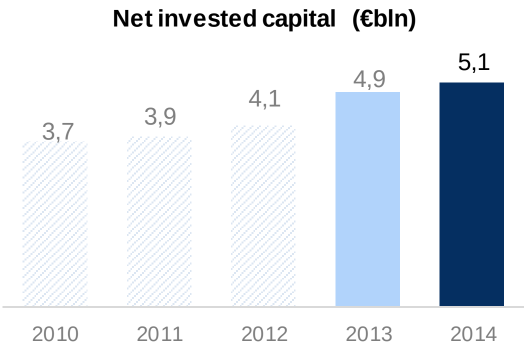
The table below shows changes in the Group's net invested capital and sources of financing for the years ended 31 December 2014 and 2013:

Invested capital and sources of financing (millions of euro)	31-dic-14	% Inc.	31-dic-13	% Inc.	Abs. Change	% Change
Net non-current assets	5,460.9	107.1%	5,257.6	107.9%	+203.3	+3.9%
Net working capital	153.1	3.0%	79.3	1.6%	+73.8	+93.1%
(Provisions)	(514.6)	-10.1%	(464.5)	-9.5%	(50.1)	+10.8%
Net invested capital	**5,099.4**	100.0%	4,872.4	100.0%	+227.0	+4.7%
Equity	(2,459.0)	48.2%	(2,305.7)	47.3%	(153.3)	+6.6%
Long-term borrowings	(2,969.3)	58.2%	(3,214.7)	66.0%	+245.4	(7.6%)
Net (cash)/ short term borrowings	328.9	-6.4%	648.0	-13.3%	(319.1)	(49.2%)
Net borrowings	(2,640.4)	51.8%	(2,566.7)	52.7%	(73.7)	+2.9%
Total sources of financing	**(5,099.4)**	-100.0%	(4,872.4)	100.0%	(227.0)	+4.7%

Net invested capital reached €5.1 billion

Net invested capital rose by 4.7%, going from €4,872.4 million in 2013 to €5,099.4 million in 2014.

Net non-current assets increased by 3.9%, from €5,257.6 million to €5,460.9 million, as a result of capital expenditure and the expansion of the scope of consolidation, following the acquisitions of Amga and Isontina Reti Gas (which was eventually merged with and into AcegasApsAmga).



Net investments rose to €326.5 million

In 2014, Group investments amounted to €326.5 million, also thanks to a capital grant of €22.1 million, of which €10.5 million for the New Investment Fund (FoNI), as provided for by the tariff method for the integrated water service. Including capital grants, the Group's total investments amounted to €348.6 million. Net investments grew by €28.1 million, from €309.1 million in 2013 to €326.5 million in 2014.

The table below shows investments inclusive of capital grants by business segment. Details of the capital grants are shown.

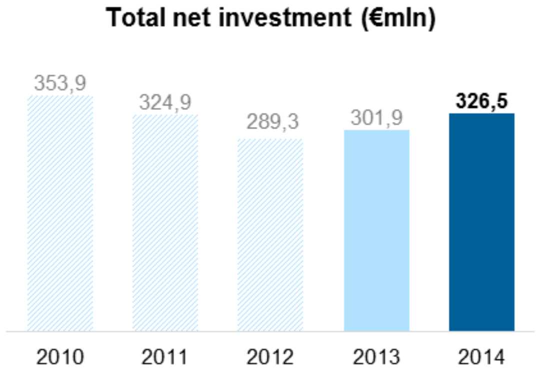
Substantial capital expenditure in all the business areas

Invested capital and sources of financing (millions of euro)	31-dic-14	% Inc. %	31-dic-13	% Inc. %	Change Abs	Change %
Net non-current assets	5.460,9	107,1%	5.257,6	107,9%	+203,3	+3,9%
Net working capital	153,1	3,0%	79,3	1,6%	+73,8	+93,1%
(Provisions)	(514,6)	-10,1%	(464,5)	-9,5%	(50,1)	+10,8%
Net invested capital	**5.099,4**	100,0%	4.872,4	100,0%	+227,0	+4,7%
Equity	(2.459,0)	48,2%	(2.305,7)	47,3%	(153,3)	+6,6%
Long-term borrowings	(2.969,3)	58,2%	(3.214,7)	66,0%	+245,4	(7,6%)
Net cash/short term borrowings	328,9	-6,4%	648,0	-13,3%	(319,1)	(49,2%)
Net borrowings	(2.640,4)	51,8%	(2.566,7)	52,7%	(73,7)	+2,9%
Total sources of financing	**(5.099,4)**	-100,0%	(4.872,4)	100,0%	(227,0)	+4,7%

Capital expenditure, amounting to €346.1 million, with a 10.7% increase on 2013, related mainly to works on plants, grids and infrastructure. In addition, upgrading activities were performed as mandated by new regulations in the purification and sewerage areas. Details of the capital expenditures are provided in in the analyses by business segment.

At headquarters, capital expenditure for buildings, information systems and fleets

At headquarters capital expenditure concerned corporate buildings, information systems and the vehicle fleet, as well as activities in laboratories and remote control structures. Overall infrastructure investment rose by €6.2 million on the previous year, mainly due to improvements to buildings and the vehicle fleet.



Net working capital amounts to €153.1 million

Net working capital rose by €73.8 million, due mainly to the impact of receivables from customers receiving last resort service who, as a result, cannot be disconnected. Collection of these receivables, for a total of €78.7 million, from the electricity sector equalization fund (CCSE) – in accordance with resolution 370/12 by the Authority for electric energy, gas and water (AEEGSI) – took place on 2 February 2015. Had this amount been considered, the increase in net working capital would have been basically nil.

Provisions amount to €514.6 million

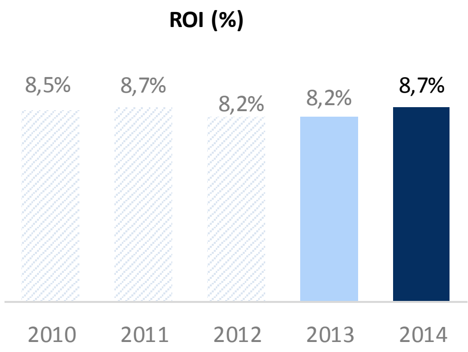
In 2014 provisions amount to €514.6 million, up 10.8% on 2013. This increase was due mainly to provisions for the period, which exceeded uses and the contribution of the companies included in the scope of consolidation. Also the adjustment to post-employment benefits had an effect, with the calculation on the basis of actuarial criteria. For details of changes in this item, reference is made to the notes.

€2.5 billion in equity

Equity rose from €2,305.7 million in 2013 to €2,459 million in 2014, mainly following the Amga acquisition, which was carried out with a capital increase of €142 million, corresponding to the issue of 68.2 million new shares with a nominal value of €1 each and the share premium, recognized in the relevant reserve. Equity is stronger also due to the good level of net profit for 2014, totalling €182.4 million, which was offset by the dividend distribution of €137.3 million.

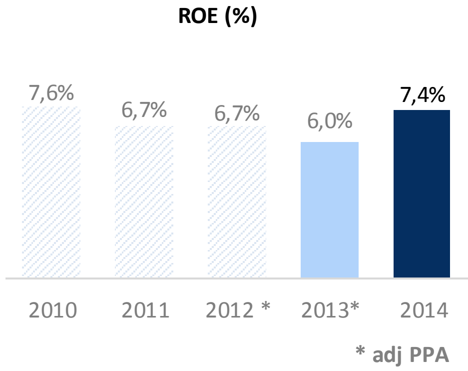
ROI of 8.7%

Return on invested capital (ROI) went up from 8.2% in 2013 to 8.7% in 2014, due to the Group’s improved operating management.



ROE of 7.4%

Return on Equity (ROE) went from 6% in 2013 to 7.4% in 2014, due to improved operating management and to a positive tax effect.



Reconciliation between separate and consolidated financial statements

	Net profit	Equity
Balances as per Parent Company's separate financial statem	134.514	2.208.386
Dividends for the year	(104.063)	
Measurement with the equity method of companies recognized at cost	675	35.143
Carrying amount of investments in consolidated companies		(1.002.315)
Equity and net profit for the period of consolidated companies	124.036	1.046.829
Attribution of differences to assets of consolidated companies and related amortization and depreciation:		
- Goodwill arising on consolidation		53.190
Intangible assets	676	25.819
- Property, plant and equipment	(248)	431
- Other assets / Other liabilities	7.322	(27.409)
Effects of transactions on consolidated companies	1.722	0
Other adjustments due to elimination of intercompany transaction e	138	(29.128)
Total	**164.772**	**2.310.946**
Attribution to non-controlling interests	17.635	148.055
Balances as per consolidated financial statements	**182.407**	**2.459.001**

1.01.03 ANALYSIS OF NET CASH (NET BORROWINGS)

Una solida posizione finanziaria

The table below provides details of the composition and changes in net borrowings:

(million of euros)		31-dic-14	31-dic-13
a	**Cash and cash equivalents**	**834.5**	926.9
b	**Other current financial receivables**	**45.2**	84.9
	Current financial debt	(175.6)	(227.6)
	Current bank debt	(302.2)	(110.5)
	Other current financial liabilities	(69.6)	(23.7)
	Finance lease payments maturing w ithin 12 months	(3.4)	(2.0)
c	**Current financial debt**	**(550.8)**	(363.8)
d=a+b+c	**Net current financial debt**	**328.9**	648.0
e	**Non-current financial receivables**	**83.6**	52.6
	Non-current bank debt and bonds issued	(3,020.6)	(3,243.3)
	Other non-current financial liabilities	(7.0)	(8.5)
	Finance lease payments maturing after 12 months	(25.3)	(15.5)
f	**Non-current financial debt**	**(3,052.9)**	(3,267.3)
g=e+f	**Net non-current financial debt**	**(2,969.3)**	(3,214.7)
h=d+g	**Net financial debt**	**(2,640.4)**	(2,566.7)

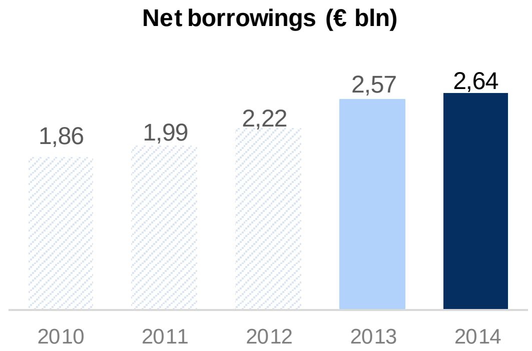
The high level of liquidity available to the Group at year end was due to two reasons: cash collections in view of the repayment of short-term debt and the collection from taxes on waste (TARI), for about €63 million, which have as their offsetting entry "Other current borrowings".

Short-term borrowings include mainly maturing portions of bank loans, including the €180 million loan from the European Investment Bank (EIB), which was reimbursed in January 2015, accrued interest for over €60 million and uses of overdraft facilities. The amount related to medium/long-term bank debt and bonds consists mainly of bonds issued on the European market and listed on the Luxembourg Stock Exchange (70% of the total), with repayment at maturity.

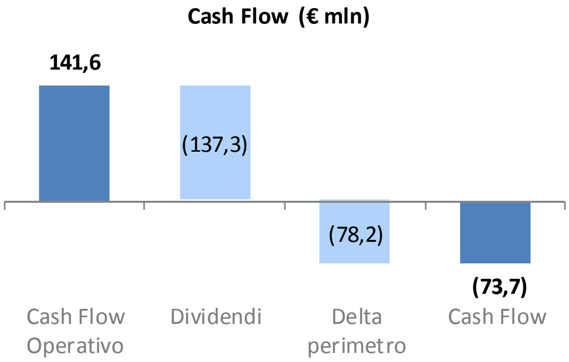
Total borrowings sow an average term to maturity of 8.3 years, with 62% maturing after five years. Reference is made to the section on "Financial policy and rating" for more information on the debt management strategy and the notes for further details.

Net borrowings rise to € 2.64 billion

Net borrowings rose from €2,566.7 million in 2013 to €2,640.4 million in 2014. This increase was due mainly from the inclusion of Amga in the scope of consolidation and the acquisition of Isontina Reti Gas (which was eventually merged with and into AcegasApsAmga).



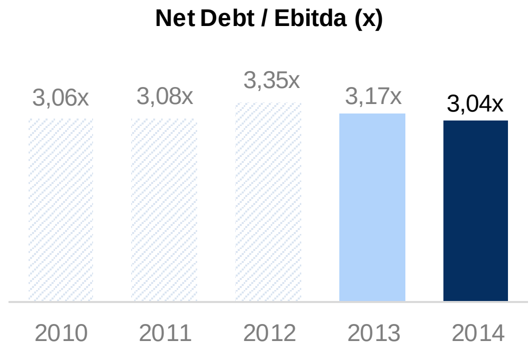
The Group's operating activities were highly positive, generating cash flows from operating activities of €141.6 million. These cash flows were able to cover in full the payment of dividends, for €137.3 million. The negative overall cash flow, for €73.7 million, was due to the change in net borrowings, following the inclusion of other companies in the scope of consolidation, after their acquisition.



3,04X Debt/Ebitda

The Net borrowings/EBITDA ratio declined from 3.16 to 3.04, reflecting a 3.8% improvement. Such improvement was due mainly to better operating management, which assures a more efficient coverage of net borrowings and greater financial flexibility, despite the increase determined by the expansion of the scope of consolidation.

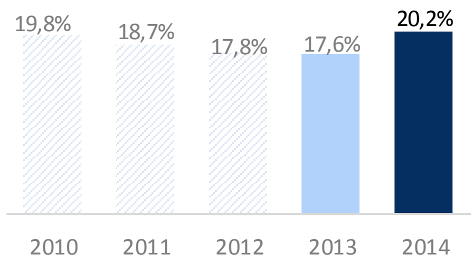
Also thanks to this ratio, Hera has a "Baa1" rating with a negative outlook from Moody's and "BBB" with a stable outlook from Standard & Poor's.



20,2% FFO/Net Debt

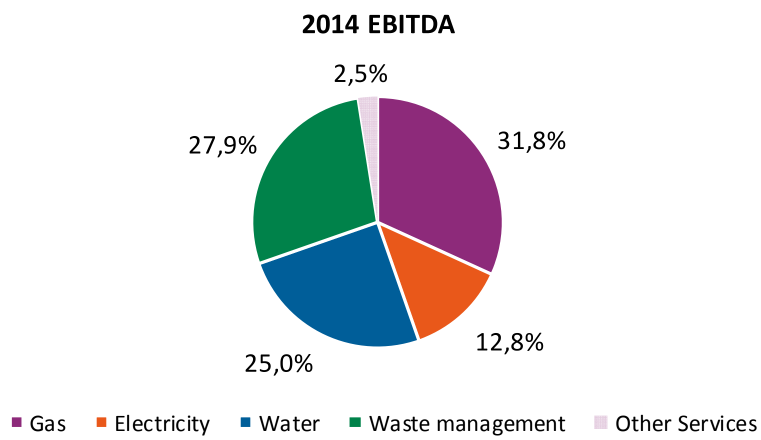
The ratio of Funds from operations (FFO)/Net Debt went up by 2.4 percentage points. This improvement was due to the cash flow from operating activities, which shows the Group's ability to meet its financial obligations.

FFO / Net Debt (%)



1.02 ANALYIS BY BUSINESS SEGMENT

An analysis of the operating results of the segments in which the Group operates is given below: Gas segment, which includes the distribution and sales of methane gas and LPG services, remote heating and heat management; Electricity segment, which includes the Electricity production, distribution and sales services; Integrated Water Cycle segment, which includes the aqueduct, purification and sewerage services; Environment segment, which includes the collection, treatment and disposal of waste services; Other Services segment, which includes the public lighting, telecommunications and other minor services.



Diversification by business segment determined greater result resilience

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

Also the income statements of 2013 were adjusted to reflect the retrospective application of IFRS 11. Change was introduced in the criteria for the allocation of corporate headquarter costs to the various segments, using a model that reflects the effects of internal organizational changes and the contributions of the individual companies to the results of the business areas; for consistency, this change was applied to both fiscal years under comparison.

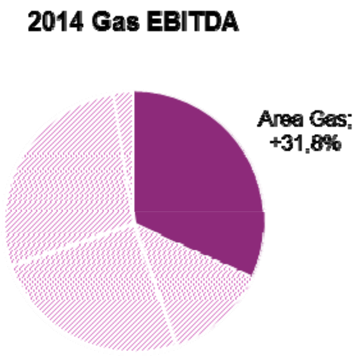
The analysis by business segment considers the increase in revenues and costs, without an impact on the EBITDA, relating to application of IFRIC 12, as shown in the Group's consolidated income statement. The segments affected by the application of IFRIC 12 are: methane distribution services, power distribution services, all integrated water cycle services and public lighting services.

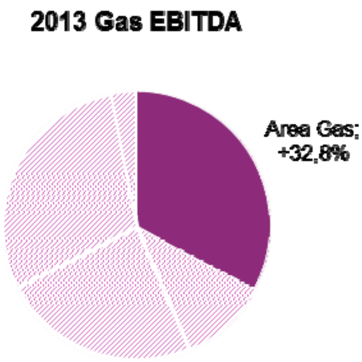
1.02.1 GAS SEGMENT

Gas: higher margins in absolute terms

In 2014, the gas segment showed an increase in absolute terms compared to the previous year but its contribution to the Group's EBITDA was down in percentage terms:

1,9% decrease of contribution to Group EBITDA





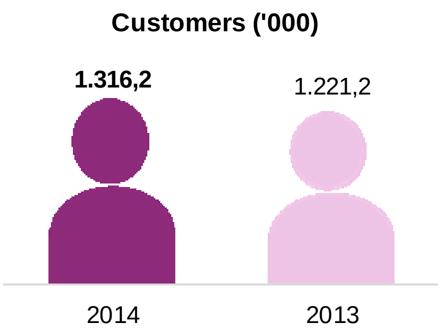
The following table shows the changes occurred in terms of EBITDA:

EBITDA of the gas segment up by 2.5%

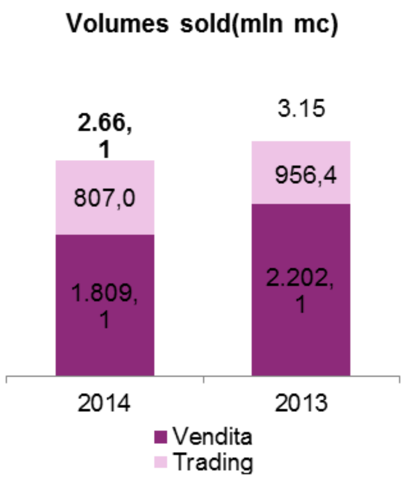
(€/mln)	31-Dec-14	31-Dec-13	Abs. Change	% Change
Sector EBITDA	**276.0**	**265.6**	**+10.4**	**+3.9%**
Group EBITDA	**867.8**	810.2	+57.6	+7.1%

1,3 million gas customers

The number of gas customers rose by 95,000 units, thanks to Amga's integration, which contributed 86,300 customers (+ 7.1%), the Bulgarian subsidiary BSTC (8,400 customers, + 0.7%), Fucino gas (3,100 customers, + 0.2%) and the Default gas management (2,400 customers, + 0.2%). After all these changes, the number of customers declined by only 0.4%, thanks to the marketing and loyalty-building actions undertaken to ease competitive pressures and the termination of contracts due to the challenging economic conditions.



Gas volumes sold fell by 542.2 million cubic meters (-17.2%), going from 3,158.5 million cubic meters for 2013 to 2,616.1 million in 2014. This was due mostly to the extraordinarily mild weather that characterized the year, as 2014 was the warmest for the last 30 years (-32% in terms of degree days and -15% compared to 2013 alone). Trading volumes also fell, by 149.4 million cubic meters (-4.7% of total volumes), due to changed market conditions which caused trading activities to diminish. The acquisitions of Amga Energia & Servizi and BSTC contributed sales of 43.6 million cubic meters and 22.7 million cubic meters, respectively.



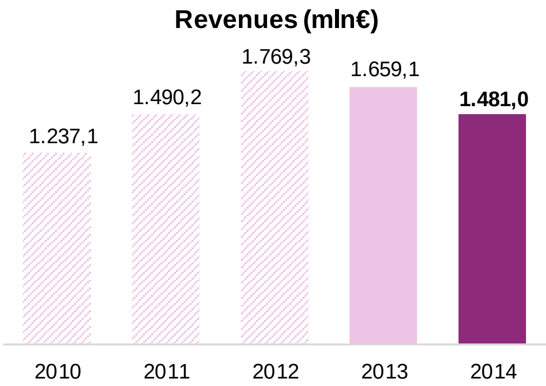
The table below summarizes the income statement for the segment:

Gas: Improved EBITDA

Income statement (€/mln)	31-dic-14	% Inc.	31-dic-13	% Inc.	Change Abs.	Change %
Revenues	**1.481,0**		1.659,1		-178,1	-10,7%
Operating costs	**(1.087,6)**	-73,4%	(1.282,4)	-77,3%	-194,8	-15,2%
Personnel costs	**(121,8)**	-8,2%	(116,5)	-7,0%	+5,3	+4,6%
Capitalised costs	**4,5**	0,3%	5,3	0,3%	-0,8	-15,0%
EBITDA	**276,0**	18,6%	265,6	16,0%	+10,4	+3,9%

Gas revenues amounting to €1.5 billion

Group **revenues** decreased by €178.1 million (-10.7%), from €1,659.10 million in 2013 to €1,499.2 million, mainly due to: (i) lower revenues from sales of methane gas (-€185 million), district heating (-€13 million) and heat services (-€6 million) for the exceptionally mild weather; (ii) lower gas price (-€60 million), following AEEGSI's reform which called, starting in October 2013, for the progressive abandonment of oil-indexed gas prices for supply to the standard offer market in favour of trading on spot markets, and the simultaneous decline of oil prices; (iii) diminished trading activities (-€15 million). This decrease was offset by greater revenues for the integration activities which took place in 2014 for about €77 million, greater revenues for reclassified works under IFRIC 12, amounting to €7 million, greater revenues from white certificates, following resolution 13/2014/R/efr which establishes the manner of determination of the unit tariff contribution that CCSE will pay to obligated parties (+ €13.0 million) and greater outsourcing works (+ €4 million).

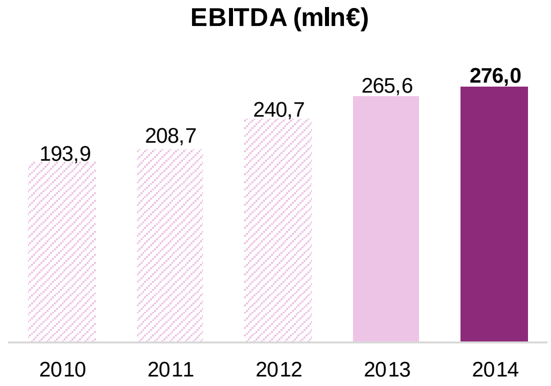


Operating costs diminished by €194.8 million, due to lower volumes sold (approximately €150 million in gas methane) and the lower prices indicated above. Such declines were

Gas EBITDA: €276 million

offset in part by the greater costs of white certificates, due to the changed scope of consolidation, which caused also an increase in labour costs, and for the greater outsourcing costs.

Despite the substantial decrease in volume sales of natural gas and district heating services, EBITDA rose by €10.4 million (+ 3.9%), from €265.6 million in 2013 to €276 million for 2014, thanks to the inclusion in the scope of consolidation of Udine and Gorizia for €20 million, the higher margins of white certificates for €4 million, due to the above-mentioned resolution, the increase in sales margins and improved distribution efficiencies.



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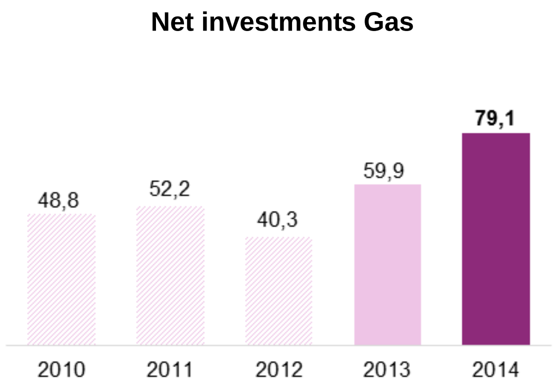
Net investments in gas segment: €79.1 million

In 2014, gross investments in the gas segment amounted to €79.8 million, reflecting an increase of €19.8 million, compared to 2013. After deducting capital grants /€0.6 million), investments in the segment amounted to €79.1 million. In gas distribution, the €16.1 million increase on 2013 was accounted for by the massive meter replacement under Law 155/08, for €4.7 million, and for the remaining part on the works on grids and plant, including the replacement of grey cast iron pipelines in Trieste, the higher level of investments by the Bulgarian subsidiary RilaGas (€3.4 million), the effects of the inclusion in the scope of consolidation the AcegasApsAmga Group, with Amga (€2.5 million), Isontina Rete Gas (€1.9 million) and BSTC (€1.0 million).



Also 2014 was affected the overall economic conditions which, compared to 2013, entailed a further slowdown in applications for new connections, offset only by the expansion resulting from the addition of AcegasApsAmga.

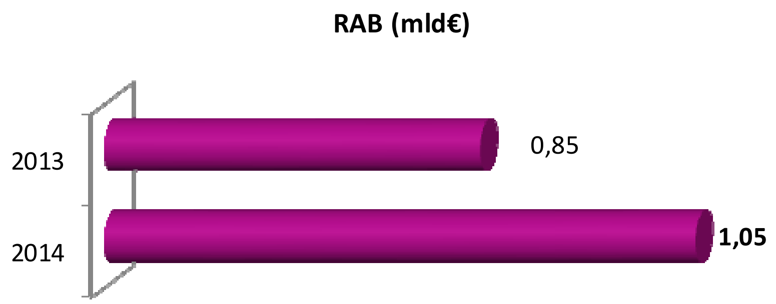
Investments rose also in district heating services, by €3.2 million, due to the purchase of the ACER network related to the Barca-Pilastro plants in Bologna. Also this area was affected by the crisis of the construction industry, with a lower level of applications for new connections.

Details of the investments in the Gas segment are as follows:

Gas (mln €)	**31-dic-14**	31-dic-13	Abs. Change	%Change
Networks and plants	62,3	45,7	16,6	36,30%
TLR/Heat management	17,5	14,3	3,2	22,40%
Total Gas Gross	**79,8**	60	19,8	33,00%
Capital contributions	0,6	0,1	0,5	500,00%
Total Gas Net	**79,1**	59,9	+19,2	32,10%

The total investments and the expansion of the company made it possible to increase the regulatory asset base (RAB) for the remuneration of invested capital. The RAB rose by approximately €0.2 billion, from €0.85 billion to €1.05 billion.

RAB of €1.05 billion in 2015

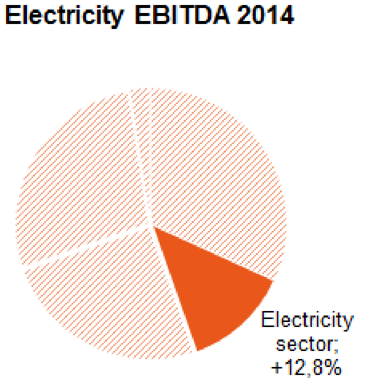


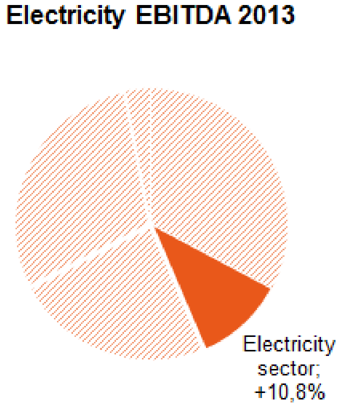
1.02.2 ELECRICITY SEGMENT

Electric energy: significant growth

In 2014, the Electricity segment grew over the previous period, both in terms of results as well as in terms of contribution to consolidated EBITDA, as shown in the table below:

Contribution to Group EBITA: +2%



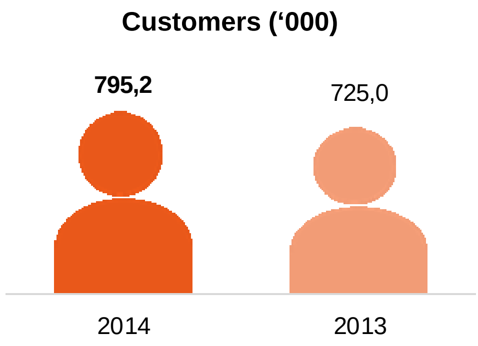


The table below shows changes occurred in EBITDA:

EBITDA of the electric energy segment grew by 27.6%

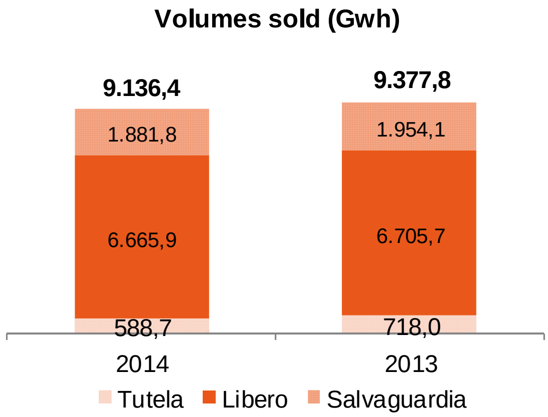
(€/mln)	31-dic-14	31-dic-13	Abs. Change	% Change
Sector EBITDA	**111,4**	**87,3**	**+24,1**	**+27,6%**
Group EBITDA	**867,8**	810,2	+57,6	+7,1%

The customer base of the electric energy segment rose by 9.7%, due both to the growth of the free market and the contribution of Amga Energia & Servizi (14,000 customers). Confirming the growth trend of previous years, free market customers increased by 18% in the previous year, reaching 62% of total customers.



Electric energy customers total 800,000

Electric energy volumes sold dropped from 9,377.8 GWh in 2013 to 9,136.3 GWh in 2014, or by 2.6%. Not including the consolidation of Amga Energia & Servizi for 283.4 GWh, the decline was 5.6%, due to both a lower demand and a selective policy of sale to large industrial customers with sound ratings.



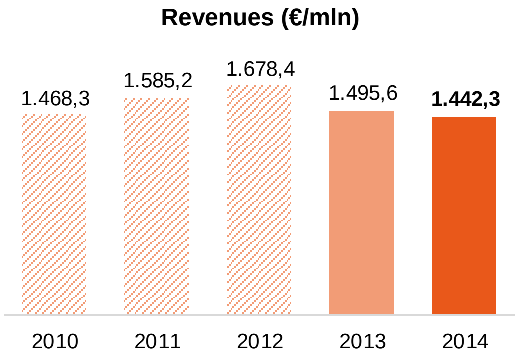
The table below shows the results for the segment:

Electric energy: significant growth

Income statement (€/mln)	31-dic-14	% Inc	31-dic-13	% Inc	Abs. Change	% Change
Revenues	**1.442,3**		1.495,6		-53,3	-3,6%
Operating costs	**(1.296,5)**	-89,9%	(1.381,1)	-92,3%	-84,6	-6,1%
Personnel costs	**(41,3)**	-2,9%	(33,9)	-2,3%	+7,4	+21,8%
Capitalised costs	**7,0**	0,5%	6,8	0,5%	+0,2	+2,9%
EBITDA	**111,4**	7,7%	87,3	5,8%	+24,1	+27,6%

€1.4 billion in revenues from electric energy

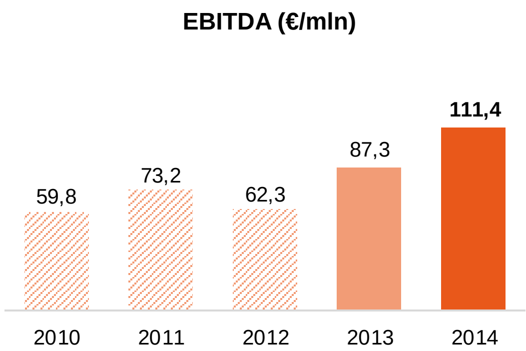
Group revenues fell by €53.3 million (-3.6%), from €1,495.6 million in 2013 to €1,442..3 million in 2014. The main resons for the drop were:lower volumes sold for €28 million, due to a diminished demand for elecricity; lower electricity prices, both for trading activities and for sales to end customers (€100 million), owing to the 17% decrease in oil prices from the previous year. This drop was partly offset by the change in the scope of consolidation, following inclusion of Udine and Gorizia for €62 million; greater revenues from electricity distribution services and greeater revenues related to the Dispatching Services Market (DSM).



Operating costs fell by €84.6 million (-6.1%), offsetting the lower revenues from sales to end customers and trading, with the good performance of purchasing activities, despite the change in scope and the higher costs to operate electricity production plants.

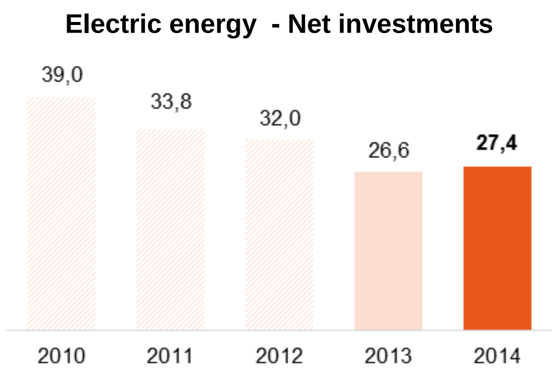
EBITDA of the electric energy segment at €114 million

In 2014, EBITDA grew by €24.1 million (+ 27.6%), going from €87.3 million to €111.4 million for 2014, due to: higher margins on sales, especially in the free market and the standard offer market, and trading; greater revenues from regulated distribution services, as mentioned above; inclusion of Udine and Gorizia in the scope of consolidation, reflecting in particular the specific equalization for past amounts receivable for €9 million.



Net investments in the electric energy area up by €0.8 million

Gross investments in the Electric Energy Area amounted to €27.5 million, up €0.8 million from €26.7 million for theprevious year. Net of capital grants received (€0.1 million), investments in this segments amounted to €27.4 million.



Activities performed involvd mainly non-routine maintenance for distribution plants and networks in the environs of Modena, Imola, Trieste and Gorizia for €10.5 million, in addition to connections for €2.2 million. Connections, in particular, were in line with the previous year.
Maintenance activities rose especially on the Imola Cogen (€1.3 million) while new works concerned the AT-MT station in Imola (€1.1 million). Overall, total investments on networks and plants rose by €2.6 million while in the context of industrial cogeneration, for the activities of Energy Service, activities fell by €1.8 million from 2013.

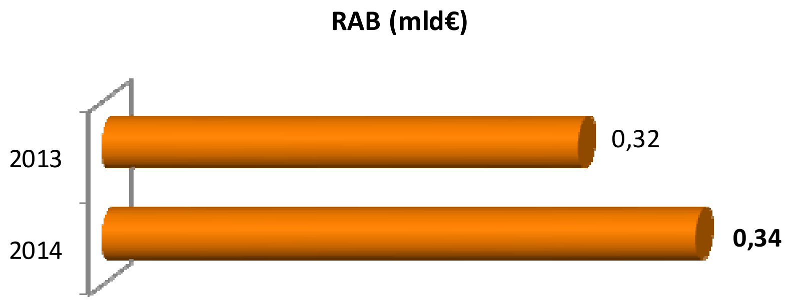
Increased investments

The table below shows the details of the investments in the electric energy segment:

Electricity (mln €)	**31-dic-14**	31-dic-13	Abs. Change	% Change
Networks and plants	2,8	22,2	2,6	11,70%
Industrial cogeneration	2,7	4,5	-1,8	-40,00%
Total Electrivity gross	**27,5**	26,7	0,8	3,00%
Capital contributions	0,1	0,1	0	0,00%
Total Electricity net	**27,4**	26,6	0,8	3,00%

The total investments and the expansion of the company made it possible to increase the regulatory asset base (RAB) recognized by the Authority for electric energy, gas and water (AEEGSI) for the remuneration of invested capital. The RAB rose by approximately €0.2 billion, from €0.32 billion to €0.34 billion in 2014:

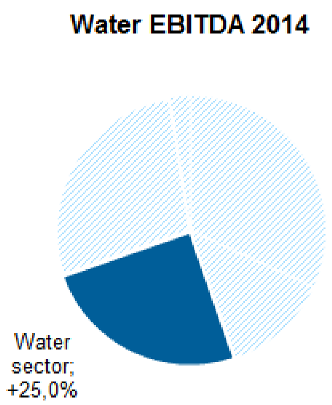
2014 RAB value: €0.34 billion

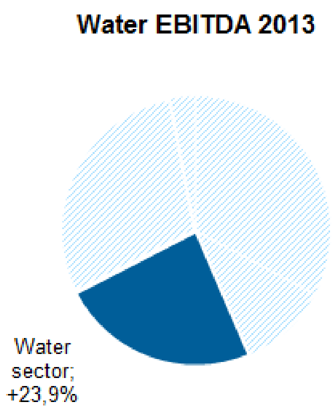


1.02.3 INTEGRATED WATER CYCLE

Integrated water cycle: sustained growth

In 2014 this segment grew on the comparable year earlier period, both in absolute terms and in terms of contribution to the Group's EBITDA. The year just ended was the first period of application of the Water Tariff Method defined by the Authority for electricity, gas and water (AEEGSI) for the period 2014-2015 (AEEGSI resolution no. 643/2014):





The table below shows the EBITDA changes occurred:

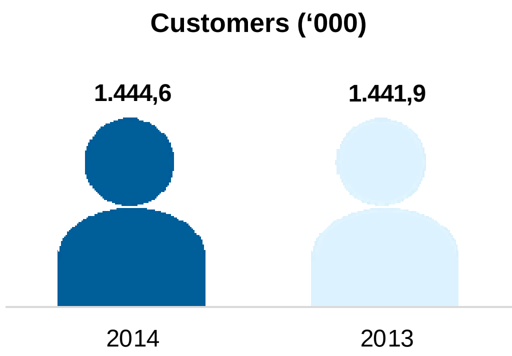
EBITDA of Water Cycle Area up 12.2%

(€/mln)	31-dic-14	31-dic-13	Change Abs.	Change %
Sector EBITDA	**217,1**	193,5	+23,6	+12,2%
Group EBITDA	**867,8**	810,2	+57,6	+7,1%

1.4 million Water Cycle customers

The water business has a total of 1.4 million customers, up 2,700 (+0.2%), and continues to show organic growth in the geographical areas in which the Group operates.

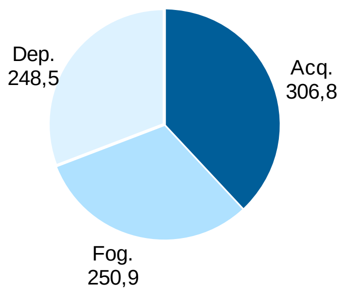
In particular, the geographies served by AcegasApsAmga rose by 0.5% while the areas served by the Marche Multiservizi Group was largely in line with 2013.



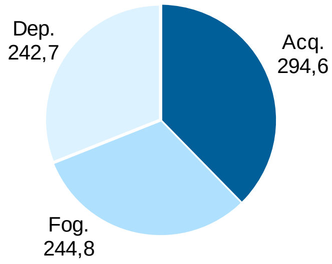
The main metrics for this segment are shown below:

294.6 million of cubic meters: the quantity managed in the aqueduct

Quantity managed 2013 (mln mc)



Quantity managed 2014 (mln mc)

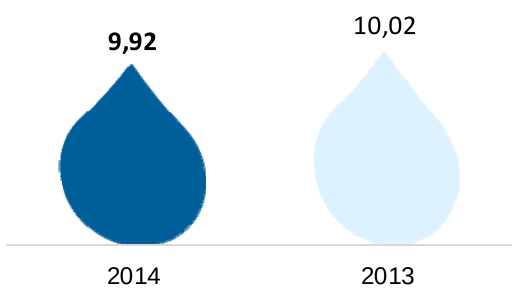


Volumes dispensed through the aqueduct fell by 12.2 million cubic meters, due to the heavier rainfall of 2014, compared to 2013, and the lower residential and industrial use. Lower volumes dispensed, following resolution no. 643/2013 of the AEEGSI, are an indicator of activity in the geographical areas in which the Group operates and are subject to equalization in accordance with regulations that call for the payments to be made regardless of the volumes distributed.

Non-billed water down

Non-billed water – the indicator of the effectiveness and efficiency of the distribution system that reflects the leaks and the administrative losses of the aqueduct – showed a positive decrease of 0.1 cm/km/dd and confirmed a high level of constant attention and network maintenance.

Non-billed water down



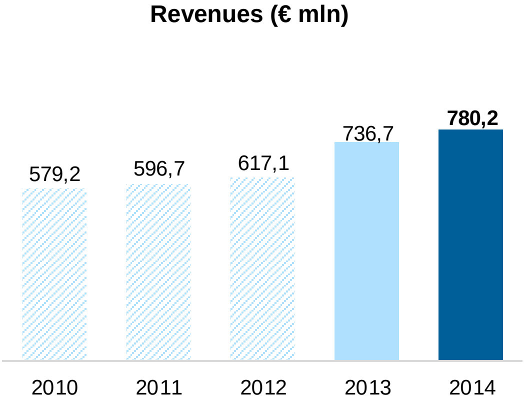
The table below summarizes the segment's operating results:

Integrated Water Cycles: EBITDA up

Income statement (€/mln)	31-dic-14	% Inc.	31-dic-13	% Inc.	Change Abs.	Change %
Revenues	**780,2**	**-**	736,7	-	+43,5	+5,9%
Operating costs	**(422,7)**	-54,2%	(408,1)	-55,4%	+14,6	+3,6%
Personnel costs	**(142,7)**	-18,3%	(137,6)	-18,7%	+5,1	+3,7%
Capitalised costs	**2,4**	0,3%	2,6	0,4%	(0,2)	(7,7%)
EBITDA	**217,1**	27,8%	193,5	26,3%	+23,6	+12,2%

Water revenues amounting to €780 million

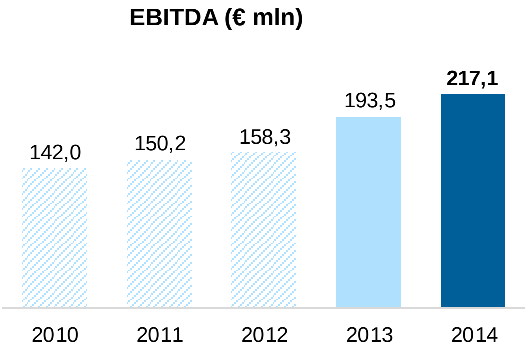
Revenues rose by €43.5 million (+ 5.9%), from €736.7 million in 2013 to €780.2 million for 2014, due to several reasons: greater revenues from sales for €30 million determined by the application of the rules on the new national tariff method approved by AEEGSI (resolution 643/2013), including the 2012 compensating amounts; greater revenues resulting from the application of IFRIC 12 for €9.6 million; greater revenues from contracts and other subcontracted works. This increase as partly offset by lower revenues from connections.



Operating costs rose by €14.6 million (up 4.9%), compared to the corresponding period of the previous year, due to the greater costs incurred as a result of the application of IFRIC 12 for €5.1 million. The remaining €9.4 million increase was due to greater costs for subcontracted work and the purchase of water, partly offset by lower energy consumption costs in plants.

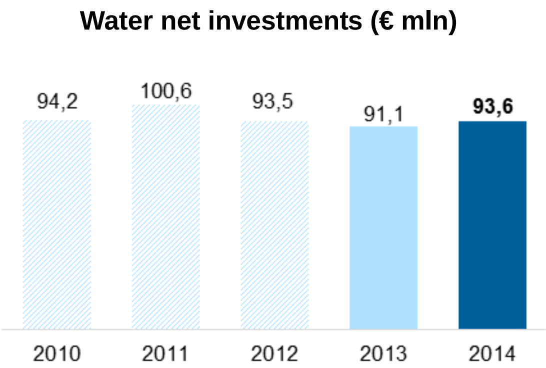
EBITDA rose to €271.1 million

EBITDA rose by €23.6 million (+12.2%), going from €193.5 million in 2013 to €217.1 million for 2014.



Net investments up

Gross investments in the Water Cycle Area amounted to €114.8 million, up €9 million on the previous year. Not including capital grants, investments in the area totalled €93.6 million. Works related mainly to extensions, reclamation activities and upgrading of networks and plants, as well as regulatory upgrading for purification and sewerage facilities.



Investments totalled €59.8 million in the aqueduct, €30.8 million in sewerage facilities and €24.1 million in purification structures.

Main work activities included: in the aqueduct, works to upgrade the network and scheduled maintenance; in sewers, the activity to upgrade discharges according to Legislative Decree no. 152/2006 and part of the works for the Clean Bathing Plan in Rimini (€2.8 million); in purification, the makeover of the Cesenatico purification plant (FC) (€4.2 million), the upgrading and expansion of the purification plant at Ponte Rizzoli

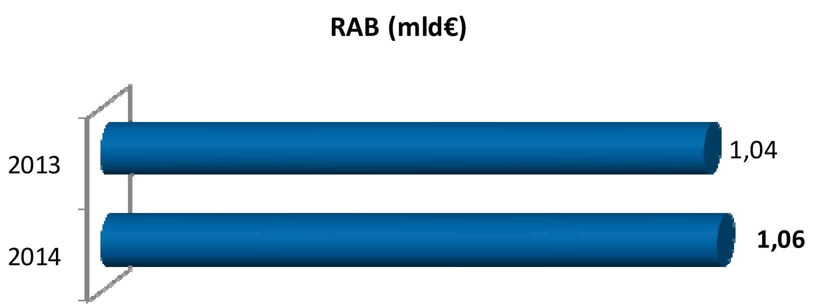
di Ozzano, near Bologna, (€2.3 million) and the upgrading of the digestion system in the Bologna plant (€1.2 million). Applications for new water and sewer connections increased in the area served by AcegasApsAmga and were largely in line with the previous year.
Capital grants for €10.5 million are due in relation to the tariff component under the tariff method for the New Investment Fund (FoNI); on the other hand, other grants were up, compared to the previous year, in connection with sums due for works begun in previous years.

The table below shows details of the investments in the Integrated Water Cycle area.

Integrated Water Cycle (mln €)	**31-dic-14**	31-dic-13	Abs. Change	% Change
Aqueducts	59,8	56,1	3,7	6,60%
Purification	**24,1**	20	4,1	20,50%
Sewerage	30,8	29,7	1,1	3,70%
Total Water Cycle gross	**114,8**	105,8	9	8,50%
Capital Grants	**21,1**	14-gen-00	6,5	0,445
ofr which FoNI (New Investment Fund)	10,5	11,6	-1,1	-9,50%
Total Integrated Water Clycle net	93,6	91,1	2,5	2,70%

The total investments made it possible to increase the regulatory asset base (RAB) recognized by the Authority for electric energy, gas and water (AEEGSI) for the remuneration of invested capital. The RAB rose by approximately €0.02 billion.

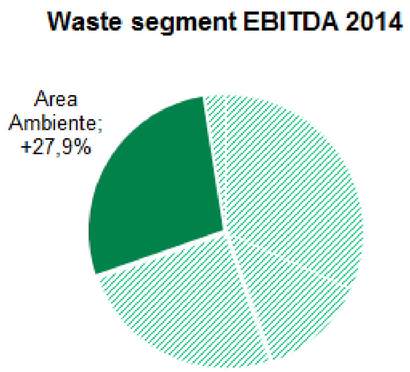
RAB at €1.06 billion

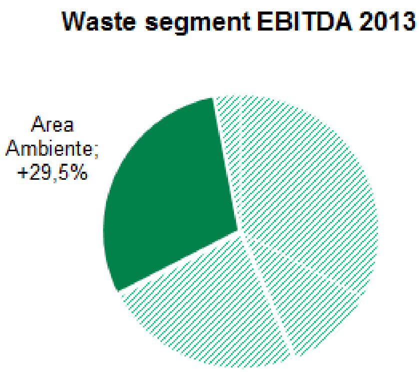


1.02.4 WASTE MANAGEMENT

Environment: rising volumes

In 2014, EBITDA for the Waste Management segment came in better than in 2013.





The table below shows the changes in EBITDA:

Waste management: EBITDA up by 1.1%

(€/mln)	31-dic-14	31-dic-13	Abs Change	% Change
Segment EBITDA	**241,8**	**239,3**	**+2,5**	**+1,1%**
Group EBITDA	**867,8**	810,2	+57,6	+7,1%

The table below provides an analysis of the volumes commercialized and treated by the Group in 2014:

Market waste: +10.6%

Quantitative data (thousand of tonnes)	**31-dic-14**	31-dic-13	Abs.Change	% Change
Urban waste	2.036,9	2.010,6	+26,3	+1,3%
Market waste	2.098,7	1.897,5	+201,2	+10,6%
Wasted marketed	**4.135,6**	**3.908,1**	**+227,5**	**+5,8%**
Plant by-products	2.290,2	2.310,9	-20,7	-0,9%
Waste treated by type	**6.425,8**	**6.219,0**	**+206,8**	**+3,3%**

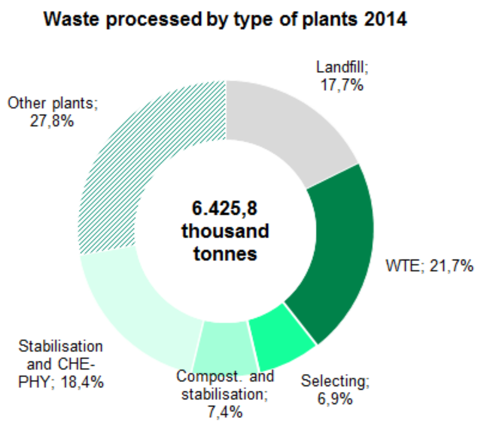
A review of the volumes treated shows a 5.8% increase of the commercialized waste, mainly due to a rise of market waste (+ 10.6%). The higher share of waste is the result of an important commercial activity and an increase in waste intermediation, due also to the creation of a new company, HASI, in March 2014. This made it possible to add impetus to the industrial waste management business and related environmental services.

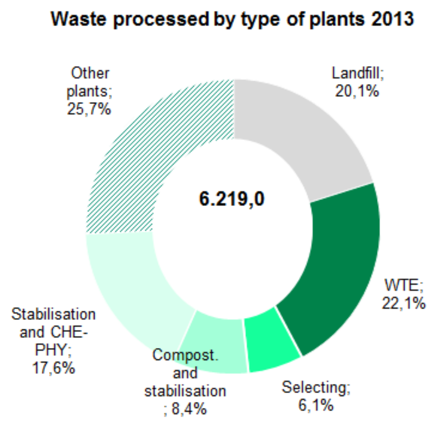
Urban waste went up (+ 1.3%), as did sorted waste (+ 3.8%), while unsorted waste was down (- 1.1%). This reduction was due to the lower production of leachate from production sites and landfills.

The Group operates in the entire waste cycle, with 78 plants for treatment and disposal of urban and special waste; of these, 73 are managed by Herambiente, 3 by Marche Multiservizi and 2 by AcegasApsAmga.

Waste treated by type of plant increased, in absolute terms, in every sub-sector except landfills and composting:

Use of landfills is down



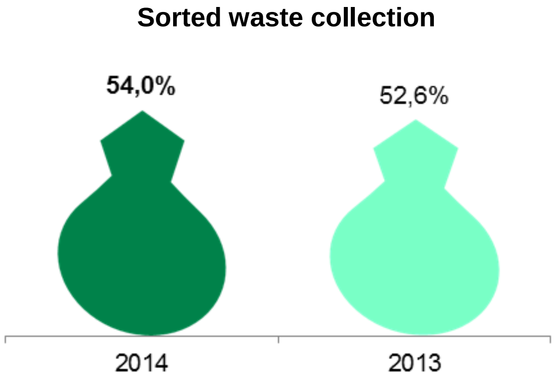


Quantitative data (thousand of tonnes)	**31-dic-14**	31-dic-13	Abs Change	% Change
Landfill	1.137,3	1.252,2	-114,9	-9,2%
Waste-to-energy plants	1.393,9	1.372,9	+21,0	+1,5%
Selecting plant and other	445,6	378,1	+67,5	+17,9%
Composting and stabilisation plants	478,3	521,8	-43,5	-8,3%
Stabilisation and chemical-physical plants	1.182,3	1.094,3	+88,0	+8,0%
Other plants	1.788,4	1.599,6	+188,8	+11,8%
Waste treated by plant	**6.425,8**	**6.219,0**	**+206,8**	**+3,3%**

Waste treatment, as shown in the table above, shows that the use of WTE plants and the drop in the utilization of landfills were in line with the previous year; in particular, the Herambiente Spa reduced its use of landfills by 12%, compared to the previous year.

In fact, the higher volumes managed were treated in sorting and chemical and physical plants as well as other facilities, to enhance waste recovery and intermediation activities.

At 31 December 2014, the Group's sorted waste collection reached 54% of the total, compared to 52.6% in 2013. It went up from 54% in 2013 to 55.3% in 2014 in the areas served by Hera, down from 54.4% to 54.2% in the areas served by Marche Multiservizi and rose from 42% to 44.8% in the areas served by AcegasApsAmga.



Sorted waste collection +1.4%

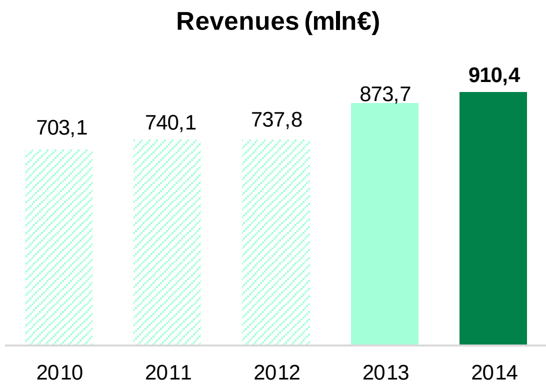
The table below summarized the results of the segment:

Income statement (€/mln)	31-dic-14	% Inc.	31-dic-13	% Inc.	Change Abs.	Change %
Revenues	**910,4**		873,7		+36,7	+4,2%
Operating costs	**(499,3)**	-54,8%	(467,5)	-53,5%	+31,8	+6,8%
Personnel costs	**(171,8)**	-18,9%	(169,7)	-19,4%	+2,1	+1,2%
Capitalised costs	**2,4**	0,3%	2,7	0,3%	-0,3	-11,2%
EBITDA	**241,8**	26,6%	239,3	27,4%	+2,5	+1,0%

Environment: EBITDA up

Revenue from the environment segment at €910 million

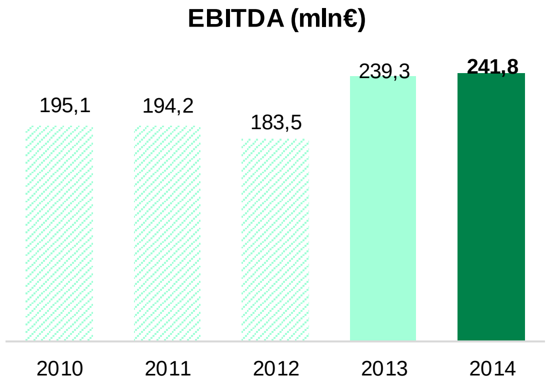
Revenues increased by €36.7 million (+ 4.2%), from €873.7 million in 2013 to €910.4 million for 2014. This increase was due to greater volumes disposed of and greater revenues from urban hygiene, to meet a higher demand for services; this offset the lower revenues from energy ad the lower waste disposal prices determined by competitive pressures.



Operating costs for the area grew by €31.8 million, as a consequence of the greater volumes of waste treated and the increase in collection and street cleaning services, due to the development of sorted waste collection.

EBITDA for the waste management area at €242 million

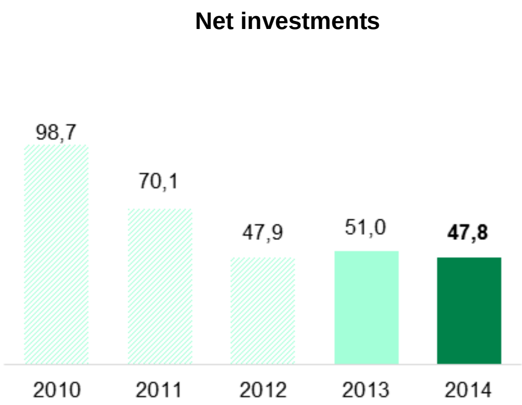
EBITDA rose by €2.5 million (+1%), from €239.3 million in 2013 to €241.8 million for 2014.



Net investments in the waste management amount to €47.8 million

Gross investments in the Waste management area regard the maintenance and upgrading of plants, amounting to €47.9 million, doen €3.3 million from 2013. Not including capital grants (€0.1 million) total investments in the area amount to €47.8 million.

Compared to 2013, the composting/digestor sub-sector showed a decrease (- €3.4 million) as a result of the completion of the dry-fermentation plants in Rimini and Lugo, near Ravenna. In 2014 only routine maintenance activities were performed for plants, except for the Voltana site, near Ravenna, and the photovoltaic plant, with the makeover of the relevant road systems.



The increase in the landfill sub-sector (+ €1.1 million) was due mainly to the construction of the eighth sector in the Ravenna landfill. Other increases were due to the works performed by Marche Multiservizi for €4.8 million, related to the expansion of the Cà Asprete landfill in Tavullia, near Pesaro and Urbino, with the adjacent screening plant, and minor activities on the Cà Lucio landfill in Urbino.

The reduction of investments in the WTE sub-sector (- €2.3 million) was mainly due to the completion of civil and infrastructure works performed in Ferrara in 2013, for the operational benefit of the Akron sorting plant, and minor investments on the Pozzilli and Fea WTEs, which were only partly offset by non-routine maintenance activities.

In the special waste sub-sector, the decrease in investments compared to 2013 (- €1.9 million) were due to the completion of the sludge dehydration plant in Ravenna and the end of the revamping of the chemical and physical treatment plant commenced in 2013 and only partly offset by the maintenance activities and installation of the filter press in the industrial sludge treatment plant in Bologna

Regarding collection equipment, the largest investments concern the project related to the small underground collection centres in Bologna, which began in 2013 and is currently under way (for an amount of €1.6 million), innovative projects on collection systems (WFM Environment) and activities in the areas served by AcegasApsAmga. The €2.8 million decrease was due to the completion, in 2013, of the activities on the sorting plants (revamping of the Modena plant and construction of the Bologna plant). Attention is called to the construction, in the current year, of a transhipment plant with an adjacent fixed treatment plant.

The table below shows the details of the investments in the Environment area:

Waste handled (mln €)	**31-dic-14**	31-d.c-13	Abs. Change	% Change
Compostaggi/Digestori	2,2	5,6	-3,4	-60,70%
Landfills	13,5	12,4	1,1	8,90%
WTE	9,3	11,6	-2,3	-19,80%
RS Plants	2,3	4,2	-1,9	-45,20%
Market	0,6	0,6	0	0,00%
Ecological areas and gathering equipment	12,5	6,6	5,9	89,40%
Transshipment, selection and other plants	7,5	10,3	-2,8	-27,20%
Total Waste handled gross	**47,9**	51,2	-3,3	-6,40%
Capital contributions	0,1	0,3	-0,2	-66,70%
Total Waste handled net	**47,8**	51	-3,2	-6,30%

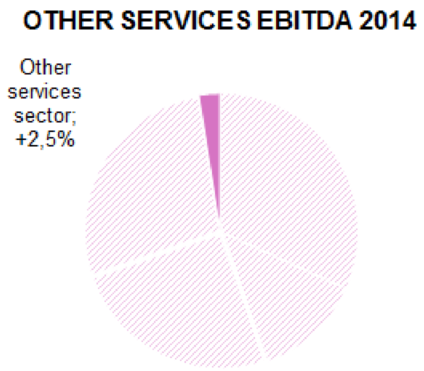
1.02.5 OTHER SERVICES SEGMENT

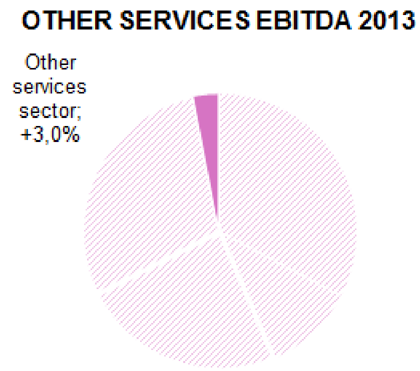
Other Services: decreasing margins due to exit from minor businesses

The Other Services segment gathers the Group's minor services, or the services that the Company has been selling over the years to focus on its core businesses. In 2013, the cemetery services of Bologna were sold and currently there are only the telecommunication, public lighting and cemetery services provided by AcegasApsAmga.

In 2014, the results of Other Services were down, as EBITDA for the area went from €24.5 million in 2013 to €21.5 million for 2014:

-0.5%: the decrease of the contribution to the Group's EBITDA





The table below shows the changes in EBITDA:

EBITDA for Other Services area down €3 million

(€/mln)	31-dic-14	31-dic-13	Abs. Change	% Change
Sector EBITDA	**21,5**	**24,5**	**-3,0**	**-12,2%**
Group EBITDA	**867,8**	810,2	+57,6	+7,1%

The main indicators of the public lighting activity are as follows:

Quantative data	31-dic-14	31-dic-13	Abs. Change	% Change
Public lighting				
Lighting points (thousands)	**479,6**	475,2	+4,4	+0,9%
Municipalities served	**152,0**	123,0	+29,0	+23,6%

480,000 lighting points

Public lighting shows an increase of 4,400 lighting points and 29 Towns under management. This increase is due to the inclusion in the scope of consolidation of Udine area (+ 23,500 lighting points for 15 towns) and the award of new contracts to Hera Luce and the Sinergie Group. The increase in lighting points is lower than the increase in Towns due to the loss of the Rimini contract, with 29,000 lighting points, but where there is still a maintenance contract in place.

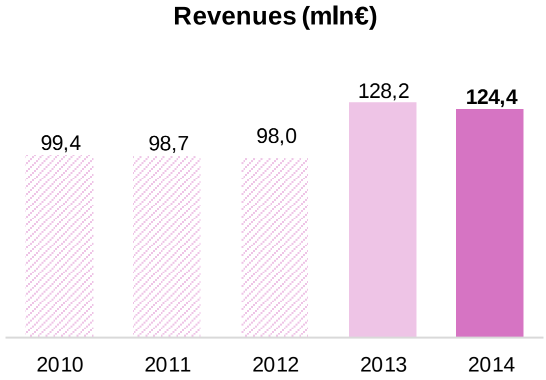
The table below summarizes the operating performance for the area:

Other Services: margins are lower due to the disposal of minor businesses

Income statement (€/mln)	31-dic-14	% Inc.	31-dic-13	% Inc.	Abs. Change	% Change
Revenues	**124,4**		128,2		-3,8	-3,0%
Operating costs	**(84,6)**	-68,0%	(83,6)	-65,2%	+1,0	+1,2%
Personnel costs	**(19,4)**	-15,6%	(20,9)	-16,3%	-1,5	-7,2%
Capitalised costs	**1,1**	0,9%	0,9	0,7%	+0,2	+23,5%
EBITDA	**21,5**	17,3%	24,5	19,1%	-3,0	-12,2%

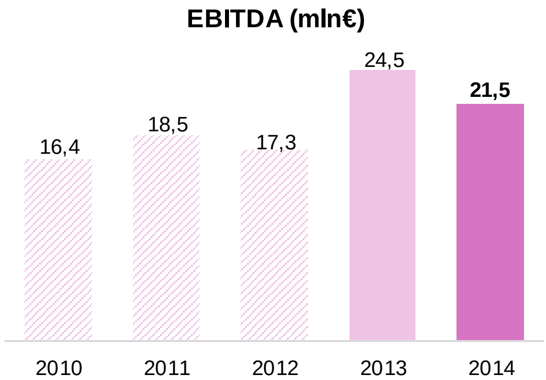
Revenues from Other Services at €124.4 million

Revenues from the segment fel by €3.8 million, mainly due to the sale of the companies operating in cemetery services (approximately - €7.5 million), offset by greater revenues from the public lighting business, in the areas of Gorizia and Udine, and by greater revenues in the telecommunication business, thanks to the increase in services provided.



EBITDA down by €3 million

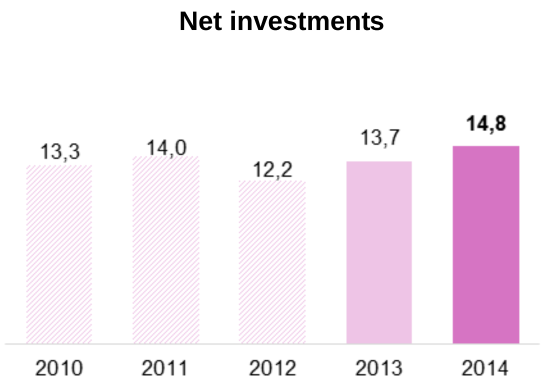
EBITDA was down €3 million, as a consequence of the sale of cemetery services provided in Bologna (€1.5 million) and the lower margins of AcegasApsAmga (€0.5 million).



Public lighting saw its margins decrease due to both greater costs related to the early revamping of the plants of the Sinergie Group and the adjustment of prices to participate in tenders put out by the Government's procurement entity (Consip), as required by law. The telecommunication business showed a slight improvement, thanks to higher revenues, as indicated previously.

Net investments for €14.8 million

Investments in the Other Services segment aountd to €14.8 million, up €1.1 million on 2013, without any capital grants.



Total investments in the telecommunication business – for the network and TLC and IDC (Internet Data Centre) services - amounted to €9.2 million. In public lighting total investments amounted to €5.6 million, in relation to the maintenance, revamping and upgrading of public lighting systems.

The table below shows details of the investments in the Other Services area:

Other Services (mln €)	**31-dic-14**	31-dic-13	Abs. Change	% Change
TLC	9,2	8,3	0,9	10,80%
Public lighting and street lights	5,6	5,4	0,2	3,70%
Totalo Other Services gross	**14,8**	13,7	1,1	8,00%
Contributi conto Capitale	0	0	0	0,00%
Totale Altri Servizi Netti	**14,8**	13,7	1,1	8,00%

1.03 SIGNIFICANT EVENTS OCCURRED DURING THE YEAR

January

Acegas APS Service Srl

On 23 December 2013, effective 1 January 2014, this company, which is wholly owned by AcegasAps Spa, completed the partial proportionate spin-off of its public lighting assets located in the city of Padua in favour of Acegas APS Spa.

February

Fucino Gas Srl

On 13 January 2014, HeraComm Srl was awarded the contracts after the tender launched by the Municipality of Luco dei Marsi (AQ) for the sale of the 100% equity interest held by the Municipality in Fucino Gas Srl, a company operating in the purchase and sale of gas methane and other fuels. The sale agreement was executed on 6 February 2014.

March

Herasocrem Srl in liquidation

On 18 March 2014, Hera Spa sold its 51% investment in Herasocrem Srl in liquidation to Socrembologna Srl.

Herambiente Servizi Industriali (Hasi)

On 24 March 2014 NestAmbiente Spa changed its name to Herambiente Servizi Industriali (Hasi). Hasi is a global environmental service operator in all productive sectors, providing: regulatory consultancy, environmental audits, analysis and classification of waste produced by the company, collection and micro collection and (where necessary) disposal.

New Akron plant

On 28 March 2014, in Granarolo, near Bologna, Akron inaugurated a new plant for the selection of dry waste, with a total investment of €11 billion. The industrial complex, with its unparalleled level of technology for Italy and a capacity for treatment of 100,000 tons per year has two waste selection lines: one for the treatment of plastic, multiple materials and paper waste and one specifically devoted to paper waste.

April

SIL – Società Italiana Lining Srl / CST Srl – AcegasAps Spa

The merger of both SIL – Società Italiana Lining Srl – a wholly-owned subsidiary of Acegas APS Spa, engaged in the construction and maintenance of water, sewer and gas grids – and CST Srl – a wholly-owned subsidiary of SIL – Società Italiana Lining Srl engaged in Integrated Water Management – with and into Acegas APS Spa took legal effect on 1 April 2014

June

Hera Luce Srl

On 27 June 2014, Hera Spa became the Sole Owner of Hera Luce Srl, following its buyout of the other two shareholders, Massari and Paglierani, who held a 6.56% and a 3.86% equity interest, respectively.

July

Hera Spa - Amga – Azienda Multiservizi Spa

Starting in the second half of 2013, Hera Spa, the Town of Udine and Amga – Azienda Multiservizi Spa began a process to determine the feasibility of an integration which resulted in the merger of AMGA with and into Hera as of 1 July 2014, and the consequent share capital increase of €68,196,128 and allocation of €73,788,210.50 to the share premium reserve for the Parent Company. In connection with the merger, Hera Spa transferred to HeraComm Srl the equity interests in Amga Energia & Servizi Srl e Amga Calore & Impianti Srl, previously held by Amga, with a consequent share capital increase of €400,000.00 and allocation of €22,653,827.03 to the share premium reserve for HeraComm Srl. Still as of 1 July 2014, in connection with the effects of the merger, Hera Spa transferred to AcegasAps Spa (which changed its name to AcegasApsAmga Spa) Amga's public utility assets and the equity interests held in Black Sea Technology Company Group, in Black Sea Company for Gas Compressed Ltd and in other minor companies, with a resulting share capital increase of €1,599,997.32 and allocation of €100,448,141.70 to the share premium reserve for AcegasApsAmga Spa.

Isontina Reti Gas Spa e Est Reti Elettriche Spa – AcegasApsAmga Spa

In connection with a broader reorganization of the respective equity interests in both Isontina Reti Gas Spa and Est Reti Elettriche Spa, Acegas APS Spa and Eni Spa completed a process started in the last few months of 2013 which led AcegasApsAmga to obtain full control of Isontina Reti Gas Spa and Est Reti Elettriche Spa. Lastly, upon completion of the above-mentioned rationalization process, the mergers of Isontina Reti Gas Spa and Est Reti Elettriche Spa with and into AcegasApsAmga Spa took effect on 1 July 2014.

Issue of first Italian 'Green Bond'

On 4 July 2014, a €500 million Green Bond, the first ever in Italy, was completed (maturity July 2024 and a coupon of 2.375%) under the Euro Medium Term Notes programme. The funds raised were used to repay early part of the outstanding debt: a €500 million Eurobond (maturing February 2016), through a particularly successful tender offer; a €100 million bond (maturing November 2020); a €17 million bond (maturing 2025), all in private placements.

Sinergia Srl

On 18 July 2014, Hera Comm Srl increased its 59% equity interest in Sinergia Srl, a company engaged in the provision of integrated energy services, from 59% to 62.77%

September

HeraComm - Default Gas

On 19 September 2014, HeraComm was awarded the contract for the provision of the Default Gas service for the period between 1 October 2014 and 30 September 2016 in the regions of Emilia Romagna, Friuli Venezia Giulia, Toscana, Umbria and Marche.

October

FlameEnergy Trading Gmbh

Effective 1 January 2014, the company, which was 50%-held by Hera Trading Srl, underwent voluntary dissolution. On 4 October 2014 the dissolution procedure was completed and the company was stricken off the Companies Register.

Elettrogorizia Spa

On 23 October 2014 AcegasAps Amga Spa acquired an additional equity interest in Elettrogorizia Spa, a company engaging in the energy sector, reaching a 50% shareholding. Before this transaction it held 33% of the company.

Carniacque Spa

On 30 October 2014, Hera Spa sold 34.85% equity interest in Carniacque Spa, a company engaging in the water sector.

Herambiente Recuperi Srl

On 17 September 2014 a company was incorporated under the name of Herambiente Recuperi Srl as a wholly-owned subsidiary of Herambiente Spa. The new company will engage in the treatment and disposal of scrap and waste in general. Effective 30 October 2014, Herambiente Recuperi Srl acquired Ecoenergy, which operates in the same sector.

December

Iniziative Ambientali Srl

Effective 1 December 2014, Iniziative Ambientali Srl, a wholly-owned subsidiary of AcegasApsAmga Spa that operates in environmental services, merged with and into its parent company.

Emilia Sistemi e Impianti Luce Scarl

Within the scope of a broader rationalization process of the Group companies operating in the public lighting business, effective 1 January 2014, Sinergie Spa, a subsidiary of AcegasApsAmga Spa, sold to Hera Luce Srl the 50% equity stake held in Aristea Sinergie Illuminazione. Subsequently, on 19 March 2014, Aristea Sinergie Illuminazione Scarl changed its name to Emilia Sistemi e Impianti Luce Scarl, E.S.I.L. Scarl for short, and moved its registered office to Bologna. On 22 December 2014 Hera Luce Srl purchased the remaining 50% from the other shareholder, Co.ve.co.

Marche Multiservizi SpA

On 18 December 2014, Hera Spa, which already held 44.62% of Marche Multiservizi Spa, purchased an additional 68,000 shares of the company from the Town of Mombaroccio. On 23 December 2014, Hera Spa purchased an additional 170,598 shares of the company from the Town of Urbino, thus reaching a total equity interest of 46.39%.

ISO 50001 Certificate

On 30 December 2014 Hera Spa obtained the ISO 50001 certificate, which attests to the company's best practices in energy management.

Sotris Spa – Herambiente Spa

On 10 September 2014, Herambiente Spa acquired the 30% of the shares outstanding that it did not own in Sotris Spa, a company engaged in environmental services, thus becoming sole shareholder. Effective 31 December 2014, Sotris Spa was merged with and into Herambiente Spa.

Subsequent events

Hera Energie Srl

Effective 1 January 2015, Hera Energie Srl - a company engaging in energy services and heat management which was 51% held by HeraComm – merged with and into Sinergia Srl, a company operating in the provision of integrated energy services which was 62.77% held by HeraComm. Following the merger, the acquiror, which is now 57.89% held by HeraComm, changed its name to Hera Servizi Energia Srl.

Galsi Spa

After the shareholder Sfirs Spa exercised its put on its own 11.51% equity interest in Galsi Spa, the company that is laying the gas pipelines between Algeria and Italy through Sardinia, HeraTrading Srl acquired an additional 1.36% of the company, reaching an equity interest of 11.77%.

Alento Gas Srl

On 26 January 2015, Hera Comm Marche Srl was awarded, on a preliminary basis, 100% of Alento Gas Srl, a company auctioned off by the Town of Francavilla al Mare, near Chieti, which engages in gas purchases and sales with about 12,500 customers in the local area.

The sale was finally approved on 25 February 2015 and the agreement should be executed by the end of May 2015.

1.04 SHARE PERFORMANCE AND INVESTOR RELATIONS

Share outperforms the market for the third consecutive year

Following the sovereign debt crisis of 2011, Hera's share recovered rapidly and has consistently outperformed both the market and its main competitors' in the multi-utility sector in the past three years. In fact, in 2014, the share price rose by an additional 18.5%, going from €1.65 to €1.95. This is all the more impressive if one considers that the FTSE MIB index lost 0.3 percentage points (in the second half all the gains achieved in the first were reversed) and that shares of local utilities rose, on average, by 5.2% (as depicted in the chart below). At 31 December 2014, the Hera Group's market capitaization was €2.9 billion, the highest among multi-utilities and ranking 31st among the companies listed on the Milan Stock Exchange.

Total shareholders' return+24%

For the third consecutive year, the total shareholder return (i.e. capital gain plus dividends) achieved double digit growth, as it went up by 24%.

4.6% dividend yield

The Board of Directors approved once again a dividend of €0.9 per share for 2014, a 4.6% return on the closing price for the year just ended. The Group's dividend policy is witness to its reliability. In fact, over the past 12 years Hera has provided shareholders with constant and/or growing dividends, thus allowing the cumulative total return since the I.P.O. (reached 125% at year-end) to remain positive, including when the crisis that hit the Italian and international economy was at its worst.

Share trading at a premium to peers

At the end of 2014 the market price reflected a premium in terms of 2014 EV/EBITDA (6.4X) and in terms of 2014 P/E (17.7X), driven by results that beat analyst estimates and with growth forecasts consistent with the latest approved business plan (1 October 2014).

€2.51, the average target price and no negative recommendation

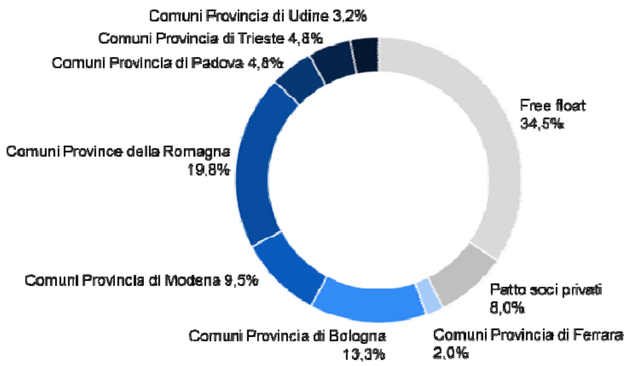
In 2014, the number of analysts that cover the share rose. Here is an updated list: Banca Akros, Banca IMI (new), Equita, Fidentiis (new), ICBPI, Goldman Sachs (new) Intermonte, Kepler Cheuvreux and Mediobanca (new). At year-end the Hera share was rated as "Buy/Outperform" and had only one "Hold/Neutral". The consensus target price is €2.51, with an average potential upside of + 44%, compared to the price at 31 December 2014, with an implied valuation at multiples higher than the average for the market (2014 EV/EBITDA of 7.6X and 2014 P/E of 25.2X).

+83% the value of average daily trading volumes

In the year under review, the risk factors related to the share were lower than the industry norm and showing improvement compared to 2013. In fact, the share's liquidity level increased, from an average daily trading volume of 1.5 million shares to 2.1 million shares (+40%) while the value of the average trading volume rose by 83% (33% higher than that for the Italian stock market as a whole and 18% higher than the average for the multi-utility sector). These improvements came about with the increase of the float, following the capital increase launched at the end of 2013, which was subscribed entirely by individual investors thanks to a lower country risk.

Group shareholder base of 24,000

The shareholder base is balanced and broad (about 24,000 shareholders). Shares outstanding rose from 1,421.3 million to 1,421.3 million, following the issue of about 69 million shares to pay for the acquisition of Amga Udine (1 July). Accordingly, the shareholder base includes more than 200 public entities, accounting for approximately 58% of share capital. The remaining shares, accounting for about 42% of the total are held instead by about 24,000 private entities and individuals.



Since 2006 Hera has had a share buyback program in place, which was renewed for an additional 18 months and for up to €80 million at the General Meeting of Shareholders held on 30 April 2014. This program is designed to finance the acquisition of smaller companies and to smooth out unusual market price fluctuations vis-à-vis those of the other main Italian companies. At year-end 2014 Hera held 19.2 million treasury shares.

In addition to the usual financial communication activities, in 2014 Hera continued to promote extensively meetings between the Group's top management and the financial community (more than 400 contacts between meetings and conference calls), to expand and diversify the shareholder base with Italian and foreign investors. The number of U.S. and UK investors rose faster than those from other European countries while value or yield investors outweighed growth investors.

Value and yield investors expand their role in the shareholder base

The Group's effort in its interaction with investors contributed to strengthen Hera's reputation in the market and is an invaluable intangible asset that benefits both the share and the stakeholders.

1.05 THE REFERENCE SCENARIO AND THE GROUP'S STRATEGY

Mission consistent with the strategy followed since inception

Since inception the Hera Group has pursued a stable and consistent strategy over time, even though it has had to manage different factors: (i) a scenario characterized by constant change; (ii) and progressive and constant service liberalization process; (iii) turmoil in the markets where it operates. This consistency has allowed it to set a standard in the provision of public utility services. In fact, the Group's mission is to become the first Italian multi-utility through sustainable growth, achieved both organically and via acquisitions, and designed to create value for its stakeholders.

Growth through the multi-utility approach Investments to improve efficiency

The strategy has driven the Group's growth, as its market capitalization became the largest, compared to that of the other multi-utilities. Positive results were achieved also in 2014, and they are all the more impressive if they are considered in light of the difficult Italian macroeconomic context and the mild weather recorded. The multi-utility approach adopted (water, gas and electricity) is highly effective in terms of performance, as the Group has been pursuing the improvement of efficiency in every respect, to be increasingly competitive also in view of the upcoming tenders for the renewal of concession arrangements. The substantial infrastructure investments, designed to upgrade plants, have led to greater operational efficiency, thereby generating resources and cash flows that strengthened the Company's financial condition as well as significant environmental benefits.

Our most valuable assets: our customers

The strategies to reduce supply risk

Customers are the focus of every Group strategy. They are cultivated both in regulated services and with innovation in free markets. Our cross-selling activity adds value to our offering, building customer loyalty, allowing the improvement of quality and post-sale service costs and the reduction of the cost of new connections. Moreover, the presence in the free market services has expanded substantially the customer base (over 2 million only in Energy). In energy sales, the Group has maintained its flexibility in the sources of energy supply and, on the other hand, it has developed trading activities to avoid the exposure of its electricity production to operational risks or to take-or-pay clauses in long-term gas supply agreements. In waste recovery and disposal, the old plants have been replaced with the new generation ones, which are equipped with more efficient and environment-friendly technologies, and new assets have entered service for utmost effectiveness in material recovery.

Regulated and free market activities: a balanced mix

Together with the development of free markets, the Group paid special attention in developing also regulated markets, with the objective of balancing a mix of assets that respond differently to different market circumstances. In particular, the mix of services in portfolio contributed over the years to offset the impact of the risks typical of each service, preserving the combined results.

Value creation through external growth: the "Hera model"

The Group's external growth has been pursued through the "Hera model", which has driven the company since the beginning: acquisition and subsequent integration of multi-utilities focused in the same core businesses. The model has been replicated in many M&A deals: the companies have always been selected on the basis of geographical proximity, fit with the Group's businesses and operating results and financial conditions. This development has been value-accretive for shareholders, even though the deals were largely financed through the issue of shares. In terms of earnings per share, both in the short term and, increasingly, in the medium/long term, good results have been obtained thanks to the synergies generated with the mergers. External growth has been pursued also with single-business companies, mainly in liberalized activities, through acquisitions that were able to take advantage of the opportunities made available by the market.

The business plan

Excellence and innovation

The Group's strategies are all based on a five-year business plan, agreed upon by management and updated every year on the basis of changes in the economic context. These strategies are then turned into operational objectives fully embedded in the staff's variable pay system (balanced scorecard system). The latest revision of the plan (October 2014) confirmed all the strategic approaches followed so far and brought to the fore the objective of pursuing growth both internally and externally (including through the award of contracts that will be put out to tender in gas distribution), aiming to improve financial strength and to create further value for stakeholders. In addition to excellence and innovation, long-term strategic drivers include growth, efficiency and sustainability.

The Government encourages sector consolidation

The Group operates in a highly fragmented industry, as in Italy there are over 1,200 small and medium utilities. These characteristics are a setback in a sector where economies of scale are crucial to ensure competitiveness. Thus, this is a favourable scenario for Hera, which can continue with its consolidation of new geographies (mainly in the adjacent regions of Marche and Triveneto) also in light of the recent laws introduced by the Italian Government, which should help companies with adequate financial strength and solid expertise. The current scenario is complex and presents a number of challenges, which the Group is going to face on the basis of time-tested competitive advantages that can foster the growth process and create value for all the stakeholders.

1.06 MACROECONOMIC CONTEXT & FOCUS ON OIL, GAS AD ELECTRICITY

The economic and energy context

In 2014 global GDP rose by approximately 3.3%. The economies of the emerging countries continued to grow at a pace faster than the other areas of the world, even though a weakening demand ultimately took its toll. Several industrialized countries – such as United States, Canada and United Kingdom – did experience strong growth also last year while others – chiefly Italy and Japan – continued to suffer. Results for 2014 were affected by oil prices. In fact, in the last four months the price of Brent fell by nearly half, going from $100 a barrel to even below $50, dragging with it the rate of inflation in many energy-importing areas. One such area was the euro-zone where, compared to 2013, consumer prices in 2014 experienced a slight increase, by 0.5%.

Global GDP up 3.3%

Going into details, in 2014 the Italian economy was still in the doldrums, with little signs of recovery. Fortunately there were bright areas, such as the increase of manufacturing output in the last few months of the year. These signals, and a macroeconomic context (from inflation to energy products, to European monetary policy) that seems more favourable than in the past for Italy, prompted the main market analysts to assume a return to growth as early as 2015. Looking at the numbers, in 2014 Italy's GDP was down 0.4%, compared to 2013, while manufacturing output was down 0.8%.

Brent at $50 a barrel

As already mentioned, at the end of 2015 manufacturing output showed encouraging signals in several industrial sectors (transportation equipment optics, electronics, machinery and equipment manufacturing), some of which have deep roots in the areas in which the Hera Group operates.

As to domestic demand, 2014 seemed to end on a slightly positive note for consumer spending, despite the uncertainties related to the labour market (the unemployment rate in 2014 reached 12.9% while youth unemployment was as high as 42%) and the country's economic prospects, which fuel the propensity to save of its populace. Consequently, the positive effects brought about by a higher disposable income – due to the low rate of inflation and measures for the benefit of low-income households – were offset by this reduced propensity to consume.

Italy's GDP down 0.4%

The euro provides a limited boost to investments

On the investment front, the latest data do not suggest any major recovery signals, confirming that for the economy to return to a growth path it is necessary to provide further stimulus to domestic demand or – which is easier – to foreign demand. The depreciation of the euro, which continued its descent also in the early months of 2015, should in fact boost investments. An additional impulse should come from the greater availability of credit, as a result of the monetary policy of the European Central Bank (ECB). Under the leadership of Mario Draghi, the ECB initiated the Quantitative Easing program, which is designed to inject liquidity into the system through the purchase of government bonds for €60 billion a month until the earlier of September 2016 or the medium/long-term rate of inflation is brought to sustainable levels. This should contribute, in the next few years, to make consumer prices livelier (+0.2% in 2013).

ECB initiatives: QE launched

Lastly, attention is called to another factor that improved recovery expectations, the decline of yields on 10-year government bonds (BTP) by about 150 basis points from 2013, which affected the cost of funds for private companies and government entities.

The competitive context

Regarding the competitive context of the business in which the Group operates, attention is called to the Government's intention to promote the rapid sector consolidation for local public utilities, with the objective to overcome the high degree of fragmentation that characterized Italy, compared to other European economies, thereby limiting industrial development and benefits for its citizens.

A changing landscape

Worthy of note is also Italy's continuing stagnation and the overcapacity in the energy market. This, on one side, determined stronger competitive pressures among operators active in the final and liberalized part of the market, thereby squeezing margins, and, on the other, started a restructuring/consolidation process that caused a number of important international players to reassess their position in Italy, and some of them to exit the country (e.g. the E.On group).

1.06.01 REGULATORY FRAMEWORK AND REGULATED REVENUE

Updates concerning the legislative framework

During 2014, several key legislative and regulatory measures were adopted for the power and local public services sectors. Most of these are vital in view of their effects on current scenarios and of the impact they will have on future financial cycles. The following legislative and regulatory framework summarizes the measures taken in 2014, which will have a stronger mid-term impact on the group's business.

Reference legislation

The 'Competitiveness' and 'Unblock Italy Decrees - besides the 2015 Stability Law and the Legislative Decree for the enactment of UE laws on energy efficiency - are for the Group among the most important governmental measures approved in 2014. Equally relevant is the Ministerial Decree enacting the guidelines for defining the gas distribution tender refund values.

Competitiveness Decree: regulations for spreading incentives and extending gas tenders

Law Decree 91/2014 (known as Competitiveness Decree), enacted through Law 116/2014 August 21 2014, has endorsed measures aiming to reduce energy costs for small and medium-sized Italian companies. To dilute the impact of system charges on electricity bills, the 'incentive-spreading' regulation provides for three options aiming to redefine incentives for renewable sources, based on a combination of the residual term for the incentive and its extent in time.

To obtain additional capital, the Decree - in force from 1 January 2015 - provides for sharing the payment system charges for internal user networks (RIU) and for efficient utility systems (SEU), with a share equalling 5% of the matching unit amounts, calculated on the power drawn from the network. The current on-the-spot exchange legislation will also undergo revision by the Electricity, Gas and Water Supply Authority (AEEGSI). The Decree has also, to varying degrees, extended the terms for publishing gas distribution competition tenders. More specifically, deadlines for the first grouping Areas (as identified by the Ministry of Economic Development's Decree 226/2011 'Criteria Regulation') have been extended to eight months; the second, third and fourth group Areas enjoy a six-month term while the fifth and sixth grouping Areas enjoy a four-month term.

'Unblock Italy' Decree: a drive from water service Territorial Bodies and waste incineration plant monitoring

In late 2014, the 133/2014 Law Decree (known as 'Unblock Italy'), was approved and enforced, aiming to encourage investment and to boost the country's growth. The provisions under this Decree specifically address the Integrated Water and Waste Disposal sectors.

In the Integrated Water Service, the regions were mandated to identify - by the end of 2014 - the territorial bodies covering at least a province, and to draft Area Plans by 30 September 2015. Local authorities also introduced the obligation for AEEGSI to draw up two annual reports aimed at monitoring the Environmental Code application. To speed up granting procedures and to achieve the single management Area, the takeover by a sole operator was set out for expired concessions equalling at least 25% of the Area.

Waste disposal: no more territorial limits

In the waste sector, two reconnaissance decrees for waste management facilities will be issued in 2015 in order to quantify their incineration capacity and to identify the residual need for municipal food waste recovery plants. The 'R1' qualification under the Environmental Code was also made mandatory for treatment plants, and the possibility to dispose of municipal solid waste (MSW) from other provinces was also provided. In these cases, a portion of the increased income of the plant operator will be conveyed in the form of tariff discounts to the citizens of the area that receives the waste.

Stability Law 2015: aggregating and rationalizing public subsidiaries

Through the ‘Stability’ Law 2015 (December 23, 2014, n. 190), standards to promote the aggregation of economically relevant local public service companies (SPL) were approved. To this end, the Stability Pact excludes any capital expenditure incurred by local authorities, with proceeds ensuing from stakeholder divestitures in these companies. Bound to be completed in 2015, a process of rationalization of the companies and of their direct and indirect equity investments was also set out, through mergers of companies delivering similar services or through the aggregation of economically relevant SPL companies. To this end, local authorities are required to draw up - by March 31, 2015 - an operational plan to be delivered to the Court of Audit, which will be followed by a report detailing the results.

Measures to improve energy efficiency

Legislative Decree n. 102, July 4, 2014, enacting the 2012/27/EU Directive on Energy Efficiency, endorsed measures to improve energy efficiency and to achieve the primary energy saving national target for the period 2014-2020, with savings equalling 20 million equivalent tons of oil (Mtoe). The tools to achieve this goal are the Energy Efficiency Certificate system, tax deductions and the Energy Efficiency Support Scheme (Conto Termico).

Among the innovations, it is worth mentioning the requirement to install, by 31st December 2016, individual meters for each unit in condominiums and multi-purpose buildings, “where - literal quote – this is technically feasible and cost-efficient”. This provision also mandates for the submission of billing data based on actual consumption (a two-month billing frequency as a minimum) by 31 December 2014, with historical information dating back to the previous three years as a minimum.

The AEEGSI was mandated to commence, within two years of the publication of the Decree, the district heating and cooling service regulation, through measures that will have to be gradually phased into the existing network; such measures will define continuity, quality and security benchmarks, as well as the billing criteria for new connections to the network. The AEEGSI was also entrusted with several tasks, such as updating the return on investment rules for the transport and distribution networks, aiming to remove the hurdles in the way of energy efficiency; promoting renewables, distributed generation and CAR through dispatching priorities; lastly, adjusting power distribution tariff components to overcome the current progressive tariff structure related to consumption.

Ministry guidelines to assess the redemption value of gas distribution networks

Lastly, as far as gas tenders are concerned, through the Ministerial Decree issued on May 22, 2014 the Mise approved the 'Guidelines on the criteria and application procedures for assessing the redemption value of natural gas distribution facilities'. The adoption of these guidelines was also included in L. Decrees 'Doing' (69/2013) and 'Destination Italy' (145/2013). The 'Guidelines' will have to be applied in all the cases where existing concessions do not provide - or do not sufficiently detail - a calculation method for refunding the outgoing operator; they aim to reduce litigation between operators and local authorities, to ensure unambiguous, consistent redemption amounts, and to accelerate tender publishing times. Specifically, the 'guidelines' apply to all cases where the concessions or addendums completed before 11 February 2012 do not contain a plant valuation or only report a numerical value, lacking an exhaustive calculation method. To determine the compensation value, public and private grants received by the outgoing operator are detracted from the residual industrial value, calculated as per the above 'Guidelines'.

Gas, Electricity and Integrated Water Service regulation

Among the 2014 regulatory provisions, the most relevant to the Group were the directives covering the review of returns on invested capital for the network businesses, the gas distribution tariff terms for the new territorial management units, the new provisions aimed to tackle arrears, as well as the approval, for the energy sales sectors, of the new components covering service marketing costs. These provisions are detailed below.

First attempts to redefine the WACC for regulated services

Through resolution 597/2014/R/com, the AEEGSI has taken up an executive process aimed to review the procedures for defining and updating the rate of return on invested capital for regulated services in the electricity and gas sectors. The AEEGSI aims to align calculation criteria and methods for the different services, with the exception of some parameters deemed to be specific. A section of great interest clearly illustrates the will to maintain the level of real-term return in the regulated sectors, ensuring consistency between the planned inflation rate and the nominal yield of the state bonds used for determining the risk-free interest rate underlying the WACC (Weighted Average Cost of capital). Long-term interest rates may in fact be expressed as the sum of the expected level of the real equilibrium interest rate, of long-term inflation expectations and of risk compensation.

Considering the distinctive macroeconomic conditions underway, the AEEGSI aims to review the WACC definition methods, so as to ensure benchmark consistency and to prevent market contingencies from causing undue disparity in the remuneration level of regulated businesses. This process will also be coordinated from a timing perspective, through a tariff regulation review concerning the transmission, distribution and power metering activities. The first consultation paper (5/2015) has recently been published. The goal is to converge on common methods and timing, aiming to WACC updating as of 2016.

Gas: tackling arrears

Still on tariff regulation, through Resolution 367/2014/R/gas the AEEGSI completed the regulatory framework for the fourth regulated gas distribution period (2014-2019), integrating the provisions formerly approved in resolution 573/2013/R/gas, with specific policies for the future local management units. The provisions shall come into force as of the startup of the local management units, namely after the results of the new Minimum Territorial Areas (ATEM) concession tenders.

This measure mainly concerns a tariff acknowledgment of the outgoing operator’s stock of assets, which the AEEGSI aims to differentiate, i.e. the cases where the incoming operator differs from the outgoing operator, and those in which the two profiles coincide (the so-called 'asymmetric regulation'). To ensure that direct acknowledgement of the residual industrial value (VIR) vs Regulatory asset base (RAB) difference is restricted to actual cash outlay cases only, the asymmetric regulation entails that if an outgoing operator re-enters, assets are equalled to the RAB consistently with the previous administration, whereas should an incoming account be different from the outgoing operator, the billing allows for the VIR. The VIR-RAB differential - when required - will not be entirely allocated during the first ATEM concession, but will evolve as a function of the residual life of the assets.

Even in the case of continuity between the current management and the first ATEM operation, after the first ATEM concession - and in terms of redemption value - the future operator will be granted the VIR value minus depreciation. From the first ATEM management, the relevant asset lifespan will be extended to determine RAB depreciation, with the aim of balancing a potential tariff increase ensuing from VIR-RAB differential in the new operations. Criteria were also defined for the revaluation of the so-called 'depressed' RABs, i.e. the situations where the gross fixed assets level does not exceed 75% of the value deriving from a specific parametric function; in this case, the gross value of the assets in the tariff will equal 75% of the parametric assessment. Rates covering the operating costs will eventually be differentiated as a function of the size and density of the Area, not of the distributor as it used to be the case.

Still on the subject of tenders, through Resolution 310/2014/R/gas the AEEGSI enacted the provisions set out in L. Decree 'Destination Italy' and in the Mise 'Guidelines' on how to verify the VIR / RAB differences exceeding 10%, in relation to asset parts owned by the outgoing operator that are subject - for monetary consideration - to be transferred to the incoming operator. Without prejudice to the Contractor Stations' responsibility as to data quality, the AEEGSI will be required to verify every single municipality within 90 days of the date of receipt of the documents, ensuring priority in view of the tender notice publication deadlines.

Gas: tackling arrears

Resolution 84/2014/R/gas greatly innovates the arrears and last-resort gas legislation, aiming to increase distributors' awareness of the costs implied in these factors.
One very interesting innovation is the increase in the minimum number of suspension attempts that a distributor must provide for the Delivery Points (PfR) that are not remotely operated (from October 2014 equalling 5 per 1,000 PfRs); should the suspension attempt fail, the distributor must retry within a very short time. Moreover, the minimum economic viability threshold is reduced to 2,700 Euros for supply interruption, entailing that PfRs with low power consumption are also admitted to viability. The new regulation provides that a seller may claim the administrative termination of a contract in the case of failed or economically unviable requests of interruption. In these cases, in order to power down the PDR (point of reference), the obligation to enable a court appeal aiming to compulsory access was enacted.

Covering arrearage burdens

With regard to covering the costs of arrears, provisions were set out enabling the distributor to invoice any legal fees incurred to the end customer; should the latter fail to pay, the distributor may apply for payment with the Compensation Fund for the Electricity Industry (CCSE), covering 90% of the actual costs, though not exceeding 5,000 Euros per service. Provisions also include coverage of supply interruption and restoration costs, which are billed to the end customer in arrears if they demand the reactivation of the same or of a different point in the same distributor's network. If costs are not recovered through billing to the end customer, full cost coverage is still guaranteed.
To encourage distributors to cut off the points bound for administrative termination and default service, the AEEGSI has set out a system of penalties to be paid by the distributor, starting six months after default service commencement. The penalty system unfolds in two stages: in the first year of implementation (from March 2014 to February 2015), the distributor must return the distribution tariff to the system through the Compensation Fund, whereas from March 2015, in addition to the distribution tariff, the raw material cost component must also be returned.

Through DCO 477/2014, the AEEGSI proposed several further amendments to the retail customer arrears regulation, which will now concern both the gas and electric sectors, with a view to strengthening the tools designed to address the issue. More specifically, measures to improve distributor performances have been outlined, such as increasing automatic compensation and introducing a mechanism of incentives and penalties aiming to reward compliance with standards. To tackle the gas industry arrears issue more efficiently, it was advised that the available Weekly Suspension Capacity (CSS) should

New rules for retail customers' arrears

be increased, with the option for sellers to convey unused capacity to other facilities with higher demand and by the same distributor, or through the opportunity for sellers to enjoy a capacity exceeding their current CSS (paid service). For the electricity industry instead, interruption must be performed when suspension is not viable, in the presence of both electronic and electromechanical meters.

To address the 'energy tourism' issue (in short, the opportunity for end customers to switch to another supplier before being suspended for arrears) the AEEGSI suggested stretching the time span in which sellers may apply 'switching subject to confirmation' (i.e. a switching request where sellers have the right to access information on any impending applications for suspension, based on which they may decide to revoke the request). The AEEGSI also intends to introduce credit transfer obligations between the outgoing and the incoming seller, possibly extending the current default gas service provisions to the Electricity Safeguarding Service. A further proposal by the AEEGSI aims to simplify the Indemnity System (a mechanism whereby the Single Purchaser grants some compensation to cover part of the credit left unpaid by an end customer switching to another seller) and to further extend its application to the gas sector.

Good and bad payers

Finally, another proposal consists of a form of identification of the good and/or bad payers for small to medium-sized enterprises. The resulting database may contain information such as the number of suspension requests, the requests for transfer or switching or the activations; such data would enable sellers to assess whether their client's behaviour is opportunistic. A second suggestion is a database of good payers, with membership on a voluntary basis. Customers may benefit from this as they could leverage on their reliability to secure affordable offers by potential sellers.

In late 2014, the AEEGSI stepped in by altering the components covering the commercial costs under protection terms (QVD component for gas and RCV component for electricity), which are also affected by the impact of arrear charges.

Amendments to trade costs components for gas and electricity protection services

Through Resolution 550/2014, a review of the economic terms for gas protection was completed; the review process started in 2013 with the raw material component reform, adjusting the levels of the sales costs component (QVD). Initially, with Resolution 462/2014, the AEEGSI had suggested moving most of the component weight from the fixed to the variable portion, backing this choice with the fact that the costs of arrears (the main variable underlying the policy) are strongly dependent on the operator's size. However, after feedback by businesses located in areas with low average unit consumption, this forecast was revised, leaving the variable share unchanged and introducing a slight increase in the fixed amount (41 euro cents for residential customers and 54 euro cents for block tenants). This variation results from an upward revision of the unpaid ratio, equalling 1.89% of the turnover in Resolution 462/2014 and now raised to 1.99%. At the same time, the AEEGSI has initiated a process aimed to define a new QVD articulation that will come into force as of thermal year 2015-2016.

Through Resolution 670/2014 the AEEGSI adjusted the sales costs component (RCV) for default electricity providers. The main innovation lies in a compensation mechanism for costs of arrears relating to 2014 and following years. Such mechanism will be on a voluntary basis and will be open to all default utility operators with an unpaid ratio exceeding 5% of the reference value used to determine the RCV due amount, who have implemented other management and credit collection actions other than the mere suspension procedure. From 2015 the mechanism will have to be reviewed under the new methods for determining the RCV, which the AEEGSI is committed to setting out by the end of October. The current system is apparently inadequate to cover the costs, as it does not account for operators' differences in size. Namely, the AEEGSI is committed to exploring the fixed and variable rate theme in RCV articulation, as well as to revising the due PCV amount applied to protected customers. The RCV due in 2015 has been increased to 14,74 euro cents/PoD for residential customers, from 4 €/PoD for corporate customers and 0.09 euro cents/kWh for public lighting points. A compensation mechanism for the arrears ensuing from fraudulent delivery will be enacted from 2015.

Hera Comm is the default provider in five Italian regions

Lastly, for thermal years 2014-15 and 2015-16, HERACOMM detains the Default Service for gas distribution in Emilia Romagna, Friuli-Venezia Giulia, Tuscany, Umbria and the Marches. Following the 2013 tender results, HERACOMM is also Default Corporate Electricity Provider for the years 2014 to 2016 for over half of the Italian regions (Liguria, Piedmont, Valle d'Aosta, Trentino Alto Adige, Lombardy, Tuscany, Marche, Umbria, Lazio, Puglia, Molise and Basilicata).

Gas distribution: tariff framework

New regulation for gas distribution tariffs

2014 was the first year of the fourth regulatory period for the gas distribution and metering tariff system, governed by the RTDG ('Tariff Regulation of Gas Distribution and Measurement Services for the period 2014 to 2019') text, approved through resolution 573/2013/R/gas and later supplemented with resolution 367/2014/R/gas, providing specific rules for territorial management to come. The general layout of the new RTDG is consistent with the former regulatory period; each distributor is entitled to permitted revenues, which are determined by the AEEGSI on the basis of approved costs. These are expressed by reference tariffs and by the number of delivery points served, which makes revenues independent from distributed volumes. This is applied through equalization mechanisms whereby distributors, through the Compensation Fund, adjust the differences between their own permitted revenue and the revenue ensuing from mandatory tariff invoicing to sales companies, with tariffs set by the AEEGSI for the different macro-regional areas.

Compared to the third regulatory period, the tariff regulation introduced in 2014 has innovated both the method and the tariff levels:

- the rate of return on invested capital (WACC) has been fixed for the period 2014-15 at 6.9% for distribution and 7.2% for metering (in 2013 rates were respectively 7.7% and 8.0%), considering a 4.41% risk-free activity rate, an unlevered Beta coefficient equalling 0.44 and a revised debt / equity ratio equalling 0.6.
- new levels of acknowledged operating costs were determined for 2014, based on 2011 average industry costs, which were computed from separate annual accounts and then grouped on the basis of company density and size, allocating among distributors and end customers the higher productivity gains achieved in the third regulatory period (profit sharing). The fixed unit costs for 2014 turned out to be significantly lower than in 2013.
- Starting from 2014, in order to determine the tariffs, new contributions are deducted from both the depreciated share and from invested capital and subjected to yearly depreciation to define capital remuneration. As to the contribution stock, each distributor may opt for maintaining the previous treatment or switching to the new mode, which would then be mitigated by a gradual mechanism.
- Still from 2014, the regulatory lag affecting the tariff acknowledgment of investment against the balance accounting year was reduced to one year (it used to be two years until 2013). This has been achieved by improving the investment

reporting layout for the AEEGSI and through a double tariff approval round (temporary and final).

Based on these principles, AEEGSI Resolution 132/2014/R/gas approved the provisional 2014 reference rates (based on 2013 investment estimates) for all distributors, including Hera group companies. The definition of the final reference tariffs is due to be completed by February 2015, and will comprise the actual 2013 investments included in the final statement.

Lombardy's TAR court partly withdraws approval for 2013 gas tariffs, following operators' appeal

Through the noteworthy October 9 2014 judgment, Lombardy's Regional Administrative Court (TAR), admitted the distributors' appeals (including HERA Spa's) and partially repealed resolutions 436/2012 and 553/2012, by which the AEEGSI had determined gas distribution rates for 2013 (extending the validity of the third regulatory period, 2009-2012, for one year). The appeals challenged the 2013 capital return rate criteria (WACC), set at 7.7%, as they failed to reflect the period's market conditions and were based on a risk-free rate surveying period, inconsistent with the benchmarks regularly applied by the AEEGSI until 2012. In addition, the rate of return set for 2013 was penalised by a rising debt/equity ratio - from 0.5 to 0.8 - endorsed by the AEEGSI under principles of consistency with the electricity sector. As illustrated by resolution 591/2014/C/gas, the AEEGSI has appealed against the first instance ruling. In keeping with a prudential approach and pending the State Council's verdict, gas distribution revenues as of 31/12/2014 do not include the economic effects ensuing from TAR's judgement.

As to gas distribution, Hera group's consolidation perimeter includes - besides Hera Spa - Marche Multiservizi Spa and AcegasApsAmga Spa. The latter, in turn, includes former Acegas-Aps, Isontina Gas Networks (100% consolidated from 1 January 2014), and AMGA Multiservice Company (consolidated as of 1 July 2014). In this framework, Hera Group's 2014 revenues from gas distribution and metering equalled 232.5 million euro, with 2.55 billion cubic meters (cbm) distribution volumes and a matching unit revenue equalling 9.12 cents/mc. Such revenues are based on earnings endorsed by the AEEGSI, so they account for reasonable estimates of tariff equalization effects. In the following table, 2013 comparative figures have been adjusted following a retrospective application of principle IFRS 11, which produced equity rather than proportional consolidation (*) for jointly controlled companies. In the case of gas distribution, amendments affect the Gorizia Isontina Reti Gas perimeter, whose consolidation share for that date - equalling 50%

- does not include revenues as of 31 December 2013. Despite the dropping distribution volumes, there is a remarkable 14,0 million euro increase in revenues Compared to 2013. This essentially ensues from two opposite effects:
- higher revenues - EUR 19,4 million - due to a consolidation of charges and interests in AMGA Udine's second half and to a perimeter change for Gorizia Isontina Gas Networks;
- lower revenues - EUR 5.4 million - due to the 2014 tariff update, and more specifically to a reduction in the WACC level compared to 2013, as well as to lower acknowledged operating costs; these were partly offset by the positive effect ensuing from absorption of the regulatory lag and from the recovery of charges/interests dating back to the previous years.

Gas distribution and metering - Regulated revenue	31 Dec 13	31 Dec 13 amended	31 Dec 14	var % vs amended
Consolidated Hera				
Revenue (mln/€)	221,90	218,50	232,50	6.4%
Volumes (mln kWh)	2,871,00	2,826,00	2,550,00	- 9.8%
Unit Revenue (€/kWh)	7,73	7,73	9,12	17.9%

Revenues refer to a 31 December 2014 RAB, consisting of Group-owned assets, equalling nearly 1,050 million Euros.

(*)For further information on the new standard, see 'Summary of amendments' section in the Explanatory Notes.

Electric power distribution: a tariff framework

2014 was the third year of the fourth tariff regulation period (2012-2015) for the transmission, distribution and metering of electricity. The integrated reference texts (TIT for transmission and distribution and TIME for metering) were approved by resolution ARG/elt 199/11. The tariff method for distribution services provides for company-specific regulated revenue restrictions (whose underlying tenets are similar to gas distribution), structured as follows:

- capital costs acknowledged on a mixed basis (implicit for the assets perimeter until 2007 and accounting for actual historical cost for investments since 2008);
- fixed operating costs based on average industry levels, which the AEEGSI recorded in the final 2010 Separated Annual Accounts analysis; these were modulated to account for both extra-efficiency - still to be distributed to end users (profit sharing) - and for tariff equalisation for individual operators in the previous regulatory period, and then finally updated for the following years through price-capping.
- Compared to resolution 199/11, resolution 607/2013/R/eel has introduced a number of tariff regulation amendments for the two-year period 2014-15. More specifically:
- updating of the distribution and metering service WACC by 6.4% (compared to 7.6% in the two-year period 2012-13), net of a 1% supplement to be applied to investments starting from 2012;
- structural amendment to the procedure for determining acknowledged costs, providing - as it is the case with any other contribution type – for detraction of fixed-value contributions from invested capital rather than from operating costs, consistently with gas distribution.

New methods for acknowledging fixed value contributions

Following resolution 607/2013/R/eel, by resolution 154/2014/R/eel 2014, the AEEGSI approved the 2014 reference rates for all of the Hera Group companies, with the exception of the Gorizia AcegasApsAmga Spa (formerly East Power Networks Spa) area. By resolution 152/2014/R/eel the Authority also redefined the 2013 reference tariffs for the AcegasApsAmgaTrieste area, after correction of an error in the calculation process underlying the former approval. Finally, with reference to the Gorizia area (former East Power Networks Spa), the AEEGSI has finally approved the company-specific equalization amount for years 2005-2011, with resolution 117/2014/R/eel determining the relevant 'csa coefficients'. By resolution 244/2014/R/eel, the AEEGSI subsequently redefined reference tariffs for 2012 and 2013 while also approving the 2014 tariffs for the first time.

In the regulatory framework outlined above, Hera Group's 2014 revenues for electric power transmission, distribution and metering amounted to EUR 97,2 million.

The electric power business revenues

In the following table, comparative 2013 figures were adjusted following the retroactive application of the IFRS 11 principle, which resulted in consolidation to equity - rather than in proportional consolidation (*) - for jointly controlled companies. In the case of electricity distribution, correction affects the Gorizia Est Reti Elettriche area, which excludes revenues as of 31/12/2013 in its consolidation share as of this date, equalling 30%.

Compared with "rectified" 2013 values, revenues show an overall 19,1 million euro increase. Partly owing to the updated 2014 reference tariffs which - despite the WACC decline and thanks to new contributory regulations - saw an overall increase compared to 2013, this result is however principally due to the inclusion of former East Electrical Networks Spa in the Gorizia area. With reference to this perimeter, the result as of 31 December 2014 records a momentous company-specific equalization, equalling 9,0 million euro of fees and interest due.

Power distribution, metering and delivery - Regulated Revenue	31 Dec 13	31 Dec 13 amended	31 Dec 14	var % vs amended
Consolidated Hera				
Revenue (mln/€)	79,50	78,10	97,20	24.5%
Volumes (mln kWh)	2,971,00	2,932,00	2,948,00	0.5%
Unit Revenue (€/kWh)	2,68	2,66	3,30	23.8%

Revenues refer to a distribution and metering RAB approved for 2014, equalling nearly 342 million Euros and mostly ascribable to Group-owned assets.

(*) For further details on the introduction of the new standard, please see "Summary of Adjustments" in the Explanatory Notes.

Municipal waste management: a tariff framework

The waste business revenues

Tari (tax waste) was introduced in 2014. In December 2014, municipal waste management services were delivered in 190 municipalities, of which 45% opted for Hera group for Tari assessment and collection.

The comparison of uniform, consolidated Hera Group data brings out this scenario.

Hera Group consolidated Urban Hygiene – revenue from tariff (TIA + TARSU)	31 Dec 13	31 Dec 14	var %
Revenue from tariff (mln/€)	519,5	521,9	0.5%
Users reached (000)	3,277	3,311	1.0%
Medium Unit Revenue (€/user)	185,5	157,6	- 0.6%

Resulting from the tariff increase endorsed by the relevant Area Authority, a 0.5% growth in regulated urban hygiene revenues - for districts that benefit from concessions - offsets the higher inflationary costs. In unit terms, the average revenue per unit per resident has dropped by 0.6%.

The Water Cycle: tariff framework

The water business revenues

In 2014 the Water Tariff System as defined by the AEEGSI was first implemented, covering the 2014-2015 period (resolution no. 643/2013). Year 2014 saw a 9.7% rise in total earnings compared to the previous year, resulting from the application of the new tariff-defining system, which in 2014 also provided for a year 2012 adjustment, in contrast with the formerly applied national or regional methods.

Hera Group consolidated Water Cycle – revenue from tariff	31 Dec 13	31 Dec 14	var %
Revenue from tariff (mln/€)	565,85	595,81	5.3%
Volumes (mln/cm)	307	295	- 4.0%
Medium Unit Revenue (€cent/cm)	184.41	202.21	9.7%

1.06.02 TRADING AND PROCUREMENT POLICY

Gas consumption down 11.6%

In 2014 gas consumption experienced a double-digit decrease (-11.6% compared to 2013), a much faster rate than that for the previous three years (-5.6%), dropping to 61 billion cubic meters, the lowest level for the past fifteen years. In fact, in addition to the reduction in the thermoelectric sector (-14.3%), which suffered from a weak electricity demand and the development of renewable sources, the civil sector went into a freefall, caused mainly by the mild weather that characterized last year.

Portfolio optimization

This market context had a major impact on Group sales. Consequently, in 2014 trading activities were geared, on one side, to optimizing the portfolio, to balance the position in the short term, and, on the other, to trading and managing new supply agreements for thermal year 2014/2015.

Going into details, short-term adjustments, dictated by an efficient requirement forecast activity, were carried out through purchase or sale settlements at the Virtual Exchange Point (VEP), in Baumgarten on the Title Transfer Facility (TTF) and on the Net Connect Germany (German NCG). Generally, these transactions took place at favourable prices, making it possible to meet forecast performance, despite a contraction of volumes traded.

Starting in April, HeraTrading started activities for the procurement of both the gas intended to fill the storage purchased at the auction, for about 0.35 billion cubic meters, and the gas intended for the free market of HeraComm for thermal year 2014/2015, for about 0.5 billion cubic meters, sourcing it directly from the spot market.

Moreover, in June trading began in modulated gas for the protected market on the HeraComm REMI (delivery points), for a total volume of about 1.5 billion cubic meters for thermal year 2014/15, in line with the terms of delivery approved by the Authority for Electric Energy and Gas (AEEGSI), starting from October 2013. The trading activities, which ended in June, resulted in highly favourable pricing and credit terms.

Modulated gas trading for about 1.5 billion cubic meters

In 2014, the seriousness of the crisis came full circle in the electric market. According to Terna's survey, demand for electricity in Italy was 309.0 TWh, down 3.0% from the previous year. This decline pushed Italy's clock back 12 years, in terms of electric energy, below the levels recorded in 2002.

Reform of the electric market

The drop in demand, also due to the exceptionally mild winter weather, the high production of hydroelectric plants, due to the substantial rainfalls, and, lastly, the high overcapacity determined by the development of renewable sources caused the situation of the thermoelectric sector to deteriorate further. Accordingly, the sector is voicing its concerns, requesting to reorganize the market and the regulatory framework, including by modifying the Market for Dispatching Services (MDS), with the objective of rewarding the flexibility of thermoelectric gas plants (Capacity Payment), pending the introduction of the Capacity Market.

This negative scenario has a strong impact on producers. The Group, taking into account the limited installed capacity compared to the final market served, has been able to address the challenges by operating the MDS plants. This made it possible to obtain satisfactory results from the Teverola (Caserta) and Sparanise (Caserta) plants.

On the other hand, problems continued with the Ortona (Chieti) plant, given that it is located in an area that is not in high demand on the MDS , and with the COGEN/Imola plant, though in the latter case the problems were offset by the positive performance of the associated district heating. Upgrading activities were performed on the Imola plant, which could not operate due to cogeneration restrictions, with the objective to enable it also on this market from the very start of 2015.

Increase of activities in electric trading

The year under review saw an increase in trading activities in electric energy and Environmental Certificates on European markets, with positive results, in line with expectations. Special attention was paid to the management/optimization of HeraComm's purchase portfolio through operations on the electricity market and on Over the Counter (TC) platforms.

Commodity and currency risk management was highly effective, also in a context characterized by falling oil prices and the significant change in the euro-dollar exchange rate in the second half of the year. This process is implemented, for both gas and electricity, through a portfolio concentration where formulas are destructured, positions are netted and volumes are hedged. The results were positive even though in 2014 they were affected, in terms of materiality, by the progressive delinking of gas and electric energy prices from oil.

1.06.03 FINANCIAL POLICY AND RATING

Financial markets

In 2014 financial markets exhibited a significant acceleration of volatility indicators, as a consequence of a macroeconomic scenario that failed to live up to expectations, thus engendering fears and uncertainty on the economy of the Eurozone.

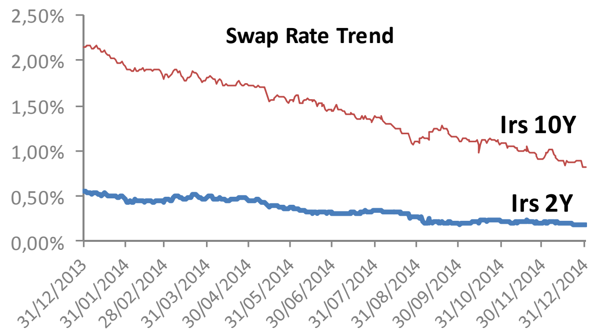
ECB's monetary policy

Even though the European Central Bank (ECB) is stepping up its accommodative policy, Europe is still stagnating, with negative effects on financial markets. Loans to households and companies were still down, as banks are prudent in their credit decisions, in view of a demand that is still weak.

Banking system: prudent credit decisions

The ECB's monitoring of the 15 Italian banking groups that have been under its supervision since November demands more stringent capital requirements, thereby tightening credit even further. In fact, the outcome of the ECB's "Comprehensive Assessment" was not so favourable – against all hopes – thus bringing to the fore the need for Italian banks to recapitalize.

Furthermore, in December 2014, Standard & Poor's lowered Italy's long-term debt rating to BBB with a stable outlook, due to the significant increase of public debt, coupled with constantly weak growth and low competitiveness.



Interest rates at record low

However, the ECB's decision to adopt extraordinary measures to support the economy of the Eurozone had a positive effect on interest rates, which hit a record low. The slope of the swap curve (which is used by the bond market as a reference) is flattening, with the result that swap rates from 2 to 10 years are lower than 70 basis points, compared to a medium/long-term equilibrium reading that is expected to reach 125/120 basis points.

Flat market curves headed south

Despite the complicated economic and financial cycle, the spread between 10-year Italian government bonds (BTPs) and the German Bund (the reference for the cost of money) narrowed during the year, falling by about 100 basis points compared to the peak of 225 basis point at the end of January 2014, with a benefit for businesses in terms of cost of funds.

S&P cut sovereign rating from BBB to BBB- d confirmed Hera's rating

Against this backdrop, the Group continued to borrow from capital markets, by leveraging its solid creditworthiness and its competitiveness. Despite the downgrade of Italy's rating, S&P confirmed Hera's rating, showing a positive view of the Group's risk profile in terms of soundness and good balance of the business portfolio managed.

Issue of first Green Bond in Italy

On 4 July 2014, the Group issued the first Italian Green Bond under the Euro Medium Term Notes program for a principal amount of €500 million, maturing in July 2024, with an interest rate of 2.375% and a yield of 2.436% per annum. The bond is listed on the Luxembourg Stock Exchange.

Issuing the Green Bond was for Hera a natural development of its substantial efforts since inception to achieve sustainability, thus making it possible to meet the demand of a growing number of international investors that are sensitive to these aspects. In fact, the proceeds from this placement were used by the Group to repay early part of the debt incurred to fund environment-friendly projects and to fund new ones in the same area, to address climate change, to improve air quality, to purify water and to recover matter from waste.

Active debt management

The debt refinanced with the Green Bond refers essentially to 61% of the €500-million Eurobond maturing in February 2016.

Proceeds from the Green Bond were used also to refinance two additional existing bonds, one for €100 million (maturity November 2020) and one for €17 million, maturing in 2025, issued in a private placement.

EIB: 15-year loan

In December 2014, a €50 million tranche was drawn down – under the €100 million line of credit established by the European Investment Bank (EIB) - at the highly attractive rate of 1.428%, with a 15-year maturity and the first instalment due in 2018.

Committed Lines

To support liquidity risk indicators and to optimize any opportunity cost for its funding, the Group started negotiations to obtain committed lines of credit, to extend their expiration dates and to increase their amount from a total of €295 million at 31 December 2014. These negotiations with banks are expected to result in committed lines of credit for €395 million, with an average length of 4 years.

The financial risk management strategy

The following notes discuss the policies and principles to manage and control financial risks, such as the liquidity risk and related default and debt covenant risk, interest rate risk, exchange rate risk and rating risk.

Liquidity risk

An active and prudential risk management model

The Group tries to match the maturities of its assets and liabilities, linking its investments to sources of funds that are consistent in terms of maturity and manner of repayment, taking into account the refinancing requirements of the current debt structure.

Liquidity risk refers to the company's failure to meet its financial obligations, due to the inability to obtain new funds or to sell assets in the market.

The Group's objective is to ensure such a level of liquidity as to make it possible to meet its contractual obligations both under normal conditions and under critical conditions through the availability of lines of credit, liquidity and a timely start of negotiations on maturing loans, optimizing the cost of funding on the basis of current and future market conditions.

Liquidity adequate to a worst case scenario

The table below shows the 'worst case scenario', where no consideration is given to assets (cash, trade receivables etc.) and emphasis is placed on financial liabilities – both principal and interest – trade payables and interest rate derivatives. All demand loans are called in while other loans mature on the date when repayment can be demanded.

Worst case scenario	31.12.2014			31.12.2013		
(€/million)	from 1 to 3 months	from 3 months to 1 year	from 1 to 2 years	from 1 to 3 months	from 3 months to 1 year	from 1 to 2 years
Bonds	43	286	83	59	100	603
Bonds and another financial liabilities	366	128	95	242	309	158
Trade payables	1,194	0	0	1,192	0	0
Total	**1,603**	**414**	**178**	**1,494**	**409**	**760**

To guarantee sufficient liquidity to meet every financial obligation for at least the next two years (the time horizon of the above worst case scenario), at 31 December 2914 e Group had €834.5 million in liquidity, €295 million in unused committed lines of credit and a substantial amount that can be drawn down under the uncommitted lines of credit (€1,000 million).

The lines of credit and the relevant financial activity are not concentrated in a specific lender but are distributed among the main Italian and foreign banks, with a use much lower than the total available.

Average maturity of debt over 8 years

At 31 December 2014, the Group had mainly a long-term debt structure, accounting for 90% of total borrowings, of which about 70% reflects bonds repayable at maturity. The average term to maturity is over 8 years, of which 62% maturing beyond five years.

The table below shows the cash outflows broken down by maturity within and beyond five years:

Gross borrowings (*)	31.12.2014			31.12.2013		
(€/millions)	without derivates	with derivates	% with derivative	without derivates	with derivates	% with derivatives
fixed rate	2,888	2,013	56%	2,762	1,911	53%
floating rate	711	1,586	44%	841	1,693	47%
Total	**3,599**	**3,599**	**100%**	**3,604**	**3,604**	**100%**

Default and debt covenant risk

This risk is related to the possibility that the loan agreements entered into contain clauses whereby the lender might demand accelerated repayment of the loan in the presence of certain events, thus giving rise to a potential liquidity risk.

At 31 December 2014, a significant portion of the Group's net borrowings was covered by loan agreements containing a number of clauses, in line with international practices, that place some restrictions. The main clauses guarantee equal treatment of all debt holders (pari passu) and prevent the company from granting to subsequent lenders, with the same seniority status, better security and/or liens on its assets (negative pledge).

As to acceleration clauses, there are no financial covenants on debt except that no amount in excess of €150 million in debt can be rated below investment grade (BBB-) by even one rating agency.

On the remaining part of the debt, the acceleration clause is triggered only in case of a change of control for the Group that entails a downgrading below investment grade or the termination of the publication of the rating.

Interest rate risk

The Group uses external funding sources in the form of medium- to long-term financial debt, various types of short-term credit facilities and invests its available cash primarily in immediately realizable highly liquid money market instruments. Changes in interest rates affect both the financial costs associated with different types of financing and the revenue from different types of liquidity investment, causing an impact on the Group's cash flows and net financial charges.

Balanced fixed- and floating rate instrument mix in portfolio

The Group's financial policy is designed to identify an optimal mix of fixed- and floating-rate funding, in connection with a prudential approach to interest rate risk management. Interest rate risk management aims to stabilize cash flows, so as to maintain the margins and the certainty of cash flows from operating activities.

Interest rate risk management entails, from time to time, and depending on market conditions, the execution of transactions involving a combination of fixed-rate and floating-rate financial instruments as well as derivative products.

In keeping with the Hera Group's risk policy, the share of floating-rate borrowings is 44% of total borrowings. The remaining 56% consists of fixed-rate medium- and long-term borrowings which might expose the Group to changes in fair value.

The Group applies a financial management approach based on risk mitigation, adopting a risk hedging policy that leaves no room for the use of derivatives for speculative purposes. In fact, derivatives are a perfect hedge of the underlying debt instruments.

56% of debt carries a fixed rate of interest

Debt repayment outlays (mln€)	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	Over 5 years	Total
Bonds	0	195	0	0	500	2,035	**2,731**
Bank debt / due to others	476	88	69	50	47	316	**1,044**
Total	**476**	**283**	**69**	**50**	**547**	**2,351**	**3,775**

**Total borrowings: does not include cash and cash equivalents, other current and non-current financial receivables*

Exchange rate risk unrelated to commodity risk

The Group adopts a prudential approach towards exposure to currency risk, in which all currency positions are netted or hedged using derivative instruments (cross-currency swaps). Currently the Group has a bond outstanding for 20 billion Japanese yen, fully hedged by a cross currency swap.

Rating

The rating confirms the strengths that the Group has built over time

Hera S.p.A. has a “Baa1” rating by Moody’s with a negative outlook and a “BBB” rating by Standard & Poor’s with a stable outlook.

On 18 December 2014 Moody’s issued a Credit Opinion confirming the Baa1 Negative Outlook rating, placing the Hera Group one notch above Italy (Baa2 Stable Outlook), because it feels at the company has the ability to mitigate the negative impact of the country’s weak macroeconomic context, thanks to the business diversification and its moderate exposure to cyclical activities. However, the negative outlook remains, due to Italy’s critical economic conditions and the consequent pressure that they might determine on the Group’s financial profile.

As mentioned, on 19 December 2014 S&P confirmed the Group’s rating. The stable outlook reflects S&P’s expectation that the Group might reach the target rating level and hat its solvency is not fully dependent on the situation of Italy as a country.

Given the current macroeconomic context and the uncertainty of Italy’s regulatory and economic prospects, the G**roup strengthened its actions and strategies with a view to maintaining and/or upgrading its rating.**

1.07 SUSTAINABILITY POLICIES

In 2014, the Group achieved further positive results as regards social and environmental sustainability, implementing numerous projects both across and within each business sector.

Sustainability: a central factor in Hera's strategy

Sustainability has played a central role in Hera's strategy ever since the company was established, and the approach presently adopted by the Group calls for sustainability to be integrated in its planning and control systems. This aspect has also been concretely applied through both the introduction of a 'balanced scorecard' system that involves all levels of management, and the constant commitment concerning accountability towards stakeholders that is substantiated in the Sustainability Report.

The Group's high level of attention towards systems of values was corroborated in 2014 when the Board of Directors approved the third edition of the Code of Ethics, updated with the contribution of the Groups' workers. The Code of Ethics was then distributed to all of the Group's employees and was the topic of seminars intended to raise awareness, attended by managers and administrators.

The results achieved as to sustainability, and the main initiatives carried out in 2014, include the following areas:

Personnel development and workplace safety as top priorities

OHSAS 18001

Thanks to both programs dedicated to raising awareness and the adoption of OHSAS 18001 certification, in 2014 the rate of work-related accidents showed a further decrease, reaching 21.5 (compared to 23.9 in 2013). The OHSAS 18001 system was extended to AcegasApsAmga as well, leading to a rise from 73% to 90% in the amount of workers with safety certification active in the Group's companies. Lastly, training remains on a very high level: in 2014 the average number of training hours per capita reached 28 (against 26.4 in 2013).

Waste management at the leading edge in Italy, in line with European best practice

Waste management: an increase in sorted waste

A further decrease in the use of landfills to dispose of urban waste was seen in 2014, reaching 12.9%, compared with 16.4% in the previous financial year. Sorted waste rose from 52.6% to 54%. These positive results were flanked by the environmental performance of the Group's 10 WTE plants, that in 2014 as well registered modest levels of emission into the atmosphere, on average 86% lower than the limits defined by law. In 2014 as well Hera provided its clients with guarantees, through the publication of its report 'On the traces of waste' - controlled by an external body, DNV-GL, and extended in 2014 to AcegasApsAmga as well - as to actual waste recovery, that reached 93.8% of sorted waste collection.

Service quality and customer proximity

In 2014 as well, quality standards in customer contact services were elevated: the average waiting time for customer call centres reserved for resident customers decreased once again, falling for both HeraComm and AcegasApsAmga under 45 seconds. And, in 2014 the results of the Group's help desks also improved: the average waiting time was 11.1 minutes for HeraComm and 17.3 minutes for AcegasApsAmga. Customer relations sustainability was furthermore marked by an increase in online services (registered customers rose by 14.4% in 2014) and electronic billing (requested by 9% of customers).

For its customers, in 2014 Hera created and implemented the following initiatives:

High quality in customer services, to which various initiatives were dedicated

- Responsibility charter: an instrument aimed at achieving higher transparency, it contains the voluntary self-regulation protocol stipulated by resolution 153/2012/R/com of the Authority for electricity, gas and water services (AEEGSI) with the objective of protecting customers and eliminating the phenomenon of non-solicited energy contracts;

- *SOStegno Hera*: an information package concerning tariff benefits, whether provided for by current regulations or voluntarily introduced by Hera, and the possibility of paying bills by instalments;

- Water leakage fund: an instrument that equally covers the entire area of Emilia Romagna served by Hera, that protects clients in case of hidden leaks in the water supply network downstream of the meter;

- Hera Day and Hera Start-up offers: the first allows clients to receive equal bills over the course of the year, without having to sustain exceptional, non-foreseen expenses, and the second is dedicated to new enterprises and foresees advantageous conditions for energy, telephone and data transmission services.

A constant increase in attention towards energy efficiency

Commitment to energy efficiency

In 2014, the Group (4th operator nationwide as regards white certificate obligations) confirmed its own commitment to energy efficiency, proposing 15 new projects to the Authority for energy services (GSE), to be added to the 35 presented in the previous financial year. In 2014, Hera SpA obtained the ISO 50001 energy management system certification. Hera S.p.A.'s energy improvement plan foresees over 45 interventions, for expected fully operational savings of over 3,000 toe/year. Numerous energy efficiency initiatives are carried out for client/partner businesses, to whom the Group makes its own know-how available.

Strong attention towards sustainability in the water cycle

In 2014, the main interventions were directed towards the reorganisation of the sewer and purification system in Rimini (the interventions foreseen by the Piano di Salvaguardia della Balneazione Ottimizzato continued), the beginning of upgrading works on the Servola (Trieste) purification plant and the upgrading and/or energy saving interventions on the following purification plants: Molinella (Bo; concluded in 2014), Bologna (IDAR), Cesenatico (Fc) and Cattolica (Rn; that will conclude in 2015).

Sustainability along the supply chain

Attention to sustainability along the supply chain

In 2014 as well, in selecting its suppliers the Group favoured a method based on the most economically advantageous offer: 76.5% of the value of the resources were allocated with this criterion. The average score reserved for social and environmental aspects was 25/100. Work opportunities for disadvantaged persons allowed the value of social cooperative suppliers to grow, reaching 37.7 million euros (+6% with respect to 2013, over an equal area) last year. Supplies from local suppliers grew to 67%, while spin-off employment is estimated at roughly 6,780 workers, confirming the Group's leading role in contributing to the area's growth. Supplier monitoring, according to regulation SA8000, continued in 2014, as did monitoring of work-related accidents within the main suppliers (those involved in the monitoring represent 75% of the value of service and work supplies).

Attention towards the territory and its communities

In 2014 as well, activities in environmental education in public schools continued, with the consolidation of two initiatives, *La grande macchina del mondo* and *Un pozzo di scienza*: over 64 thousand students were involved. Attention towards the reference area resulted, in 2014, in the campaign 'Regala un albero alla tua città': having reached the target of 100 thousand new requests for electronic billing will allow 2,000 trees to be planted in 44 municipalities; 570 were already planted in 2014.

Activities in environmental education in schools, and other innovative initiatives for communities and sustainable development of the reference area

Other innovative initiatives that bear witness to the Group's attention towards the communities found in its territory, and its sustainable development, include the following.

1 The publicly available app 'Il rifiutologo' (installed by over 54 thousand people), that provides information as to the correct ways to sort waste and allows any malfunctions to be signalled via smartphone;

2 The implementation of numerous waste reduction projects, some of which with positive social effects (for example, 'Cambia il finale', 'FarmacoAmico', 'CiboAmico') that prevented over 9,100 tonnes of waste being produced in 2014, corresponding to the annual production of approximately 14,800 people;

3 Continued promotion of electric mobility, including the competition 'Electric Road' whose prize consisted in the use, for 3 months, of 6 electric cars in the municipalities of Modena and Imola;

4 The extension to 5 local areas of the experimental 'HeraLAB' multi-stakeholder local committees, whose aim is to listen to local communities and to develop initiatives to improve the sustainability of services managed by Hera. The 5 active HeraLABs saw the overall participation of 57 representatives of the various categories of stakeholders nominated by the Board of Directors. Of the initiatives proposed by LAB, 7 were implemented in 2014.

5 In June 2014, the first Italian 'Green Bond' was launched. The bonds issued amounted to € 500 million (maturing in 10 years, with a coupon of 2.375% and yield of 2.436%), a sum destined to financing or refinancing projects tied to sustainability in four areas: combating climate change, reduced emission, quality in water purification and the waste cycle. The list of projects financed or refinanced by these bonds was defined by Hera on the basis of accurate environmental criteria and certified by DNV-GL. Guarantees as to the real destination of the assets raised by these initiatives will be published each year, for the entire duration of the bonds, in the Group's Sustainability Report (verified by DNV GL), including reports on that which has been allocated to each project, specifying the environmental performances reached as well (for example, CO2 reduction, or renewable energy produced).

In the following paragraphs, concise overviews of a number of areas and activities are provided; for a more detailed analysis, see the Sustainability Report .

1.07.01 TECHNOLOGICAL INNOVATION

In 2014, the Development Group activities were focused on new system advances for the environmental services and on technological innovation aimed at backing operations or at starting new services that could be tailored to the Smart Cities. The year 2014 was in point of fact more discontinuous than the previous years, when R&D activities were mainly focused on testing prototype solutions in specific fields, such as leak detection in the water sector. The Group's strategy upgrading brought about a new Central Innovation Management and a redirection of resources towards broader-ranging projects, aiming to disseminate innovation in the diverse Group sectors, though in a more advanced development stage. The main 2014 Development schemes are within the areas detailed below.

Facility development in environmental services
New technologies have been developed to treat the organic fraction of municipal waste, producing biomethane to be re-utilised in gas distribution and/or to be used for transport. A single treatment plant was created for all of the different municipal waste fractions (paper and cardboard, plastic, glass and organic waste) ensuring complete material recovery with no emissions.

Green City
This Development scheme aims to deliver smart services for public administrations to use; enhancing the existing territorial assets, such services support the evolution of cities and specifically focus on Hera Group's expertise areas.

Hera Renewable Energy Lab (Henergia)
Launched in late 2013, Henergia, the experimental Forli'-based centre for applied research on energy production technologies from renewable and alternative sources, has broadened its operational scheme. Through Henergia, a range of technologies will be assessed, and the actual returns and their evolution over time will also be appraised. The first data acquisition system update was carried out in the first half of 2014 and the research plan was finalised in the same period, whereas the first interim reports on research for photovoltaic technologies, solar cooling and hydrogen were draft in the second half.

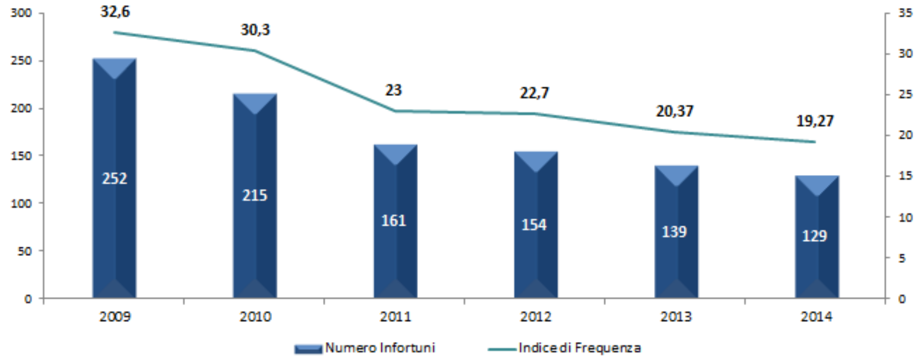
Energy Efficiency
Several energy consumption optimization projects covering different areas were launched. Among them: a system for monitoring the organic fraction in treatment facilities, the feasibility of energy recovery systems (turbines or PAT, Pump as Turbine) in water service pipelines, as well as energy maps for localising energetically inadequate areas or buildings.

1.07.02 QUALITY, SATETY AND ENVIRONMENT

Consolidation of the group's integrated management system

In 2014 the Group consolidated its Integrated Management System, which deals with quality, safety, environment, security and privacy. The maturity and flexibility achieved by this system resulted in effective adaptation to structural change and to territorial adds-on, positively affecting Hera Spa's energy efficiency, privacy, physical safety and information. More specifically, environmental crime prevention efficiency was assessed - under Law 231 - through the consolidation of information flows, divided by productive chain.

Downturn in accidents



- *Below are the key figures relating to Hera Spa's work-related injuries in 2014 compared to the previous 5-year period.*

	2009	2010	2011	2012	2013	2014
Nr of accidents	252	215	161	154	139	129
Frequency ratio	32,6	30,3	23	22,7	20,37	19,27

Equally positive was the regular drop in accident frequency and severity over the years. Days off caused by accidents also decreased remarkably.

As far as certification is concerned, two relevant results were achieved in the energy efficiency sector:

UNI CEI 11352 Certification

- Through the direct involvement of the Energy Service structure, in September last April. Besides HERACOMM, Hera Light and Synergy are also certified under this standard, which sets out the requirements and competences necessary for an ESCO (Energy Service Company) to qualify for the energy efficiency market with guaranteed results;

UNI EN ISO 50001 Certification

- in December, Hera Spa was able to certify its own energy management system under the UNI EN ISO 50001 standard. This international standard allows companies to generate a virtuous cycle by assessing their own energy consumption, defining their key areas and planning improvement. The energy management system is part of Hera Spa's integrated management system, with a view to providing continuity and valid contact areas to the quality and environment structure. As part of the work aimed at ISO 50001, Hera Spa has set the goal of saving, in 2017, at least 3% compared to 2013 consumption, equalling nearly 6,200 Tep per year.

1.07.03 INDUSTRIAL RELATIONS, DEVELOPMENT AND STAFF TRAINING

Industrial relations

Industrial Relations

In the year 2014, activities were aimed to harmonize the treatments set out under territorial bargaining and the national collective labour contracts (CCNL), throughout the Group’s territories and companies. Namely, the following objectives were achieved: (i) renewal of the Group's performance bonuses, agreed and signed for the years 2013 to 2015; (ii) economic and regulatory symmetry for travel and canteen treatments; (iii) a single set of rules governing on-call and stand-by allowances for the Gas and Water sector; (iv) lastly, a new working hour plan for the Group's employees.

Development

Development

The Group continued its commitment to train and to release its Leadership Model through several initiatives - launched in 2010 – aimed at managers and executives. In 2014, the 'Pathways towards Excellence' key theme was released; initiatives relating to the 'Focus on Service' scheme - fully including AcegasApsAmga's employees - were also planned. In the second half of 2014, a climate survey with former Amga workers was carried out. The 'Policies of good return' project - funded from March 19 2013 until March 18, 2015 – also continued. Lastly, in the fourth quarter the new Development Process aimed to the whole Group - starting from January 2015 - was presented and released.

Training

Training

In 2014 a total 232,508 hours of training were delivered to the Group, meaning 28 hours per capita (26,4 in 2013), with a nearly 6% increase. About 97% of the Group’s employees were involved in at least one training activity. The investment, net of trainees and in-house trainers costs, equalled nearly 1,654,604 Euros, with roughly 517,000 Euros accounting for funded training. The data confirm a substantial economic and resource commitment, as the Group is devoted to enhancing and developing its human capital, also through the consolidation of the Group's Corporate University, HerAcademy.

Diversity

Diversity

As part of the 'Policies of good re-entry' scheme, 37 people were trained in 2014, while 35 were involved in coaching at the end of their parental leave or owing to family needs. As to childcare services, the funds obtained for the scheme in 2013 also allowed us to sign agreements with nurseries close to the Modena, Ferrara, Forlì and Rimini Hera headquarters. Such conventions also made it possible to ensure an accessible, flexible service to colleagues based in territories that still could not benefit from a company or inter-company nursery.

The summer camp experience stands out as one the key actions to promote work-life balance: in the summer of 2014, through agreements with local partners in Emilia Romagna, the Group’s employees' children were offered the chance to enjoy a few weeks of summer camp attendance under very advantageous terms (50% off the registration fee was agreed with the Cral). The scheme was joined by employees from six Hera Group companies (Hera Spa, HeraComm, Herambiente, Uniflotte, AcegasApsAmga, Hera Luce); a total of 106 children participated, with an overall 97.5% appreciation.

1.07.04 COMMERCIAL POLICY AND CUSTOMER CARE

Growth in the group's customer base

The Group's customer base grew steadily in 2014 with different dynamics in each individual sector.
Natural gas customers grew by about 8%, mostly on account of AMGA Udine and Fucino Gas customers (+90 thousand customers approximately). Even the Group's historical territories saw a slight upturn in their customer base.
Electricity customers increased by about 10%, mainly as a result of selling in the massive markets - both in the historical territory and in the expanding areas - but also due to the new AMGA Udine customers. Water service customers rose by 0.2%, lower than the inertial growth preceding the economic and real estate crunch.

Contracts	31-dec-14	31-dec-13	Delta pdf n.	delta pdf %
Gas	1,316.2	1,221.2	94.9	7.8%
Electricity	795.2	725.0	70.3	9.7%
Water	1,444.6	1,441.9	2.7	0.2%
District heating	11.5	11.3	0.2	1.7%

D ata are expressed in thousands

Rising number of cases handled by customer contact channels

The case volumes handled by the Group's contact channels (customer service points, offices, call centers, mail and on-line services) grew by 11% during 2014. Call centers remain the preferred contact channel (53.5%), followed by customer service points (29.1%).
The growth may result from two key factors: an increase in the customer base handled and the improvement of contact channels, which aims to make end-customer management easier, faster and more efficient, as customers are encouraged to contact the Group through well-planned communication policies.
With reference to the call centers, major technological investments were made in 2014 to integrate the telephone traffic managing platform and the CRM system, resulting in traffic optimization and remarkably lower customer management time; the number of contacts who waited for over two minutes dropped by 25.9%.

Customers prefer call centres

A further aspect of customer focus was the activation of a toll-free number dedicated to the new environmental services tax (TARI), whose regulatory history had prompted many doubts. As for the customer points, the network continued to develop in 2014 with 5 new points, now taking the total to 124.
Further action was carried out with a view to standardize and expand our points of presence in the territory and to strengthen management processes.
Below are the main indicators for customer points and call centers.

Average waiting time – contact center (sec.)	2012	2013	2014
residential customers	40	49	40
business customers	25	31	31

Average waiting time - customer point (min., sec.)	2012	2013	2014
Average	9.51	11.45	11.06

1.08 INFORMATION SYSTEMS

Application and infrastructure integration

As a result of changes in corporate structure, the application and infrastructure integration of the Group's companies continued in 2014. In this context, AcegasApsAmga Spa's information systems - namely the staff and the integrated water cycle management processes - were finally synchronised.

The Information System Management conforms to the Industrial Plan and Budget guidelines. More specifically, while ensuring compliance with the industry's regulatory terms, the management also supports the business, ensures process and system efficiency, improves service levels, reduces technology-related and system security hazards, and innovates to enhance competitiveness.

Regulatory adjustments

The information systems are still being adapted to regulations in force, such as the provision governing the unbundling of distribution and sales for companies operating in the electricity and gas industries.

Support to business

As to business support, more functions were added to the Business Intelligence solution for Marketing and for the Environmental Service processes. Measures to boost process efficiency were also enacted, including a fast-closing system for the final monthly net-worth and financial statement by business segment.

Infrastructural evolution

The functional, architectural and infrastructural systems backing the Group's operations are also constantly evolving; the Group's internet portal architecture was thoroughly reviewed and the database compression project was completed, resulting in considerable size shrinking with lower system risks, improved performances and reduced operating costs.

In terms of innovation, a Group platform was set, aimed to manage mobile devices and their apps.

Disaster Recovery

The Information Systems Department continued to ensure high levels of service, such as the launch, in the second half of 2014, of the Disaster Recovery app, replicating systems in a secondary site for activation in the event of a disaster affecting the primary site.

Information System Safety

Information system and business data safety is among the key goals for the Information Department, which constantly updates and improves safety standards in keeping with relevant regulations, corporate policies as well as with the national and international best practice.

The Information Systems Department is also involved in preventing and monitoring potential cyber attacks. Information safety managing solutions were further developed, such as improving the 'Security Information and Event Management' systems and encrypting data in company laptops. System risk analysis (vulnerability assessment) is now performed on a regular basis in the production stage. Finally, as every year, regular auditing inspections were carried out, aimed at maintaining the ISO 9001 Quality Certification.

1.09 PERSONNEL AND ORGANISATION

Human resources

The number of permanent employees in the Hera Group, at 31 December 2014, was 8,419 (consolidated companies), with the following breakdown by role: managers (152), middle managers (507), office workers (4,341) and blue-collar workers (3,419). This overall workforce resulted both from 104 new hires and 151 departures, and from the change in the company's scope*, that brought in 359 new employees. New hires were largely due to a qualitative turnover, with the addition of more qualified staff.

(*) Isontina Reti Gas (+32 TE), Fucino Gas (+2 TE), Amga Multiservizi SpA (+135 TE), BSTC (+88 TE), Amga Calore e Impianti (+26 TE), Amga Energia e Servizi (+49 TE), Herambiente Recuperi (+32 TE), Hera Socrem (-5 TE)

Organisation

Industrial and operational integration: the Hera model

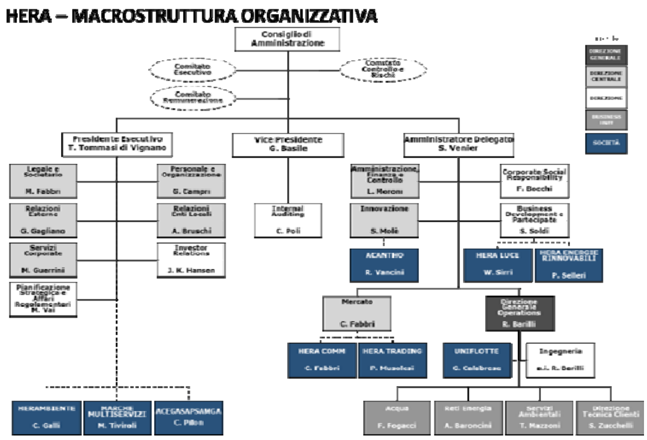
The 'Hera model' is unique among multi-utilities for having created an industrial and operational integration guided by a holding that, by way of central departments dedicated to planning, support and control, ensures an integrated vision for the Group. The management of the activities is guaranteed through specific business lines, and their coordination and direction is entrusted, as regards their operational aspects, to the Operations General Department.

The utilities sector is increasingly characterised by rapid changes, within a competitive dynamics and a regulatory context oriented towards specialisation, and is distinguished by a few key elements such as Water and Environmental Services regulations, Public tenders for services and Regional regulation. Put briefly, this is a scenario in which an enterprise's growth is closely tied to its ability to continually introduce innovation into its industrial processes.

Innovation and simplification of working mechanisms

In line with this scenario, on 28 April 2014 the Group introduced a number of changes into its Organisational Model. The aim was to simplify its working mechanisms, increasing its commitment to technological and process innovation, and to indicate the appropriate instruments to reach the Group's objectives.

The organisational Macrostructure of the Group is as follows:



Here are some additional organisational solutions adopted by the Groups, that characterise its new Organisational Model:

6 the Corporate Services Central Department is responsible for the Acquisitions and Tenders Department and the Quality, Service and Environment Department, with the aim of concentrating sustainment for the various lines of business;
7 the the Relations with Local Authorities Central Department is directly responsible for the Area Manager profiles, to offer Local Authorities a further simplification in relations;
8 the Innovation Central Department is responsible for the IT Systems Department, the Technical Services Department and the Development function, thus concentrating the processes that identify and apply innovative industrial solutions;
9 within the Operations General Department, the Engineering Department has been created, focusing in a single organisational centre the competencies related to planning, projects and implementation of works in the two areas of Large Plant Engineering and Network Services Engineering.

By way of organisation, processes, resources and systems, the Group intends to maintain balance as to its business prospects and its roots in its reference area, aiming at the utmost efficaciousness and the utmost service efficiency.

The creation and the new organisational model of AcegasApsAmga

On 1 July 2014 the reorganisation of the Acegas-Aps area was defined. After the merger by incorporation of Amga that led to the creation of AcegasApsAmga, a new organisational model was adopted, based on an analysis that gave due consideration and value to the company's specific local characteristics, favouring a process of integration within the Group.

Changes in the sales model and the industrial services of Herambiente

In the first quarter of 2014, activities were completed by Herambiente Spa that led to the reorganisation of the Market Department and the creation, within it, of the Industrial Services function, operative as of 1 April 2014 and part of Herambiente Industrial Services as of 1 July 2014.

These activities were aimed at developing an increasingly competitive commercial approach dedicated to offering services in disposal and intermediation for companies, intercepting the business opportunities offered by the special waste market, both for the SME segment and for Top Business clients. The Market Department absorbed the Logistics function, with the exception of the Waste Reception structure, that remains in the Operational Services Department; moreover, the processes for managing planning activities for the flow of dry and humid special waste and industrially derived waste were brought together, with the aim of obtaining benefits in efficiency and rationalisation during accurate allocation of special waste.

In the Market Department, lastly, on 30 October 2014, from the acquisition of a branch of Ecoenergy srl, Herambiente Recovery was created with the objective of confirming its position as market leader in recovering material and energy from waste.

In this organisational evolution, management of sludge treatment was transferred to Herambiente's Operational Services Department with the aim of unifying the processes of sales/usage of biodegradable material destined to be recovered and given value in agriculture, with the commercialisation of composts and conditioners.

Main changes in the Market Central Department

As regards the Market Central Department, the following changes are worthy of note:

- the reorganisation of the Top Business Market and the Condominiums and Public Administrations Market of HeraComm;
- effective as of 1 July 2014, as part of the merger by incorporation of Amga Multiservizi, the subsidiaries Amga Calore & Impianti and Amga Energia e Servizi became part of the organisational compass of HeraComm, with the subsequent definition of the organisational structure of Amga Calore & Impianti;
- the activities in organisational analysis and layout connected to Hera Servizi Energia, a business founded as of 1 January 2015 through the merger by incorporation of HeraEnergie in Sinergia, and the consequent conferral to this new business of the Energy Service branch of Hera Comm's Top Business Market;

Note, lastly, in the first quarter, the reorganisation of the Sales Department of Acantho, aimed at incrementing the protection and efficaciousness of marketing and sales processes.

The Hera Group's new Committees: Management Review and Business Review

In addition to the Internal Committees established directly by the Board of Directors, intended to provide consulting and proposals on specific issues, the Group's management foresees two Collegiate Committees:

- the Management Review, whose task is to examine and share the company's policies, strategies, objectives and operational planning at a Group level, as well as favouring integration between the Company Departments;
- the Business Review, whose task, with reference to all of the company's business areas, is to provide information as to the management's performance in a given period and to examine the degree to which the specific budget unity initiatives foreseen by the budget and the Industrial Plan have advanced.

1.10 RISK AND UNCERTAINTY FACTORS

Organizational model for risk monitoring

The Group is exposed to a variety of specific business-related risks. Among them are market, legislative / regulatory, environmental, industrial, credit, financial, commodity and strategic risks. To ensure the most appropriate risk exposure management, an organizational structure has hence been adopted, with an approach aiming to preserve operation efficiency and profitability along the entire value chain, in keeping with Enterprise Risk Management best practice. In line with a well-defined policy, roles and responsibilities have been identified and detailed procedures have been outlined, ensuring appropriate analysis, measurement, monitoring and risk management, as described below in detail.

Here are the tasks for the group's profiles in charge of these activities:

- the Board of Directors plays a role in supervising and assessing the adequacy of the internal monitoring and risk management system;
- the President and the Chief Executive Officer oversee the internal monitoring system and risk management activities;
- the Vice President oversees the coordination between the Risk Committee and the Risk and Monitoring Committee;
- the Monitoring and Risk Committee assists the Board of Directors in defining the guidelines for the internal monitoring and risk management systems;
- The Risk Committee is the main organ intended for risk management strategy direction, monitoring and information; besides setting the general guidelines for the risk management process, it maps and monitors business risks while ensuring that Risk Policies and notification protocols are defined for the Monitoring and Risk Committee, the Internal Auditing Management and the Statutory Auditors;
- the Internal auditing provides autonomous, unbiased activity aimed at assessing and improving the monitoring, risk management and corporate governance processes

(For a more detailed analysis, see section 1.11, paragraphs 6 and 7 of the 'Corporate Governance Report').

Risks in the macro-economic scene

The Group operates primarily in Italy, where the economy is still challenging and where energy consumption and disposed waste volumes decreased in 2014. The decrease in energy demand results in higher pressure on sales margins, which - added to the increased competition in the free market - may have an impact on the Group's profitability. Moreover, fluctuations in retail consumption may entail further acquisition or sale of energy under unfavourable terms. For this reason, a certain flexibility in the sources of energy supply has been maintained and hedging activities have been developed accordingly, thus avoiding exposure to operational risks in the electricity generation sector (not among the Group's core activities) and to long-term contract provisions (with 'Take or Pay' clauses) in gas supply. As far as waste disposal is concerned, a number of older plants have been replaced with state-of-the-art systems, whose technology is more efficient in terms of environmental impact.

Risks ensuing from market liberalization and regulatory changes

To varying degrees and with different timing, the energy markets are gradually undergoing a liberalization process; new operators entering the market and the growth of structured markets are exposing the Group to increasing pressure from competitors. In the electricity business, the Group competes with both domestic and foreign manufacturers and traders selling electricity to industrial, commercial and residential clients. Even the natural gas business faces a growing national and international competition that may lead to a reduction in sales margins. To curb the risk, the Group has tackled the liberalization challenge by increasing its presence and customer base in the free market through cross-selling activities, as well as by completing the range of services offered to users so as to secure their loyalty. This activity has improved after-sales management quality and costs at the same time as reducing customer acquisition costs.

The Group operates in regulated markets or regimes where there is a regulatory risk, as the rate processing benchmarks are defined by the Electricity, Gas and Water System Authority (AEEGSI). Any change in the legislative and regulatory framework - both domestic and European - may have an impact on the Group's regulated business, affecting profitability in either the direct sectors or its subsidiaries. In addition, the regulated fare system and AEEGSI regulatory policies may allow for end customers fares and for return-on-capital mechanisms, which may negatively affect performance and results. To address this risk, the Group has implemented an executive structure aimed at interacting with the national and local authorities, combining intense contact with the institutions and active participation in the team work set by the authority. These policies are informed by transparency and collaboration in their approach to instability in the regulatory set-up.

Regulated business risks ensuing from local and national authority concessions

Accounting for about 56% of the Group's EBITDA, regulated waste collection, electricity/gas distribution, and integrated water and public lighting services depend on concessions by local or national authorities. Risks have to be accounted for, ensuing from the failure to renew expired licenses or, if renewal is granted, from failure to keep terms that are at least equivalent to those in place; this may negatively affect the economic and financial conditions. Such risk, however, is mitigated by a refund system for the operator, resulting from the residual industrial value of the concession.

Risks ensuing from failure to obtain authorization, permits e licences

The Group's ability to achieve strategic targets may be jeopardized by any failure to maintain or acquire licenses, authorizations and permits for the regular course of its business. Such risk is mitigated through a constant commitment to monitoring permission practices, as well as through participation in working groups aimed to obtain permits, licenses and authorizations.

Risks ensuing from environmental impact regulation

The Group's activities are subject to diverse environmental statutes, rules and regulations, including CO2 emission, water discharge and hazardous and solid waste management policies. Environmental risks are addressed through pollution monitoring activities - ensuring transparency in CO2 emission surveys - and through substantial investment in sewage and reclamation plants that ensure water quality under law provisions. In addition, the intensive integrated waste collection activities increase the proportion of waste treated in the selection, recovery and composting facilities, which reduces the need for landfills, as provided by national and European laws.

Risks ensuing from climatic conditions and interruptions of service

Electricity and natural gas consumption are also deeply affected by climate change, which may cause major variations in energy demand and subsequently in the Group's sales mix. Adverse weather conditions may also affect the smooth running of energy and water supply due to damage in the network or to the scarcity or contamination of water supplies, causing service interruption or severe environmental, economic and social damage. To address such risks, the Group invests sizeable resources to ensure an efficient distribution system through constant network monitoring and maintenance, with the aim of ensuring service stability despite brief interruptions on one or more lines.

Operative and industrial risks

The Group may also have to address risks ensuing from faults or accidents that can temporarily disrupt equipment functioning and production capacity. Prevention and protection systems have hence been adopted in all operating areas, including preventive and predictive maintenance techniques aimed at risk detection and control. Moreover, we resort to specific insurance agreements to mitigate the economic outcomes of potentially unfavourable events, which may adversely affect the management of systems and networks.

Credit risk ensuing from trade activities

The Group's commercial activity involves a credit risk, i.e. the prospect that an unpredicted change in a counterparty's creditworthiness affects a credit position in terms of insolvency (default risk), or its variation in the market value (spread risk). The recent crunch has entailed an uptrend in third-party payment terms; to minimize such risks, the Group has adopted a credit management and monitoring policy. Besides regulating client and counterpart assessment, the policy monitors the expected cash flows and the grant of extensions while considering the need for bank or insurance guarantees. It also manages risk exposure in a structured manner, so as to timely detect loan quality deterioration, to take recovery measures and to apply default interest on late payments.

Financial risks

The Group manages and monitors the financial risks ensuing from liquidity and from related default and covenants on debt, as well as those related to interest rate, currency and credit quality (rating). For more details on the financial risk management and control strategy adopted by the Group, see paragraph 1.06.03 Financial Policy and Rating.

Risk ensuing from commodity price

With regard to the wholesale activities of its subsidiary HERATRADING, the Group has to manage risks ensuing from a misalignment in the gas and electricity purchase price indexing formulas and the sale price indexing formulas. To lessen its exposure to price risk, the Group has adopted a margin stabilization plan, which resorts to synchronized contracting between supply and sale to end- electricity and gas users, or to early purchase contracting if purchases conform to price formulas that ensure an alignment of the purchased commodity value to the market value. In addition, the Group adopts a cautious strategy through hedging tools aimed to curtail exposure to commodity price risk and to ensure compliance with the set risk limits, which are measured with the most appropriate best practice metrics in the industry.

Strategic risks

Such risks ensue from long-term planning, financial sustainability, involvement in strategically vital initiatives and correct investment decisions. Strategic risk then concerns the Group as a whole, affecting the soundness of the strategic planning results, which are distributed along the diverse production chains and business units. Results are dependent on a variety of risks, which are appropriately simulated, measured and monitored through scenario analysis, stress testing, "what if" and stochastic models of the plan assumptions (macroeconomic scenario, competitive environment).

1.11 CORPORATE GOVERNANCE REPORT

1. 1. Issuer profile

The Hera Group was born in 2002 out of the integration of 11 Emilia-Romagna public service companies, and in the subsequent years continued its territorial growth in order to expand its core business.
Hera is one of the leading Italian multi-utilities in the waste management, water, gas and electricity businesses, with more than 8,500 employees.
The Company, the majority of whose share capital is owned by the State, has been listed on the Mercato Telematico of Borsa Italiana S.p.A. since 26 June 2003 and operates mainly in the territories of Bologna, Ravenna, Rimini, Forlì, Cesena, Ferrara, Modena, Imola and Pesaro-Urbino, and since 1 January 2013, following the integration with the Acegas-Aps Group, in the territories of Padua, Trieste and Gorizia as well. Following the aggregation with Amga – Azienda Multiservizi S.p.A., which was completed as of 1 July 2014, Hera extended its activities to include the Municipality of Udine and the Province of Udine as well.
Hera's goal is to become the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates, while respecting the local environment.
As early as 2003, Hera included corporate social responsibility as part of its strategy, as an effective tool for increasing competitivity and as a key element for achieving sustainable development. The Mission and Values outline the guidelines for corporate behaviour already contained in the Code of Ethics and shape every action taken by and relationship maintained by the Group. Mission, values and shared conduct represent the strategic and cultural framework within which the industrial plan is formulated, results are reported transparently through the Sustainability Report, and economic planning is defined on an annual basis.
Hera grants special attention to dialoguing with its stakeholders and the local area in which it operates, consolidating positive results achieved in terms of creating value and demonstrating the Group's ability to grow despite the current complex economic conditions.

2. Information on the ownership structure (pursuant to Article 123-bis, paragraph 1, letter a) of the Consolidated Finance Act (TUF)) as at 24 March 2015.

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a) of the TUF)

The share capital is Euro.1,489,538,745, fully subscribed and paid-up, and consists of 1,489,538,745 ordinary shares with a par value of Euro1 each. Share Capital Structure.

Type of share	Number of share	% of share capital	Listed	Rights and Obligations
Ordinary shares		100%	MTA of Borsa Italiana S.p.A	Ordinary shares give holders dividend and voting rights provided for by law

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b) of the TUF)

Article 7 of Hera's Articles of Association stipulates that at least 51% of the Company's share capital must be held by Municipalities, Provinces or Consortiums established in

accordance with Article 31 of Legislative Decree no. 267/2000, or by other Public Authorities, or consortiums or joint-stock companies including Municipalities, Provinces or Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or other Public Authorities hold, even indirectly, the majority of the share capital.
Article 8.1 of the Articles of Association prohibits the holding of more than 5% of the company's share capital by any shareholder other than those indicated above.
During the shareholder's meeting of 28 April 2015, one of the proposals will be to modify article . Article 7 of Hera's Articles of Association to stipulate that the majority of voting rights in the company be held by Municipalities, Provinces and Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or by other Public Authorities, or consortiums or joint-stock companies including Municipalities, Provinces or Consortiums established in accordance with Article 31 of Legislative Decree no. 267/2000, or other Public Authorities hold, even indirectly, the majority of the share capital.

c) Significant equity interests (pursuant to Article 123-bis, paragraph 1, letter c) of the TUF)

Declarer	Direct shareholder	% of share capital
Municipality of Bologna	Municipality of Bologna	9,73%
Municipality of Modena	HSST-Mo Spa	9,36%
Municipality of Imola	CON.AMI	6,95%
Municipality of Ravenna	Ravenna Holding Spa	5,83%
Municipality of Trieste	Municipality of Trieste	4,82%
Municipality of Padova	Municipality of Padova	4,80%
Municipality of Udine	Comune di Udine	2,96%
Gruppo Società Gas Rimini Spa	Gruppo Società Gas Rimini Spa	2,07%
Carimonte Holding Spa	Carimonte Holding Spa	2,00%

d) Shares that confer special rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)
During the shareholder's meeting of 28 April 2015, one of the proposals will be to modify article 6 of the Articles of Association by introducing majority voting.

d) Restrictions on voting rights (pursuant to Article 123-bis, paragraph 1, letter f) of the TUF)
Article 8.6 of the Articles of Association stipulates that the voting rights of parties other than public authorities who hold more than 5% of the share capital will be limited to an overall maximum of 5%.

e) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g) of the TUF)
In accordance with Article 122 of the TUF, there is a Voting Trust and Share Transfer Rules Agreement in existence between 98 public shareholders concerning procedures for the exercise of voting rights and the transfer of Hera shares held by the signatories. This

agreement was signed on 23 December 2014 and is effective from 1 January 2015, and was subsequently modified, effective from 1 July 2015.

There is also a Voting Trust Agreement in existence between 49 Hera public shareholders concerning procedures for the exercise of voting rights and the transfer of Hera shares held by the signatories. This agreement was signed on 23 December 2014 and is effective from 1 January 2015 with renewal scheduled for a three-year period beginning from 1 July 2015.

There is also a Consultation Agreement in existence, renewed on 21 February 2013 by five minority shareholders of Hera S.p.A., concerning procedures for the exercise of voting rights and the appointment of members of the Board of Directors and of the Board of Statutory Auditors.

Finally, there is a Consultation Agreement in existence, signed on 10 February 2012 by two public shareholders of Hera, which provides for the joint appointment of one member of the Executive Committee of Hera.

g) Mandates to increase share capital and authorisations to purchase treasury shares (pursuant to Article 123-bis, paragraph 1, letter m) of the TUF)

The shareholder's meeting of 23 April 2014 authorized, pursuant to the limits established by Article . 2357 of the Italian Civil Code, to purchase, within 18 months of the date of the resolution, on one or more occasions, up to a revolving maximum of 40,000,000 ordinary Hera shares with a par value of Euro1 each, in accordance with the following conditions: :

i. unit purchase price not lower than the par value and not more than 10% higher than the reference price recorded on the stock-market trading day preceding each individual purchase;
ii. the purchases and all the deeds concerning the treasury shares may occur at a price that does not involve negative economic consequences for the company, and must occur in compliance with the laws, regulations and provisions established by the supervisory body and/or Borsa Italiana S.p.A., involving a maximum increase in investment of 80.000.000 Euros.
iii. use of the treasury shares purchased within the scope of transactions representing investment opportunities or other transactions involving the allocation or disposal of treasury shares;

It is also stated that the number of treasury shares in the portfolio at the close of the 2014 financial year was 19,163,321.

3. Compliance (pursuant to Article 123-bis, paragraph 2, letter a) of the TUF)

Hera abides by the provisions of the Corporate Governance Code (hereinafter referred to as the "Code"), which contains a detailed series of recommendations concerning principles and rules for the management and control of listed companies, in order to increase the clarity and concreteness of persons and roles, particularly with regard to the independent directors and the internal committees of the Board of Directors.

Although adoption of the principles contained in the Code is not demanded by any legal obligation, the Company agreed to the principles of the Code, and to the modifications and integrations approved by the Committee for Corporate Governance of the Borsa Italiana in July 2014, so as to reassure investors that a clear and well-defined organisational model exists within the company, with appropriate divisions of responsibility and powers and a correct balance between management and control, as an effective tool for enhancing and protecting the value of its shareholders' investment.

The full text of the Corporate Governance Code is available to the public on the Committee for Corporate Governance website, http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf

4. Board of Directors;

a) Appointment and replacement (pursuant to Article 123-bis, paragraph 1, letter l) of the TUF)

The shareholder's meeting held 23 April 2014 appointed a Board of Directors, whose mandate lasts from now until the approval of the financial statement for the 2016 financial year, on the basis of the regulations established by the Articles of Association currently in force, which establish that the administrative body by composed of 14 members, including :

- 11 members taken from the list that obtained the highest number of votes according to the rank order in which they were listed, of which at least 2 must be of the less-represented gender;
- 3 members taken from the lists that were not the one that obtained the highest number of votes and which were neither presented nor voted on by shareholders associated with the shareholders who presented or voted for the majority list, of which at least 1 must be of the less-represented gender;

This appointment was thus made on the basis of the list voting system, in order to ensures that at least 1/5 of the directors are appointed from the minority list in compliance with the provisions of Article 4 of Decree-Law 332 of 31 May 1994, converted from Law no. 474 of July 30 1994.

Additionally, Article 17 of the Articles of Association stipulates that the lists, which must include at least two candidates satisfying the independence requirements established for the statutory auditors by Article 148, paragraph 3 of Legislative Decree no. 58/1998 and by the Corporate Governance Code drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A., may be submitted by shareholders who represent at least 1% of shares with voting rights and must be filed at the registered offices at least 25 days prior to the date of the Shareholders' Meeting, together with the candidates' CVs, a declaration of the individual candidates stating that they accept the office and certifying the non-existence of any ineligibility and/or incompatibility provided by law, as well as the satisfaction of the requirements of integrity, and any applicable declaration of satisfaction of the independence requirements established for the statutory auditors by Article 148, paragraph 3 of the TUF and by the Code.

These lists must be made available to the public at the registered offices and on the website www.gruppohera.it, no less than 21 days prior to the date of the Shareholders' Meeting.

In accordance with Article 17.10 of the Articles of Association, if one or more directors appointed on the basis of the list voting system should leave office during the course of the financial year, their places will be filled by means of the co-opting, pursuant to Article 2386 of the Italian Civil Code, of the first unelected candidates from the list to which the departing directors belonged who have not yet been members of the Board of Directors, respecting the principles of gender balance set forth by the law. If, for any reason, no candidates are available, the Board, in compliance with the principles of gender balance set forth by the law, and again pursuant to Article 2386 of the Italian Civil Code, will carry out the co-opting. The directors thus appointed will remain in office until the next Shareholders' Meeting, which will deliberate in accordance with the procedures established for the appointment.

There is a Voting Trust and Share Transfer Rules Agreement in existence between the local authority shareholders which governs the procedures for drawing up the majority list.

There is also a Consultation Agreement in existence, renewed on 21 February 2013 by five minority shareholders of Hera S.p.A..

Plans of succession

The Board of Directors, as regards executive director nomination procedures, that are determined by public shareholders and the evaluations that can be traced to the latter, does not consider it necessary to elaborate a plan of succession for the aforementioned directors. If the mandate of the directors were to end, the function of Chairman as legal representative, will be taken over by the Vice-Chairman. The Board of Directors will have the authority to co-opt new directors to replace those who stepped down and deliberate on the allocation of proxies. The first Meeting will act to supplement the Board of Directors

b) Role of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

The Board of Directors is the central administrative body of the Company. In conformity with the recommendations of the Code, whereby the Board of Directors must meet on a regular basis, the Company's Articles of Association require the Board to meet at least every three months and whenever the Chairman considers necessary or when requested by at least one-third of its members or by the Board of Statutory Auditors. In addition, in conformity with the recommendations of the Code, which require the Board to be organised and to operate in such a way as to guarantee the effective and efficient performance of its duties, thereby ensuring the creation of value for shareholders and defining the nature and the level of risk compatible with the issuer's strategic objectives, the Company's Articles of Association provide that the Board of Directors be vested with the widest powers for the ordinary and extraordinary management of the Company without any limitations, with the power to carry out all acts considered necessary or appropriate for the pursuit of the corporate purpose, excluding only those which, by law or by virtue of the Articles of Association, are strictly reserved to the Shareholders' Meeting.

In particular, in accordance with the provisions of the Articles of Association, and in addition to the definition of the structure of the Group, deliberations on the following matters fall to the exclusive competence of the Board:

I. appointment and/or removal of the Chairman and Vice Chairman;
II. appointment and/or removal of the CEO and/or the General Manager;
III. formation and composition of the Executive Committee, appointment and/or removal of the members of the Executive Committee;
IV. determination of the powers delegated to the Chairman, the CEO and/or the General Manager and/or the Executive Committee, and modification of those powers;
V. approval and modification of any long-term plans or business plans;
VI. approval and modification of Group regulations, if adopted;
VII. recruitment and/or appointment, on the proposal of the CEO, of the managers responsible for each departmental area;
VIII. proposal to place on the agenda of the Shareholders' Meeting the modification of Article 7 (Public majority shareholding), Article 8 (Limits on shareholdings), Article 14 (Validity of Shareholders' Meetings and rights of veto) and Article 17 (Appointment of the Board of Directors) of the Articles of Association;
IX. the acquisition and disposal of equity investments with a value exceeding Euro500,000 (five hundred thousand);

X. purchase and/or sale of properties with a value exceeding Euro500,000 (five hundred thousand);
XI. provision of sureties, liens and/or other real guarantees with a value exceeding Euro500,000 (five hundred thousand);
XII. purchase and/or sale of companies and/or business units;
XIII. appointment of directors of subsidiaries and affiliates;
XIV. participation in calls for tender and/or public procedures involving the assumption of contractual obligations exceeding Euro25,000,000.

The Board of Directors, in conformity with the provisions of Article 23 of the Articles of Association and Article 150 of Legislative Decree no. 58/98, reports regularly to the Board of Statutory Auditors, at least every three months, normally during the meetings of the Board of Directors or even directly through a written memorandum sent to the Chairman of the Board of Statutory Auditors, on the activities carried out and on the most important economic, financial and asset-related operations carried out by the Company or its subsidiaries, as well as on the operations in which the directors have an interest, on their own behalf or that of third parties, or which are influenced by the party that exercises the activity of direction and coordination. Each director, pursuant to Article 2391 of the Italian Civil Code, informs the other directors and the Board of Statutory Auditors of any interest which, on his own account or that of third parties, he has in a given operation of the Company, indicating the nature, terms, origin and extent of that interest; if the director concerned is the Group CEO, he must refrain from carrying out the operation and entrust it to the Board.

The Board of Directors met on 11 occasions in 2014. All the directors took part in 5 of these meetings, while almost all of them took part in the other 6; all the statutory auditors took part in 9 of the meetings, while almost all of them took part in 2. The average length of the meetings of the Board of Directors was approximately two hours and twenty-five minutes.

The General director of Operations, invited to participate in the meetings of the Board of Directors, attended all of the meetings.

The Head of Legal and Corporate Affairs, in his capacity as Secretary of the Board of Directors, attended all of the meetings.

When so required, the managers responsible for the various departmental areas participate in the meetings of the Board of Directors, to refer on matters falling under their competence that are part of the agenda.

Regarding the current financial year, as of 24 March 2014, a total of 3 Board of Directors meetings have been held. All the directors and almost all of the statutory auditors took part in 1 of these meetings, while almost all of the current directors and auditors took part in the other 2. As of that date, 7 meetings of the Board of Directors had been planned for the remainder of the year.

Transactions with Related Parties

At its meeting of 10 October 2006, the Board of Directors of Hera S.p.A. approved, in compliance with Articles 1 and 9 of the then-in force Corporate Governance Code, guidelines for significant transactions, transactions with related parties and transactions in which a director has an interest ("Guidelines"), in order to ensure that these transactions are conducted transparently and in conformity with the criteria of substantive and procedural correctness.

Subsequently, the Board of Directors of Hera S.p.A. approved the new procedure for transactions with Related Parties ("Procedure") in compliance with the provisions of the

Consob Regulation adopted by virtue of Resolution no. 17221 of 12 March 2010 and subsequent amendments and integrations thereto ("Consob Regulation").).

The Procedure cancels and completely replaces the rules on transactions with Related Parties contained in the Guidelines, but there is no change to the existing rules set out in the Guidelines concerning significant transactions and transactions in which a director has an interest.

In the Procedure, the Board of Directors fully adopted the definitions of "Related Parties" and "Transactions with Related Parties", as well as all the directly associated definitions, contained in the Consob Regulation and its annexes.

In particular, the following were identified:

1. the types of transactions with Related Parties to which the Procedure applies:
    - "Transactions of Major Importance", or transactions in which at least one of the indices of importance determined by the Consob Regulation exceeds the threshold of 5%;
2. "Transactions of Minor Importance", or transactions with Related Parties that are neither of Major Importance nor of Negligible Amount;
    - "Ordinary Transactions", or transactions which (a) fall within the ordinary conduct of the company's operating activities or associated financial activities; and (b) are carried out under conditions: (i) similar to those normally applied to unrelated parties for transactions of a comparable nature, scale and risk, (ii) based on regularly applied tariffs or established prices, or (iii) comparable with those applied to parties with whom the company is legally obliged to deal for a determined consideration;
    - "Transactions of Negligible Amount", or transactions for which the maximum foreseeable amount of the consideration or of the value of the service does not exceed, for each transaction, the sum of Euro1,000,000.00;
    - "Transactions with Related Parties carried out by Subsidiaries".
3. the approval process for Transactions of Major and Minor Importance, depending on whether they involve:
4. Transactions of Minor Importance falling within the competence of the Board of Directors, which are approved by the Board of Directors after hearing the reasoned but non-binding opinion of the Internal Control Committee (hereinafter referred to as the "Committee") regarding the interest, appropriateness and substantive correctness of the transaction;
5. Transactions of Major Importance falling with the competence of the Board of Directors, in which the Committee must be involved in the negotiation and investigation phases and in which the transaction may be approved following the receipt of a reasoned favourable opinion from the Committee regarding the interest, appropriateness and substantive correctness of the transaction and following a vote in favour by a majority of the independent directors;
6. Transactions of Minor and Major Importance falling with the competence of the Shareholders' Meeting, for which the proposals must follow the same procedure as that for transactions falling with the competence of the Board of Directors, as described in the previous two points, and which must in any event receive a favourable opinion from the Committee.

The Procedure provides that the Committee charged with guaranteeing, by issuing specific opinions, the substantive correctness of dealings with Related Parties, must be in agreement with the Committee for Internal Control and risk management.

The Procedure also identifies the cases to which the Procedure does not apply, as well as governing the procedures for communication with the public on the transactions carried out.

Beginning May 2014, a specific Operational Guideline was applied by Hera and its subsidiaries in order to detail the information reported in the Procedure and outline the rules, roles and responsibilities, as well as operational activities, implemented by the company.

c) Composition of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the TUF)

On 25 February 2015, the Board of Directors, in conformity with the provisions of Article 1.C.1. letter g) of the Code, evaluated the size, composition and functioning of the Board itself and its committees, and confirmed its positive judgement with regard to the functioning of the Board.

This evaluation was carried out with the support of the external consultancy Spencer Stuart, governance experts and administrative body consultancy services, and is based on the following criteria:

- interviews with the members and chairman of the Board of Statutory Auditors
- analyses of international best practices;
- an analysis of the culture of the Board of Directors
- an examination of company documents.

The table below shows the current composition of the Board of Directors. The personal and professional details of each director are available on the website www.gruppohera.it

First and last name	Role	Title
Tomaso Tommasi di Vignano	President	Chief Executive Officer
Stefano Venier	Chief Executive Officer	Chief Executive Officer
Giovanni Basile	Vice President	Non-exective Independant Director
Mara Bernardini	Director	Non-exective Independant Director
Forte Clò	Director	Non-exective Independant Director
Giorgia Gagliardi	Director	Non-exective Independant Director
Massimo Giusti	Director	Non-exective Independant Director
Riccardo Illy	Director	Non-exective Independant Director
Luca Mandrioli	Director	Non-exective Independant Director
Danilo Manfredi	Director	Non-exective Independant Director
Cesare Pillon	Director	Non-exective Independant Director
Tiziana Primori	Director	Non-exective Independant Director
Bruno Tani	Director	Non-exective Independant Director
Stefano Manara	Director	Non-exective Independant Director

Accumulation of positions in other companies.

In a resolution dated 10 October 2006, the Board of Directors placed a limit of one on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of executive director, and a limit of two on the maximum number of posts of director or statutory auditor in listed companies that can be regarded as compatible with the role of non-executive director.

The Board of Directors ensures that its own members participate in initiatives aimed at increasing their own knowledge of Hera's sector of activities, its company dynamics and their developments, as well as the regulatory reference frame.

d) Delegated bodies

Chairman of the Board of Directors

The Board of Directors, at its meeting of 28 April 2014, passed a resolution to grant the following powers to the Chairman:

1. to chair and direct the Shareholders' Meetings;
2. to establish the agenda of the meetings of the Board of Directors, taking into account the proposals of the CEO;
3. to oversee the deliberations of the Company's administrative bodies, without neglecting the reports presented periodically by the Internal Auditing Department;
4. to represent the Company before third parties and in legal proceedings, with the power to appoint attorneys and lawyers;
5. in cases of urgency, in association with the CEO, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
6. in association with the CEO, to propose to the Board of Directors the appointment of Company representatives on the administrative and control bodies of affiliate companies;
7. to represent the company in relations with the shareholding Public Authorities;
8. to propose to the Board the candidates for membership of the Committees that the Board may decide to establish in compliance with the Stock Exchange regulations which the Company is obliged to observe, or that it intends to establish;
9. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
10. to supervise the Company's performance for the purposes of achieving the corporate goals and to draw up proposals relating to the management of the Company to be submitted to the Board of Directors;
11. to be responsible for the organisation of the services and offices under his authority, as well as for the employees working under him;
12. to sign company correspondence and deeds associated with the exercise of the powers attributed to him and the functions he holds;
13. to supervise the management of the Company and, as far as his authority permits, of its subsidiaries, reporting each month to the Board of Directors;
14. to draw up the Long-term Plans to be submitted to the Board of Directors; to implement corporate and Group strategies, within the context of the directives established by the Board, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;
15. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
16. to represent the Company in the shareholders' meetings of companies, associations, entities and bodies that do not constitute joint-stock companies, of which the Company is a member, with the power to issue special proxies;
17. to make payments into the bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
18. to actively or passively represent the Company before public and private entities and offices, Chambers of Commerce, Stock Exchanges, the National Commission for Listed Companies and the Stock Exchange (Consob), the Ministry for Foreign Trade, and the Italian Exchange Office, and any other Public Administration or Authority; by way of example:

a) to sign notices, including notices to the General Register of Shares and to Consob, and to fulfil the corporate obligations provided by law and regulations;

b) to submit reports, motions and appeals, to apply for licences and authorisations;

19. to represent the Company in all active and passive lawsuits, in all degrees of civil and administrative proceedings, before arbitration boards, with the widest powers to:
    a) to bring jurisdictive, conservative, restraining and executive actions, request summary judgements and seizures of property and oppose the same, enter civil proceedings, file motions and appeals;
    b) to request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
20. to stipulate and sign contracts and deeds to take on or dispose of shares, to constitute companies, associations and consortiums with a value not exceeding Euro500,000.00 (five hundred thousand) for each transaction;
21. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of Euro300,000.00 (three hundred thousand) for each transaction;
22. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
23. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate mission - including those relating to intellectual achievements, trademarks and patents - also in association with other companies, up to a limit of Euro2,000,000.00 (two million) for each transaction;
24. to provide for all the expenses incurred by the Company for investments; stipulate, amend and terminate the relative contracts, in particular for:
    a) works and supplies necessary for the transformation and maintenance of properties and plants up to an amount of Euro20,000,000.00 (twenty million) for each individual operation;
    b) purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, up to an amount of Euro10,000,000.00 (ten million) for each individual operation, as well as finance leases and rentals of such assets, with the cost limit referring to the annual rental;
    c) purchases, including those under usage licence with the cost limit referring to the annual premium, and job orders relating to EDP programmes;
    d) commercial information;
25. to participate, as far as his authority permits, in the capacity of representative of the Company, either as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGEIs (European Groups of Economic Interest), consortiums and other entities, issuing and receiving the relative mandates, for the purpose of participating in calls for tender for the awarding of works, services and supplies; (Temporary Associations of Companies), EGEIs;
26. to take part, as far as his authority permits, in the Company's name, including in TACs (Temporary Associations of Companies), EGEIs (European Group of

Economic Interest), consortiums and other entities, in tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international levels, including those eligible for State grants or aid, for the awarding of works, supplies of plant, including "turn-key", and/or of goods and/or studies and/or research and/or services in general for any national, EU or international public or private entity; to submit applications for participation as from the pre-qualification stage; to submit bids up to an amount of Euro25,000,000.00 (twenty-five million) for each individual operation - in cases of urgency, the decision concerning amounts exceeding Euro25,000,000.00 (twenty-five million) will be made in association with the CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, to sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;

27. to take out, modify and cancel insurance policies, with the cost limit referring to the annual premium, including for surety policies, up to the value of Euro500,000.00 (five hundred thousand) for each operation (this limit will not apply to transactions connected with participation in tenders);
28. to draw up, sign and implement deeds of sale, purchase, and expropriation of properties and to grant, modify or cancel the *in rem* rights associated with these properties, with the option of carrying out all the operations associated with and consequent to this, including paying and/or receiving, also in instalments, the payment, and to pay out possible damages and waive statutory mortgages, up to a total of Euro500.000,00 (five hundred thousand) for each operation;
29. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in instalments, the payment and of paying out possible damages and waive statutory mortgages, up to a total of Euro500.000,00 (five hundred thousand) for each operation;
30. to rent or let out properties under leases or subleases and stipulate, amend and terminate the relative contracts;
31. to deliberate the cancellation, reduction or restriction of mortgages or liens registered in favour of the Company, as well as subrogations in favour of third parties, where the aforesaid cancellations and waivers are requested further or subordinate to the full discharge of the credit;
32. to establish, register and renew mortgages and liens on the account of third parties and to the benefit of the Company; permit mortgage cancellations and limitations on the account of third parties and to the benefit of the Company for return and reduction of obligations; waive mortgages and mortgage subrogations, including those of a legal nature, and effect any other mortgage transaction, always on the account of third parties and to the benefit of the Company, and therefore receivable, exonerating the competent property registrars from each and every responsibility;
33. to appoint lawyers and attorneys for dispute proceedings of any judicial degree; conclude transactions up to a maximum of Euro5,000,000.00 (five million) for each

individual transaction, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;

34. to define the functional structures of the Company and its subsidiaries, within the framework of the general organisation guidelines established by the Board, specify the criteria for personnel hiring and management in compliance with the annual budget; propose the engagement of directors for each department to the Board of Directors, in consultation with the Executive Committee; engage, appoint and dismiss personnel in accordance with the provisions contained in the annual budgets; promote disciplinary sanctions, dismissals and any other measure in relation to personnel;
35. to represent the Company in all lawsuits pertaining to labour law, including the power to:
    a) settle individual labour disputes concerning the categories of officers, clerical workers, assistants and auxiliaries;
    b) request and oppose any evidence, undergo free or formal examination, elect domicile, appoint lawyers, attorneys and arbitrators, and perform whatever else may be necessary for the positive outcome of the lawsuits at issue;
36. to represent the Company before Social Security and Welfare offices and entities for the settlement of issues relating to employees of the Company, and also before Trade Unions in negotiations for contracts, agreements and labour disputes, with the power to sign the related documents;
37. to grant and revoke powers of attorney within the sphere of the aforesaid powers, for individual acts or categories of acts, to both employees of the Company and to third parties including legal entities;
38. as far as his authority permits, to decide the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than Euro300,000.00 (three hundred thousand) for each operation;
39. the Chairman is assigned the powers and responsibilities set forth in Legislative Decree no. 196 of 30 June 2003 concerning the protection of individuals and other parties with regard to the processing of personal data, with the power of delegation;
40. the Chairman, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permit, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he: :
    a) ensures that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically presents those risks for examination by the Board of Directors,
    b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency,
    c) and ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context.
    d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations,

e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions.

In relation to the powers listed above, and in conformity with Article 2 of the Code, it is noted that the Board of Directors has granted management authority to the Chairman due to the organisational complexity of the Hera Group and for the purposes of a more efficient achievement of the company's business and strategies.

Chief Executive Officer

During the same meeting, the Board of Directors passed a resolution to vest the Group CEO with the following powers:

1. to execute the decisions of the Shareholders' Meeting and of the Board of Directors as far as his authority permits;
2. in cases of urgency, in association with the Chairman, to make any decision falling within the competence of the Board of Directors, informing the Board of Directors accordingly at its next meeting;
3. to implement corporate and Group strategies, within the context of the directives established by the Board of Directors, and to exercise the delegated powers, particularly those listed here, in accordance with the said strategies and directives;
4. to propose to the Board any initiatives that he may deem useful to the interests of the Company and the Group, and to draw up proposals on matters reserved to the competence of the Board;
5. to draw up the annual budget to be submitted to the Board of Directors;
6. to be responsible for organizing the services and offices under his authority, as well as the employees working under him;
7. to make monthly reports to the Board of Directors, as far as his authority permits, as regards the specified subsidiary companies;
8. to sign company correspondence and documents regarding the exercise of the powers attributed to him and the functions he fulfils ;
9. to stipulate, amend and terminate agreements concerning lines of credit or loans of any type and duration involving a cost commitment of up to Euro1,000,000.00 (one million) for each individual transaction;
10. to open and close current accounts with banks and credit institutions, withdraw sums from the accounts held in the Company's name, issuing for this purpose the relative cheques or equivalent credit documents, and order transfers utilising available funds or lines of current account credit;
11. to make payments into bank and post office accounts of the Company, and to endorse cheques and drafts for crediting to the said accounts;
12. to draw bills on customers, endorse (also for discount) promissory notes, bills and drafts as well as cheques of any kind, and effect any consequential transaction;
13. to grant credit on behalf of the Company, with and/or without recourse, up to a maximum amount of Euro250,000,000.00 (two hundred and fifty million) for each individual transaction, and to work with factoring companies and institutions, signing all related deeds;
14. to actively and passively represent the Company before the Tax Authorities and Commissions of any nature and rank, as well as before the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, and Post and Telegraphic Offices; by way of example:
    a) to sign tax and VAT returns and to fulfil any other tax-related obligations;

b) to submit reports, motions and appeals, to apply for licences and authorisations;
c) to issue receipts, in particular for payment orders in relation to credits subject to factoring operations;
d) to perform any transaction at the Cassa Depositi Prestiti, the Bank of Italy, Customs Offices, Post and Telegraphic Offices for the shipment, deposit, clearance and collection of goods, credit instruments, parcels and packages or registered and insured letters, issuing receipts for the same;

15. to issue guarantees and grant loans, and sign bank surety agreements up to the value of Euro500,000.00 (five hundred thousand) for each operation (this limit shall not apply to operations relating to participation in tenders); to issue, accept and endorse credit instruments;
16. to participate, as far as his authority permits, in the capacity of representative of the Company, as Parent Company or as principal company, in the formation of joint ventures, TACs (Temporary Associations of Companies), EGEIs (European Groups of Economic Interest), consortiums and other entities, issuing and receiving the relative mandates, for the purpose of participating in tenders for the awarding of works, services and supplies;
17. to participate, as far as his authority permits, in the capacity of representative of the Company, including in TACs (Temporary Associations of Companies), EGEIs (European Group of Economic Interest), consortiums and other entities, in calls for tenders for contracts or concessions, auctions, private invitations to tender, private negotiations, calls for bids and other public auctions at national, EU and international levels, including those eligible for State grants or aid, for the awarding of works, supplies of plant, including "turn-key", and/or of goods and/or studies and/or research and/or services in general for any national, EU or international public or private entity; to submit applications for participation as from the pre-qualification stage; to submit bids up to an amount of Euro25,000,000.00 (twenty-five million) for each individual operation - in cases of urgency, the decision concerning amounts exceeding Euro25,000,000.00 (twenty-five million) will be made in association with the CEO, informing the Board of Directors accordingly at its next meeting; in the case of awarding, to sign the relevant documents, contracts and commitments, including the issue of guarantees and/or the establishment of guarantee deposits, with the widest powers to negotiate, settle and/or complete all the clauses that he may deem necessary and/or appropriate and/or useful;
18. as far as his authority permits, to stipulate, amend and terminate commercial and service agreements of any nature with companies and entities;
19. as far as his authority permits, to stipulate, with all the appropriate clauses, assign and terminate contracts and agreements pertaining in any manner to the corporate mission - including those relating to intellectual achievements, trademarks and patents - also in association with other companies, up to a limit of Euro2,000,000.00 (two million) for each transaction;
20. to establish, in the Company's interests, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, all within the limits of Euro300,000.00 (three hundred thousand) for each operation;
21. to conclude transactions up to an amount of Euro5,000,000.00 (five million) for each individual operation, sign arbitral settlements and compromise agreements, and nominate and appoint arbitrators;
22. to draw up, sign and implement deeds of association, modification or extinguishment for positive and negative easements, voluntary or of necessity, and to initiate

expropriation proceedings for properties, installations, equipment and plants serving these networks, as well as any other deed that might become necessary for fine-tuning the easements in question, with the authority to execute all the associated and consequent deeds, including paying and/or receiving, also in instalments, the payment and to pay out possible damages and waive statutory mortgages, up to a total of Euro500.000,00 (five hundred thousand) for each operation;

23. to grant and revoke powers of attorney within the scope of the aforesaid powers, for individual deeds or categories of deeds, to both employees of the Company and to third parties including legal entities;
24. to decide, as far as his authority permits, the Company's subscription to bodies, associations and entities of a scientific or technical nature or pertaining to studies and research within the Company's field of interest, where the related subscription fees do not represent an interest in the equity of the entity concerned and where participation in the same does not involve an outlay of more than Euro300,000.00 (three hundred thousand);
25. the CEO is assigned the role of "Employer" pursuant to and for the purposes of Article 2 of Legislative Decree 81 of 9 April 2008 and subsequent amendments and integrations, with the duties provided for therein and with the power to delegate, as far as is permitted by said decree, the performance of any activity useful and/or necessary for ensuring compliance with the provisions of the law, with the exception of the following Sectors/Structures, for which the role of Employer is attributed as indicated below and as outlined in more detail in the following agenda item number 15 of today's meeting:
    a) Corporate Systems Central Department: Marcello Guerrini
    b) General Operations Department, in particular Engineering Department (includes Large Plant Engineering Department and Systems and Network Engineering Structure) as well as Planning and Coordination of Regulated Services Structure: Roberto Barilli
    c) Innovation Central Department: Salvatore Molè
    d) Energy Networks Department: Alessandro Baroncini
    e) Water Department: Franco Fogacci .
    f) Environmental Services Department: Tiziano Mazzoni
    g) Technical Customer Management Department: Susanna Zucchelli
26. the CEO is responsible for managing activities relating to the Register of Freight Carriers, with the power of delegation;
27. the CEO, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, is charged, as far as his authority permits, with the establishment and maintenance of the Internal Control and Risk Management Systems. To this end, as far as his authority permits, he:
    a) ensures that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically presents those risks for examination by the Board of Directors,
    b) implements the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency,
    c) and ensuring that the System is suited to the dynamics of the operating conditions and of the legislative and regulatory context.

d) may ask the Internal Auditing Structure to perform checks on specific operational areas, and on compliance with internal rules and procedures in carrying out corporate operations,

e) promptly informs the Control and Risks Committee (or the Board of Directors) regarding problem areas or issues that emerge in carrying out his activities or of which he has been informed, in order that the Committee (or Board) may take appropriate actions.

Hence both the Chairman and the CEO are executive directors.

Neither of the two executive directors can be described as the principal supervisor for the management of the company (chief executive officer).

Information to the Board

In conformity with the recommendations of the Code, the delegated bodies report to the Board of Directors and to the Board of Statutory Auditors, at least every three months, on the activities carried out in exercising the powers delegated to them.

The Chairman, so as to guarantee the timeliness and completeness of pre-council briefing, ensures that each director and statutory auditor has at their disposal all of the information and documentation necessary for discussing the items on the agenda of the meetings of the Board of Directors at least three days before the meeting, with the exception of cases of necessity and urgency.

Lastly, the Chairman and the CEO ensure that the Board of Directors is also informed on the most important changes in legislation and regulations relating to the Company and the corporate bodies.

e) Executive Committee

The Board of Directors, appointed during the Shareholders' Meeting of 23 April 2014, in office until the natural expiration of the administrative body's term, and therefore until the approval of the financial statements as of 31 December 2016, as provided for by Article 23.3 of the Articles of Association, at its meeting of 28 April 2014, appointed the Executive Committee consisting of the following members: .

- Tomaso Tommasi di Vignano - Chairman of the Executive Committee
- Giovanni Basile - Vice Chairman of the Executive Committee;
- Stefano Venier - Member of the Executive Committee.
- Riccardo Illy - Member of the Executive Committee.

With regard to the annual definition of the Group business plan and the budget and to the proposals for the appointment of first level senior executives for each departmental area, the Committee has the task of expressing an opinion prior to presentation to the Board of Directors, and also of deciding:

1. as to contracts and agreements in any way pertaining to the corporate purpose with a value exceeding Euro2 million for each individual contract;
2. in the interests of the Company, consultancy relationships with external experts and professional consultants, specifying the terms and conditions of payment, with a value exceeding Euro300,000 and up to Euro100,000,000, for each operation;
3. as to the Company's subscription to bodies, associations and entities of a scientific and technical nature or pertaining to studies and research within the Company's

field of interest, where the related subscription fees do not represent an interest in the equity of the said entity and where participation in the same involves an outlay of more than Euro300,000 and up to Euro100,000,000 for each operation;

4. to settle disputes and/or waive credits of an amount exceeding Euro5 million;
5. as to the activation, amendment and termination of contracts for the opening of lines of credit or loans of any type and duration involving a cost commitment of more than Euro1,000,000 and up to Euro5,000,000 for each operation;
6. as to issuing calls for tender and/or the stipulation, amendment and termination of contracts for investments relating to:
   - works and supplies necessary for the transformation and maintenance of properties and plants for an amount exceeding Euro20,000,000 for each operation;
   - o purchases and disposals of furniture, fittings, machinery and moveable assets in general, including those enrolled in public registers, with a value exceeding Euro10,000,000 for each operation.
7. To examine Audit Reports on a three-monthly basis
8. to supervise, in conformity with the system of delegations defined within the Company, the implementation of the action plans arising from the audit reports.
9. examine the reports for the mapping and monitoring of financial risks on a three-monthly basis;

The Executive Committee met on 4 occasions in 2014. All the members took part in 3 of these meetings, while almost all of them took part in the remaining 1; The average length of the meetings of the Executive Committee was approximately one hour and thirty minutes.

f) Independent directors

There are currently 11 directors qualifying as non-executive independent members of the Board, in that:

a) they do not control the Company directly or indirectly, including via subsidiary or trust companies or third parties; they do not exercise significant influence over the Company; they are not party to any shareholders' agreement whereby one or more parties may exercise control or significant influence over the Company;
b) they are not currently, nor have they been in the last three financial years, important representatives of the Company, one of its subsidiaries with strategic importance or one of the companies subject to joint control together with the Company, or of a company or body which, also together with others as a result of shareholders' agreements, controls the Company or is able to exercise significant influence over it;
c) they do not currently have, nor have they had in the previous financial year, either directly or indirectly, any significant commercial, financial or professional relationship:
   - with the Company, one of its subsidiaries or any of the related important representatives;
   - with a party who, alone or with others as a result of shareholders' agreements, controls the Company, or - in the case of companies or bodies - with the related important representatives, and who have not been employees of one of the aforementioned parties in the last three financial years;
d) they have not received in the last three financial years, from the company or from a subsidiary or parent company, significant supplementary remuneration (in addition to the "fixed" emolument of the Company's non-executive directors and the remuneration for participation in internal committees), including participation in incentive schemes linked to the company's performance, even share-based;

e) they have not held the office of executive director in another company in which an executive director of the Company holds the office of director;
f) they are not shareholders or directors of a company or entity belonging to the network of the firm appointed to audit the Company's accounts;
g) they are not close relatives of a party in one of the positions described in the previous points;
h) they satisfy the requirements of independence set forth under Article 148, paragraph 3 of the TUF.

The following circumstances do not invalidate the requirements of independence of a director: the appointment of the director by the shareholders or group of shareholders controlling the Company; the holding of the office of director of a subsidiary of the Company and receiving the related remuneration; the holding of the office of member of one of the advisory Committees cited below.

As for the Hera directors that have been in office for more than nine years, the Board of Directors has decided that they also possess requirements of independence, as the mere duration of the term does not in itself invalidate the independence of directors, as this does not affect either their independent judgment or their autonomous processes of evaluation.

The Board of Statutory Auditors, in conformity with the provisions contained in Article 3 of the Code, has checked the correct application of the criteria and assessment procedures adopted by the Board of Directors for ascertaining the independence of its members.

Induction

As occurred in the past for new appointments to the Board, it was decided to arrange for some occasions of further reflection, both specific and as part of Board meetings. With the renewal of the Board of Directors in 2014, the Group has intensified this activity in order to ensure that new directors acquire adequate knowledge of the main issues related to the company as quickly as possible.

In particular, during 2014 three specific sessions were held dedicated to the prospects of the Hera Group in its various sectors of operation (networks, energy and the environment).

5. Handling of corporate information

For the purposes of governing the communication to the sector Authorities and to the public of notices, data and price-sensitive information pertaining to the management and activities carried out, whose dissemination might have an impact on the processes used for valuing the Company's shares, and consequently on the levels of demand and supply of those shares, on 15 February 2007 the Board of Directors adopted a specific procedure aimed at:

i) identifying price-sensitive and confidential information;
ii) defining procedures for authorization and management within the Group;
iii) governing the procedures for external communication in terms of documentation, notices issued, interviews given, statements made and meetings conducted.

Additionally, in applying the new procedure adopted by Hera S.p.A. on 27 March 2006 with regard to internal dealing, and in accordance with Article 152-sexies of the Consob Issuers' Regulation, the following individuals have been identified as significant parties obliged to inform Consob of the transactions they have carried out on Hera S.p.A.'s financial instruments: the members of the Board of Directors, the Statutory Auditors and the shareholders who hold an equity investment equal to or greater than 10% of the share capital, as well as individuals closely linked to these parties.

In conformity with the provisions of the Issuers' Regulation, the timescales and procedures for communication of the operations carried out by the significant parties have been identified by the procedure adopted by Hera S.p.A. Hera S.p.A. has identified the Legal and Corporate Affairs Department as the entity responsible for receiving, managing and disseminating this type of information to the market.

The responsible entity will utilize the External Relations Department for disseminating the information to the market by means of the NIS screen-based system (Network Information System).

Furthermore, in accordance with the provisions of Article 115-bis of the Tuf and Article 152-bis of the Issuers' Regulation no.11971 of 14 May 1999, introduced by means of Consob resolution no.15232 of 29 November 2005, as of 1 April 2006 Hera S.p.A. set up the "Register of Individuals who, as a result of work or professional activities, or in relation to the functions performed, have access on a regular or occasional basis to privileged information", this being understood as information (i) of a precise nature; (ii) directly or indirectly concerning the issuer or its financial instruments; (iii) which has not been made public; and (iv) which, if made public, could considerably influence the prices of these financial instruments (price-sensitive information).

6. Internal Committees of the Board of Directors (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

The internal committees, formed in compliance with the Code of Conduct of Borsa Italiana Spa, are an internal structure of the Board of Directors with an advisory and consulting role and its membership is available on the website www.gruppohera.it.

These committees work on the basis of internal regulations and/or communicational rules towards the Board of Directors designed to guarantee correct and efficient operation.

The Board of Directors, renewed on 23 April 2014, redefined the composition of the afore-mentioned committees at its meeting of 28 April 2014.

a) Appointments Committee

It was decided that the Board of Directors would fulfil the functions of the Appointments Committee, also in view of the fact that the appointment of Board of Directors members is carried out by shareholders through list voting at the Shareholders' meeting.

b) Remuneration Committee

It is noted that, in 2014, the Remuneration Committee handled matters relating to remuneration policies, subject to approval by the Board of Directors at the time of the 2014 financial statement. For information relating to this Section, please refer to the Remuneration Report pursuant to Article 123-ter of the Tuf.

c) Controls and Risks Committee

Composition and functioning of the Controls and Risks Committee (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

As established by the Code, the Board of Directors, at its meeting of 4 November 2002, passed a resolution to establish the Internal Controls Committee: Subsequently, during the course of the Company's Board of Directors meeting that took place 17 December 2012, in application of updates to the Code of Self-Discipline, the Internal Control Committee took on the additional function of Risk Management Committee in order to manage the Company's risks and support the administrative body in associated assessments and decisions. This Committee, whose composition was renewed on 28 April 2014, is made up of Giovanni Basile as Chairman, Massimo Giusti, Stefano Manara and Danilo Manfredi. At least one member of the Internal Control Committee has experience in accounting and financial matters judged adequate by the Board of Directors at the time of the appointment.

The Controls and Risks Committee met on 8 occasions in 2014. All the members took part in 7 of these meetings, duly recorded in the minutes, while almost all of them took part in the remaining one; The average length of the meetings of the Internal Controls Committee was approximately one hour and five minutes.

Functions assigned to the Controls and Risks Committee

The Controls and Risks Committee is tasked with supporting the decisions and assessments of the Board of Directors in relation to the internal control and risk management system and concerning the approval of periodic financial reports through adequate surveying and evaluative activities.

In carrying out its supportive role in relation to the Board of Directors, the Committee therefore expresses its judgment concerning:

a) the definition of the guidelines of the internal control and risk management system in such a way that the primary risks faced by HERA and its subsidiaries are identified correctly and properly measured, managed and monitored, determining moreover the compatibility criteria of such risks with healthy and proper corporate management;
b) at least on a bi-annual basis, the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the enterprise and the risk profile it has assumed;
c) on at least an annual basis, the work plan drafted by the Supervisor of the Internal Auditing Structure in consultation with the Board of Statutory Auditors and the Directors in charge of the internal control and risk management system.

In addition, in order to aid the Board of Directors, the Committee specifically:

d) together with the Appointed Manager in charge of drafting corporate financial documents and in consultation with the legal auditor and Board of Statutory Auditors, evaluates the proper use of accounting principles and their homogeneity in relation to drafting balance sheets and financial statements more generally;
e) expresses its judgment regarding specific aspects of the identification of primary corporate risks;
f) analyses periodic reports concerning the assessment of the internal control and risk management system as well as those drafted on at least a bi-annual basis by the Supervisor of the Internal Auditing Structure;
g) communicates to the Board of Directors its preventative judgment regarding the proposals developed by the Directors in charge of the internal control and risk management system in relation to measures regarding the appointment and dismissal of the Supervisor of the Internal Auditing Structure, allotting this figure adequate resources for the completion of his or her responsibilities as well as establishing appropriate remuneration in keeping with corporate policies;
h) monitors the autonomy, effectiveness and efficiency of the Internal Auditing Structure;
i) evaluates the findings of the Internal Auditing Structure Supervisor's reports, of statements from the Board of Statutory Auditors and each of its individual

members, of reports and any possible management letters from Independent Auditors, and of surveys and investigations carried out by other committees of the company and third parties;

j) may ask the Internal Auditing Structure to perform checks on specific operational areas, contextually communicating the results to the president of the Board of Statutory Auditors;

k) communicates to the Board of Directors about the activities performed by and the adequacy of the internal control and risk management system at least on the occasion of the annual and bi-annual approval of the financial statement.

During the course of the meetings held during 2014 financial year, which were duly recorded, the following measures were carried out:

- a study and analysis of the risk management processes, ERM framework and end-of-term report for the Hera Group ;
- evaluation of the effectiveness of the Internal Control System;
- preparation of the periodic Reports of the Internal Auditing Department;
- preparation of the periodic Reports of the Internal Controls and Risks Committee;
- analysis of the areas governed by Law 262/2005. .

The Committee also examined the audit reports, held regular meetings with the head of Internal Auditing for AcegasApsAmga Spa, the Board of Statutory Auditors and the Independent Auditors, met with the Chief Financial Officer and prepared the 2015 Business Plan and budget of the Internal Auditing Department Management.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the Chairman and, at the express invitation of the Chairman of the Committee, the Chairman of the Board of Directors and the Group CEO, attend the Committee's meetings.

In the performance of its functions, the Controls and Risks Committee had access to the information and business functions necessary for carrying out its duties.

In relation to the 2014 financial year and following the quarterly reports released by the Controls and Risks Committee, the Board of Directors has approved the adequacy, efficacy and effective functioning of the internal control and risk management system in relation to the features of the company and the type of risks it takes on.

d) Ethics Committee

Composition and functioning

During its meeting of 12 September 2007, the Board of Directors of Hera S.p.A. established the text of the "mission" and "values and working principles" of the Group, and consequently approved the updated version of the Code of Ethics that constitutes a "social responsibility" tool for the Company in implementing ethical principles inspired by good practices and aimed at the pursuit of the Company's mission.

Consequently, in application of Article 60 of the aforementioned Code, the Board of Directors, at its meeting of 8 October 2007, set up a suitable Committee, whose composition was renewed on 28 April 2014. This Committee comprises a director of Hera S.p.A. in the person of Massimo Giusti, Mario Viviani, and a manager with expertise in matters of social responsibility.

The Board of Directors of Hera S.p.A., at its meeting of 26 January 2011, at the end of the three-year experimental phase of using the Code of Ethics, adopted an updated text of the Code with a view to implementing it within the Company.

In 2013, following a second three-year period of application, the Code of Ethics was again assessed and updated in line with Article79 of the Code. This second update was

carried out by involving employees to an even greater degree, with the objective of defining standards of conduct that are as shared as possible within the Group.
The Ethics Committee met 10 times in 2014; 8 of these meetings were attended by all the members, and 2 by a majority of members. The average duration of the meetings of the Ethics Committee was approximately one hour and thirty minutes

Functions of the Ethics Committee
The Ethics Committee is responsible for monitoring the dissemination and implementation of as well as compliance with the principles of the code of ethics. Since 2008, the year the Code of Ethics came into effect, an ethics committee was established for which Whistleblowing policies are in effect, designed to provide a confidential and direct channel of communication with the committee for all the stakeholders interested in reporting any possible conduct in violation of the code and the values promoted by the Group.
At the meetings held during the year, the Committee appointed a Chairman and Secretary following the renewal of the Committee, handled the resolution of the reports received, as well as updating the Code and assessing the company's employee training activities regarding these updates.

7. 7. Internal Control and Risk Management System

The Hera Group is committed to promoting and maintaining a suitable internal control and risk management system understood as a collection of regulations, procedures and organizational structures aimed at allowing the business to be run in a manner that is consistent with the objectives established by the Board of Directors through the identification, evaluation, management and monitoring of the primary risks.
In its meeting of 24 July 2013, The Hera S.p.A. Board of Directors approved the guidelines for the Hera Group Internal Control and Risk Management System, which constitute the disciplinary framework of reference under which the Hera Group adopts uniform organizational and management rules in the area of internal control and risk management, simultaneously emphasizing the role of strategic direction played by the Board of Directors of the parent company and explicitly defining the responsibilities and tasks of each actor involved in implementing the Control System.
On 17 December 2012, the Board of Directors approved the internal audit activities plan for the 2013-2015 three-year period, and on 17 December 2014 approved the specific work plan for the year 2015.
The Internal Control and Risk Management System is integrated into the broader organizational and corporate governance structures adopted by Hera and duly considers the recommendations of the Corporate Governance Code for Borsa Italiana Spa listed companies, reference models and best practices at national and international levels.
On 24 March 2011, the Board of Directors of Hera S.p.A. created the Hera Group Risk Committee, defining its components, aims and operational modes.
The Hera S.p.A President and CEO oversee, within their scope of responsibility, the functionality of the internal control and risk management system.
The Risk Committee meets periodically multiple times throughout the year and comprises:

- Hera S.p.A President;
- Hera S.p.A CEO;
- Hera S.p.A Vice President;
- Market Central Director;
- Administration, Finance and Control General Director;
- Enterprise Risk Manager.

Additionally, in relation to specific domains of responsibility, the following may also participate:

- Hera Trading S.r.l CEO;
- Legal and Corporate Central Director;
- Innovation Central Director;
- Corporate Systems Central Director.

In relation to specific types of risk requiring analysis, the Risk Committee may request the participation of other relevant company components.

The Risk Committee represents the main body in charge of guiding, monitoring and providing information about strategies of risk management and is responsible for:

- defining the general guidelines for the Risk Management process;
- providing for the mapping and monitoring of corporate risks;
- ensuring the definition of Risk Policies and measurement parameters to be submitted for approval by the Hera S.p.A. Board of Directors;
- providing for the bi-annual accounting submitted to the Hera S.p.A. Board of Directors;
- defining and ensuring information protocols directed to the Controls and Risks Committee, the Internal Auditing Management and the Board of Statutory Auditors.

Over the course of 2013, the Hera S.p.A Board of Directors has scheduled an update for the internal control and risk management system guidelines that will enable, in keeping with established best practices, the government of risk management strategies in a manner that is coherent and compatible with the achievement of the company's strategic objectives.

a) The risk management and internal control system in relation to the financial information process

Introduction

The internal control and risk management system in relation to the financial information process, as part of the larger internal control and risk management integrated system, is aimed at ensuring the dependability, reliability, accuracy and timeliness of the Group's financial information.

The internal control and risk management system, in relation to Hera's financial information process, is inspired by the CoSO Framework (issued by the Committee of Sponsoring Organizations of the Treadway Commission) an internationally recognized model for the analysis, implementation and evaluation of internal control and risk management systems.

The definition of the internal control and risk management system in relation to the financial information process was carried out in keeping with applicable norms and regulations:

- Legislative Decree no. 58 of 24 February 1998 (Tuf); ;
- Law no. 262 of 28 December 2005 (and subsequent modifications, including the legislative decree to assimilate the Transparency Directive, approved on 30 October 2007) regarding the drafting of corporate financial documents;
- Consob Issuers' Regulation of 4 May 2007 "Statement of the Appointed Manager in charge of drafting corporate financial documents and of the designated

administrative authorities in relation to financial and consolidated financial statements as well as to the biannual report, in compliance with article 154-bis of the Tuf"; ;

- Consob Issuers' Regulation of 6 April 2009 "Assimilation of the Transparency Directive 2004/109/CE concerning the harmonization of transparency requirements in relation to information about the issuers whose movable value are permitted to enter negotiations in a regulated market, modifying directive 2001/34/EC";
- the Civil Code, which extends responsibility to the Appointed Managers in charge of drafting corporate financial documents (Article 2434 c.c.) for corporate management, for disloyalty crime originating from conferred or promised utility (Article 2635 c.c.) and for the crime of obstructing the functions of public and surveillance authorities (Article 2638 c.c.); . . .
- Legislative Decree no. 231/2001 that references the above-mentioned regulations of the Civil Code and the administrative responsibility of legal subjects for crimes committed against the Public Administration and includes the Appointed Manager in charge of drafting corporate financial documents among the Apical Subjects.

Moreover, in the implementation of the system, the Group has taken under consideration the recommendations provided by some authorities in the sector (Andaf, AIIA and Confindustria) concerning the activities of the Appointed Manager.

Description of the primary features of the internal control and risk management system in relation to the financial information process

As part of the internal control and risk management system pertaining to the financial information process, the Appointed Manager has set up an administrative and financial control Model - Regulation of the Appointed Manager for drafting corporate financial documents (hereafter also "The Model") approved by the Hera spa Board of Directors in the meeting held 15 May 2013, outlining the adopted method and associated roles and responsibilities in relation to defining, implementing, monitoring and updating the financial-administrative procedural system over time and in assessing its adequacy and effectiveness.

Hera's administrative and financial control Model defines a methodological approach for the internal control and risk management system in relation to financial information processes that is structured through the following steps:

1. carrying out financial-administrative Risk Assessment;
2. identifying controls and updates for the financial-administrative procedures;
3. periodically evaluating the financial-administrative procedures and the controls they contain.

Step 1: financial-administrative Risk Assessment

Financial-administrative Risk Assessment represents the process of identifying the risks connected to the financial statement and is carried out under the supervision of the Appointed Manager, at least on an annual basis.

This process aims at identifying the set of objectives that the system seeks to pursue in order to ensure a truthful and accurate representation. These objectives comprise financial statement "declarations" (existence and occurrence, completeness, rights and obligations, assessment/surveying, presentation and information) and additional control objectives (such as, for instance, the separation of duties and responsibilities, the documentation and traceability of operations, compliance with authorizational restrictions, etc.).

Risk Assessments concentrates on those areas of the financial statement where potential effects on financial information have been located in relation to the failure to achieve these control objectives.

As part of the process of financial-administrative Risk Assessment, the following tasks are carried out at least bi-annually:

- a review and update of the list of subsidiary companies considered relevant in view of the proper functioning of the Group's financial and administrative control system;
- a review and update of the list of corporate processes that have been identified as relevant in view of the proper functioning of the Group's financial and administrative control system;
- a review of the overall adequacy of the current Financial and Administrative Control Model.

The process for determining the scope of the Companies and "relevant" processes in terms of their potential impact on the financial statement is aimed at identifying, in reference to the Group's consolidated financial statement, the balance sheet entries, the Subsidiary Companies and processes to be considered relevant on the basis of evaluations performed using quantitative and qualitative parameters, represented by:

- quantitative threshold values used to compare both the accounts contained in the consolidated financial statement and the relative contribution of subsidiary companies within the Group;
- qualitative assessments made on the basis of knowledge about the current corporate situation and specific risk factors contained in financial-administrative processes.

Step 2: Identifying controls and updates for the financial-administrative procedures

An identification of the necessary checks for mitigating the risks that were identified in the previous step is carried out taking into consideration the control objectives associated with financial information. In particular, balance sheet entries classified as relevant and their underlying corporate processes are connected in order to identify the proper controls for meeting the objectives of the internal control system for financial information.

The Entities involved in the process and in charge of implementing the financial and administrative control system on at least a bi-annual basis, verify, for their specific areas of responsibility, the updating of the design and implementation of control activities detected within the financial-administrative procedures in terms of:

- correspondence between the description of controls and the evidence used to support them in relation to the operational activities being carried out, the information systems in use and the company's organizational structure;
- proper identification of the Figures in charge of the process, activities and controls identified.

The results of periodical updates applied to procedures and associated controls are communicated by the Entities to the Appointed Manager. The Entities provide for updating/modifying the financial-administrative procedures in relation to the areas under their managerial responsibility.

Whenever, following the financial-administrative Risk Assessment operations, significant control activities are identified which are not governed in whole or part by the body of Hera S.p.A.'s financial-administrative procedures, the various Entities, in coordination with the Appointed Manager, are tasked with providing for supplementing the existing procedures.

Step 3: Periodic evaluation of financial-administrative procedures and the controls they contain

The periodic evaluation activities of the financial and administrative control system are carried out at least bi-annually with a view to ensuring sufficient financial information for the preparation of individual and consolidated annual financial statements and the abbreviated bi-annual consolidated financial statement.

The identified controls are subsequently subject to an assessment of their adequacy and actual effectiveness through specific testing activities according to the best practices established for the sphere in question; in reference to automatic checks, the assessment of adequacy and actual effectiveness also applies to general IT controls whenever these applications are used to support processes considered to be relevant.

The testing activities carried out by the Appointed Manager are aimed at verifying:

- the design and implementation of existing activities and controls, that is to say, the capacity of the described control and its attributes to adequately cover the risks and identified control objectives as well as correlated accounting postulates;
- the operational effectiveness of existing activities and controls, that is to say, that the check was actually performed as described in the "control plan" and that the figure in charge of controls has maintained adequate traceability and proof of the performed control.

In the course of these activities, the Appointed Manager evaluates at each given time what degree of involvement, of the Figures in charge of the Entities and of contact persons within the Subsidiary Companies, is necessary for carrying out assessment activities.

On a bi-annual basis, at the end of the evaluation process, the Hera Spa Appointed Manager and CEO receive specific internal statements from Hera Group subsidiary companies and relevant connected companies in reference to the completeness and reliability of information flows directed toward the Appointed Manager for the purposes of financial reporting.

On a bi-annual basis, the Appointed Manager will define a series of reports synthesizing the results of the assessments of controls in relation to the risks previously identified on the basis of the outcomes of the monitoring activities performed. The assessment of controls may involve the identification of compensatory controls, correctional actions or improvement plans connected to any possible issues identified.

After having been shared with the CEO, the prepared Executive Summary will be communicated to Hera Spa's Board of Statutory Auditors, the Controls and Risks Committee and the Board of Directors.

Roles and functions involved

The internal control and risk management system concerning financial information is governed by the Appointed Manager in charge of drafting corporate financial documents who, in agreement with the CEO, is responsible for planning, implementing, monitoring, and updating the financial and administrative control Model as well as assessing its application, and releasing a statement concerning the bi-annual and annual financial statement, including the consolidated financial statement.

The Appointed Manager is additionally responsible for establishing adequate financial-administrative procedures for the creation of the financial statement and consolidated financial statement as well as any other financial communication, ensuring that they are updated and promoting their dissemination and an awareness of them.

In performing his or her activities, the Appointed Manager:

- is supported by a specific function called "Compliance 262," part of the the staff of the Administration, Finance and Control Group Director, established by SO no. 49 of 30 October 2013, and effective as of 1 November 2013;
- is supported by the Figures responsible for the Entities involved, who, within their areas of responsibility, ensure the completeness and reliability of information flows directed toward the Appointed Manager for the purposes of financial reporting;
- coordinates the activities of the Administrative Managers of the relevant subsidiaries who are tasked with implementing, within their companies, and together with the delegated bodies, an adequate financial control system to safeguard the administrative-financial processes;
- initiates a reciprocal information exchange with the Controls and Risks Committee and the Board of Directors, communicating about the activities performed and the adequacy of the financial and administrative control system.

Lastly, the Board of Statutory Auditors and Supervisory Board are informed about the adequacy and reliability of the financial-administrative system.

b) Administrator in charge of the internal control and risk management system

Most recently with the resolution of 28 April 2014, the Board of Directors has set forth that, within the scope and limits of the respective delegations and reporting lines of the various corporate structures, the Chairman and CEO are charged, as far as their authority permits, with establishing and maintaining the Internal Control and Risk Management Systems.

The Chairman and CEO, in keeping with their mandates:

- ensure that the Risk Committee identifies the main business risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, and periodically present those risks for examination by the Board of Directors,
- implement the guidelines defined by the Board of Directors, ensuring that the responsible business structures design, create and manage the Internal Control and Risk Management Systems, constantly checking their overall appropriateness, effectiveness and efficiency,

The corporate heads may request that the Internal Auditing Manager carry out operations concerning risk assessment, controls design, and compliance with internal rules and procedures.

c) Internal auditing department manager

In order to ensure an adequate functioning of the internal control and risk management system, the Internal Auditing department, whose manager reports directly to the Vice President, ensures that the internal control system is always adequate, fully operational and functions in such a way as to achieve an acceptable level of overall risk.

The Internal Auditing Manager provides a report on his or her activities, every three months or whenever he or she considers it necessary, to the CEO, the Chairman of the Board of Directors, the Internal Controls and Risk Management Committee and the Board of Statutory Auditors. He or she is hierarchically independent of the heads of operational divisions and may have direct access to all information necessary for the performance of his or her duties.

Through the establishment of an adequate Risk Assessment and three-yearly Audit Plan:

- provides a synthetic and comparative assessment of the primary risk areas and associated control systems, performing updates through the meetings that take place with management;
- according to the varying level of risk of corporate processes, prioritizes the duties of the Internal Auditing department.

d) Organisational model pursuant to Legislative Decree no. 231/2001 .

Legislative Decree no. 231/2001 introduced into Italian legislation the administrative responsibility of legal entities, companies and associations. In particular, the law introduced the criminal liability of entities for certain offences committed in the interest or to the advantage of those entities by persons fulfilling roles of representation, administration or management of the entity or of one of its organisational units with financial and operational independence, or by persons who exercise management and control thereof, including on a de facto basis, and lastly, by persons subject to the direction or supervision of one of the above-mentioned parties. Significant offences are those committed against Public Administration and corporate offences committed in the interest of the companies.

However, Articles 6 and 7 of Legislative Decree no. 231/2001 provide for a form of exoneration from liability where (i) the entity proves that it adopted and efficiently implemented, prior to the commission of the act, appropriate organisational, management and control models for preventing the perpetration of the offences considered by the said decree; and (ii) the duty of supervising the functioning of and compliance with the models, as well as providing for their updating, is entrusted to a body of the entity that is vested with autonomous powers of initiative and control.

To this end, on 16 February 2004, the Board of Directors of Hera S.p.A. approved and subsequently updated, also in the light of the provisions introduced by Law no. 123/07 and Legislative Decree no. 190/2012, the organisational, management and control model pursuant to Legislative Decree no. 231/2001, with the aim of creating a structured and organic system of control procedures and activities to prevent commission of the offences referred to in the aforementioned decree, by identifying the activities exposed to a risk of offence and implementing suitable procedures for those activities. .

At present, the organisational, management and control model pursuant to Legislative Decree no. 231/2001 comprises 24 protocols.

The organisational, management and control model pursuant to Legislative Decree no. 231/2001 has also been adopted by subsidiaries with strategic importance.

Consequently, the Board of Directors set up the supervisory board, renewed 23 April 2014, comprising the head of Internal Auditing of Hera S.p.A. as Chairman, the head of Legal and Corporate Affairs of Hera S.p.A. and an external member, to which the aforementioned duties are entrusted, including the task of periodically reporting to the corporate bodies of Hera S.p.A. on the implementation of said model.

The supervisory board met 6 times in 2014; all 6 of these meetings were attended by all

the members.
The average length of the meetings of the supervisory board was approximately one hour and twenty-five minutes.
The Supervisory Board updated the 231 protocols that make up the organisational model. The Supervisory Board also applied and analysed the system of information flows that allow it to supervise the functioning of and compliance with the models, as well as examining the reports that followed from the audits and scheduling further activities.
In order to carry out the checks and controls, the Supervisory Board drew up a schedule of measures for checking compliance with the protocols adopted.

e) Independent Auditors

The company appointed as independent auditor by Hera's Shareholders' Meeting of 27 April 2006 is PricewaterhouseCoopers S.p.A., whose mandate will expire upon approval of the financial statements for the year ending 31 December 2014.
The Hera Spa Shareholder's meeting of 23 April 2014 acted ahead of time to appoint Deloitte&Touche Spa to the role of independent auditor for the 2015-2024 financial years.

f) Appointed Manager in charge of drafting corporate financial reports and other corporate roles and functions.

In compliance with the provisions of the Tuf and the Company's Articles of Association, in consultation with the Board of Statutory Auditors, the Board of Directors resolved on 1 October 2014 to appoint Luca Moroni to the role of Finance and Control Administration Central Director, in the post of Appointed Manager in charge of drafting corporate financial reports. He is in possession of the professional qualifications set forth in Article 29 of the Company's Articles of Association, in compliance with the Tuf (Article 154-bis, paragraph 1).
The Appointed Manager is additionally responsible for establishing adequate financial-administrative procedures for the creation of the financial statement and consolidated financial statement as well as any other financial communication. To this end, the Appointed Manager will have access to a dedicated budget approved by the Board of Directors and an adequate (in terms of quantity and quality of resources) organizational structure dedicated to the preparation/updating of financial-administrative procedures and periodical assessment activities concerning the suitability and actual application of financial-administrative rules and procedures. If the internal resources prove to be insufficient for the suitable management of these activities, the Appointed Manager is permitted to exercise the power of expenditure granted to him or her.
The Board of Directors verify that the Appointed Manager has access to adequate powers and means to carry out the tasks entrusted to him or her by Article 154-bis, and also monitor that financial and administrative procedures are being followed.
The Appointed Manager communicates and exchanges information with all the administrative and control bodies of the Company and of the Group's subsidiaries, including but not limited to:

- Board of Directors;
- Controls and Risks Committee;
- Directors in charge of the internal control and risk management system;
- Board of Statutory Auditors;
- Independent Auditor;
- Supervisory Board pursuant to Legislative Decree no. 231/01;
- Internal Auditing Manager;
- Investor Relations Manager.

g) Coordination among the subjects involved in the internal control and risk management system.

The Issuer has established the following systematic coordination modes for the various subjects involved in the internal control and risk management system:

- periodic coordination meetings focused in particular on the process of drafting financial reporting and the activities of assessing, monitoring and containing (economic-financial, operational and compliance) risks;
- information flows among the subjects involved in the internal control and risk management system;
- periodic reports to the Board of Directors;
- establishment of a Risk Committee with the aim of outlining guidelines for monitoring and informing about risk management strategies.

In particular, the following types of coordination meeting are specified:

- the Board of Statutory Auditors with the Controls and Risks Committee, the Independent Auditor, the Appointed Manager in charge of drafting corporate financial reports, and the Internal Auditing Manager;
- the Board of Statutory Auditors with the Supervisory Board pursuant to Legislative Decree 231;
- The Directors in charge of the internal control and risk management system with the Chairman of the Controls and Risks Committee.

<u>8. Appointment of the statutory auditors</u>

The auditors are appointed by the shareholders' meeting on the basis of the voting list system set forth in Article 26 of the Statute. In particular, municipalities, provinces and consortia constituted pursuant to Article 31 of Legislative Decree no. 267/2000 or other entities or public authorities, as well as consortia or joint-stock companies controlled, directly or indirectly, by these may present a single list and (ii) the shareholders not indicated in (i) may submit lists provided that they represent at least 3% (or the lowest percentage indicated by sector Authority) of the shares with voting rights.

During the shareholder's meeting of 28 April 2015, one of the proposals will be to modify article 26 of the Articles of Association by reducing this percentage to 1%.

The composition of the Board of Statutory Auditors, beginning from the first renewal of this board following the effective date of Law 120/2012, and therefore with effect beginning from the shareholders' meeting called to approve the Financial Statement as at 31 December 2013, and with reference to its first three consecutive terms, complies with current regulations relating to gender balance.

The lists must be delivered to the registered office at least 25 days before the date set for the meeting, together with the curriculum vitae of the candidates and a declaration from each individual candidates stating that he or she accepts the office and certifying that there are no causes of ineligibility, incompatibility or revocation as established by law, and the existence of the requirements of integrity and professionalism required by law for members of the Board of Statutory Auditors. The lists must also be accompanied by a statement certifying that there are no agreements or connections of any kind with other shareholders who have presented other lists, and a list of the administrative and control positions held by the candidates in other companies. These lists must be made available to the public at the registered offices and on the website www.gruppohera.it, no less than 21 days prior to the date of the Shareholders' Meeting.

In the event of the replacement of a sitting Statutory Auditor, he or she will be succeeded by the alternate Auditor belonging to the same list as the Auditor to be replaced, respecting the principles of minority representation and gender balance.
For the purposes of the provisions of legislation in force concerning the requirements of professionalism for members of the Board of Statutory Auditors of listed companies, "business matters and sectors strictly pertaining to the activities performed by the Company" means the business matters and sectors associated with or pertaining to the activity performed by the Company and cited in Article 4 of the Articles of Association.
The office of Statutory Auditor is incompatible with the offices of councillor or alderman in regional public authorities, as well as with that of Statutory Auditor in more than three listed companies other than subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code and Article 93 of Legislative Decree no. 58/98. In the latter case, a Statutory Auditor who subsequently exceeds this limit will automatically forfeit the office of Statutory Auditor of the Company.

Composition and functioning of the Board of Statutory Auditors (pursuant to Article 123-bis, paragraph 2, letter d) of the Tuf)

The Board of Statutory Auditors comprises three statutory members and two alternate members. The Board of Statutory Auditors, whose term expired upon approval of the financial statements for the year ended 31 December 2013, was renewed during the course of the Shareholders' Meeting of 23 April 2014 and will remain in office until the approval of the financial statements for the 2016 financial year.
The Board of Statutory Auditors, in conformity with the provisions contained in Article 8 of the Code, has checked the correct application of the criteria and assessment procedures adopted for ascertaining the independence of its members including for the purposes of Article 144-novies of the Issuer's Regulation. .
The table below shows the current composition of the Board of Statutory Auditors, noting that the personal and professional details of each member are available on the website www.gruppohera.it.

Name and surname	Office
Sergio Santi (**)	Chairman
Marianna Girolomini (*)	Standing auditor
Antonio Gaiani (*)	Standing auditor
Valeria Bortolotti (*)	Alternate auditor
Violetta Frasnedi (**)	Alternate auditor

(*) appointed by the Shareholders' meeting of 23 April 2014 on the basis of the list presented by the majority shareholders
(**) appointed by the shareholders' meeting of 23 April 2014 on the basis of the only list presented by the minority shareholders in conformity with the provisions of current legislation.

The Board of Statutory Auditors met 22 times in 2014; 20 of these meetings were attended by all statutory auditors, while 2 were attended by almost all of them. The average duration of the meetings of the Board of Statutory Auditors was approximately one hour and forty-five minutes. .
There is a voting trust and share transfer rules agreement in place between the public shareholders which governs the procedures for drawing up the list for the appointment of two statutory members and one alternate member of the Board of Statutory Auditors.

There is also a consultation agreement in existence, signed on 21 February 2013 by five minority shareholders of Hera S.p.A., concerning the appointment of members of the Board of Statutory Auditors.
In carrying out its activities, the Board of Statutory Auditors coordinates with the Internal Audit Department and the Controls and Risks Committee.

9. 9. Relations with shareholders

To enable shareholders to understand the Company more fully, the Company has established a suitable department dedicated to relations with investors, headed by and entrusted to Jens Klint Hansen (the investor relator can be contacted by telephone on +39 051 287737 or by email at ir@gruppohera.it.

10. 10. Shareholders' meetings (pursuant to Article 123-bis, paragraph 2, letter c) of the Tuf)

Ordinary and extraordinary shareholders' meetings are called in the circumstances and manner provided for by law. They are held at the registered offices or elsewhere in Italy.
The right to take part in shareholders' meetings is enjoyed by shareholders with legitimate entitlement under the rules applicable at any given moment.
Ordinary and extraordinary shareholders' meetings and the related resolutions are valid if the quorum and majority conditions established by law are satisfied.
The resolutions of extraordinary shareholders' meetings concerning the modification of Article 7 ("Public majority shareholding"), Article 8 ("Limits on shareholdings"), Article 14 ("Validity of Shareholders' Meetings and rights of veto") and Article 17 ("Appointment of the Board of Directors") of the Articles of Association will be valid if they are passed on the basis of a vote in favour by attending shareholders representing at least three-quarters (rounded if necessary) of the share capital.
During the shareholder's meeting of 28 April 2015, one of the proposals will be to introduce into the Articles of Association the qualified majority of 3/4 of attending shareholders, rounded if necessary, also in cases of modifying Article 6 (“Shares”).
The shareholders' meeting of 29 April 2003 approved the text of the meeting regulations, which indicate the procedures to be followed in order to permit the orderly and proper functioning of meetings, without prejudicing the right of each shareholder to express his or her opinion on the matters under discussion.
The shareholders' meeting of 27 January 2011 modified the text of the regulations in order to take into account the new provisions introduced by Legislative Decree no. 27 of 27 January 2010 concerning the "Implementation of Directive 2007/36/EC ("Shareholders' rights directive"), as well as to adapt the regulations to certain organizational requirements. The new, updated version is published on the Company's website at www.gruppohera.it.
During the 2014 financial year, one shareholders' meeting was held on 23 April, which was attended by 15 directors.

Table 1: structure of the Board of Directors and Committees

Board of Directors													int.contr.		Remun. committee		appointment		Executive		Ethics committee	
Office	Members	Date of birth	Date of first nomination*	In office since	In office until**	List **	Exec.	Non exec.	Indep. Code	Indep. TUF	Number of other offices held ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
President	Tomaso Tommasi di Vignano	1947	04-nov-02	01-gen-14	Appr. Bil. 2016	M	X				1	11/11							P	4/4		
CEO	Stefano Venier	1963	23-apr-14	23-apr-14	Appr. Bil. 2016	M	X				-	8/8							M	3/3		
vice pres.	Giovanni Basile	1965	23-apr-14	23-apr-14	Appr. Bil. 2016	M		X	X	X	-	7/8	P	5/5	P	2/2			M	2/3		
Director	Mara Bernardini	1957	01-gen-06	01-gen-14	Appr. Bil. 2016	m		X	X	X	1	11/11			M	2/2						
Director	Forte Clò	1951	23-apr-14	23-apr-14	Appr. Bil. 2016	M		X	X	X	-	8/8										
Director	Giorgia Gagliardi	1982	23-apr-14	23-apr-14	Appr. Bil. 2016	M		X	X	X	-	8/8										
Director	Massimo Giusti	1967	23-apr-14	23-apr-14	Appr. Bil. 2016	m		X	X	X	-	8/8	M	5/5			Non presente				P	6/6
Director	Riccardo Illy	1955	23-apr-14	23-apr-14	Appr. Bil. 2016	M		X	X	X	-	8/8							M	3/3		
Director	Luca Mandrioli	1967	29-apr-11	01-gen-14	Appr. Bil. 2016	M		X	X	X	-	10/11	M	3/3	M	2/2						
Director	Danilo Manfredi	1969	23-apr-14	01-gen-14	Appr. Bil. 2016	M		X	X	X	-	7/8	M	4/5								
Director	Cesare Pillon	1953	01-gen-13	01-gen-14	Appr. Bil. 2016	M		X			-	11/11			M	2/2						
Director	Tiziana Primori	1959	23-apr-14	23-apr-14	Appr. Bil. 2016	M		X	X	X	-	7/8										
Director	Bruno Tani	1949	27-apr-06	01-gen-14	Appr. Bil. 2016	m		X	X	X	-	11/11			M	1/1						
Director	Stefano Manara	1968	28-ago-13	01-gen-14	Appr. Bil. 2016	M		X	X	X	-	11/11	M	5/5	M	1/1						
Directors no longer in charge																						
CEO	Maurizio Chiarini	1950	28-apr-05	01-gen-14	23-apr-14	M	X				-	3/3							M	1/1		
vice pres.	Giorgio Razzoli	1968	01-gen-06	01-gen-14	23-apr-14	M		X	X	X	1	3/3	P	3/3	P	1/1			M	1/1	P	2/4
Director	Filippo Brandolini	1964	04-nov-02	01-gen-14	23-apr-14	M		X	X	X	-	3/3										
Director	Luigi Castagna	1949	28-apr-05	01-gen-14	23-apr-14	M		X	X	X	-	3/3										
Director	Pier Giuseppe Dolcini	1941	26-ott-03	01-gen-14	23-apr-14	m		X	X	X	-	3/3										
Director	Roberto Sacchetti	1957	04-nov-02	01-gen-14	23-apr-14	M		X	X	X	-	3/3										
Director	Rossella Saoncella	1954	29-apr-11	01-gen-14	23-apr-14	M		X	X	X	-	3/3	M	3/3			Not present					
Director	Mauro Roda	1952	29-apr-11	01-gen-14	23-apr-14	M		X	X	X	-	3/3										
Director	Fabio Giuliani	1957	29-apr-11	01-gen-14	23-apr-14	M		X	X	X	-	3/3	M	3/3								
Director	Enrico Giovannetti	1952	29-apr-11	01-gen-14	23-apr-14	m		X	X	X	-	3/3										
Director	Marco Cammelli	1944	29-apr-11	01-gen-14	23-apr-14	m		X	X	X	-	3/3			M	1/1						
Director	Giancarlo Tonelli	1960	29-apr-11	01-gen-14	23-apr-14	M		X	X	X	-	1/3										
Director	Giovanni Perissinotto	1953	01-gen-13	01-gen-14	23-apr-14	M		X	X	X	-	3/3							M	1/1		
Indicate the *quorum* required for the presentation of the lists for the last appointment the lists can be presented by shareholders who hold at least 1 % of the voting shares in the ordinary shareholders' meeting.																						
Number of meetings held during the year in question								CDA: 11		CCR: 8		CR: 3			CN: /				CE: 4			CEtico: 10

Notes:

** The date of first appointment of each director refers to the date on which the director was appointed for the first time (ever) to the company's Board of Directors.*

*** This column shows the list from which each director was taken ("M": the majority list; "m" minority list; "CdA": the list submitted by the Board of Directors).*

**** This column indicates the number of offices as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, in financial, banking or insurance companies or in large enterprises. The positions are described in full in the report on corporate governance.*

(*) This column indicates the percentage of attendance by directors at the meetings of the Board of Directors and of the Committees (indicate the number of attended meetings as compared the total number of meetings that he or she could have attended, e.g.. 6/8; 8/8 etc..).

(**) This column indicates the role played by the director on the Board: "P": Chairman, "M": member.

Table 2: structure of the Board of Statutory Auditors

Board of Statutory Auditors									
Office	Members	Date of birth	Date of first appointment *	In office since	In office until	List **	Indip. Code	*** (%)	No. of other offices ****
Chairman	Sergio Santi	1943	16-Oct-03	01-Jan-14	Appr. Bil. 2016	m	X	22/22	-
tanding statutory audit	Marianna Girolomini	1970	23-Apr-14	23-Apr-14	Appr. Bil. 2016	M	X	12/12	-
tanding statutory audit	Antonio Gaiani	1965	23-Apr-14	23-Apr-14	Appr. Bil. 2016	M	X	11/12	-
ternate statutory audit	Violetta Frasnedi	1972	23-Apr-14	23-Apr-14	Appr. Bil. 2016	m	X	-	-
ternate statutory audit	Valeria Bortolotti	1950	23-Apr-14	23-Apr-14	Appr. Bil. 2016	M	X	-	-
- - - - - - Auditors who left office during the financial year in question - - - - - -									
tanding statutory audit	Dall'Olio Elis	1951	29-Apr-11	01-Jan-14	23-Apr-14	M	X	9/10	-
tanding statutory audit	Venturini Antonio	1966	04-Nov-02	01-Jan-14	23-Apr-14	M	X	10/10	-
ternate statutory audit	Massimo Spina	1960	15-Oct-12	01-Jan-14	23-Apr-14	m	X	-	-
ternate statutory audit	Picone Roberto	1961	28-May-98	01-Jan-14	23-Apr-14	M	X	-	-
Indicate the quorum required to present lists for the last appointment:									
Article 26 of the Statute specifies that (i) municipalities, provinces and consortia constituted pursuant to art. 31 of Legislative Decree. no. 267/2000 or Agencies or Public Authorites, as well as consortia or companies controlled directly or indirectly by these are allowed to present a single list and (ii) the shareholders other than those listed in (i) may present lists provided that they represent at least 3% of the shares entitled to vote (percentage reduced to 1% by Consob Resolution no. 18775 of 29/01/2014)									
Number of meetings held during the financial year in question: 22									

Notes:

** The date of first appointment of each statutory auditor refers to the date on which he or she was appointed for the first time (ever) to the company's Board of Statutory Auditors.*

*** This column shows the list from which each auditor was taken ("M": the majority list; "m" minority list).*

(***) This column indicates the degree of participation of the auditor in meetings of the Board of Statutory Auditors.

***** This column indicates the number of offices as director or statutory auditor held by the person concerned pursuant to Article. 148-bis of the TUF and associated implementation regulations contained in the Consob Issuers' Regulation. The full list of offices is published by Consob on its website pursuant to Article 144-quinquiesdecies of the Consob Issuers' Regulation.*

1.12 SHAREHOLDERS' RESOLUTIONS ON THE PARENT COMPANY'S RESULTS FOR THE YEAR

Hera Spa's Shareholders' meeting, having:

- considered the Board of Directors' report on operations;
- considered the Board of Statutory Auditors' report;
- considered the Independent Auditors' report;
- reviewed the accounts for the year ended 31 December 2014, which reported a net profit of € 134,514,195.63;

hereby resolves

- to approve Hera Spa's financial statements for the year ended 31 December 2014 and the Management report prepared by the Board of Directors;
- to allocate the profit for the financial year 1° January 2014 – 31 December 2014, equal to € 134,514,195.63, as follows:
  - € 6,725,709.78 to the legal reserve; and
  - € 0.09 net to the shareholders as dividends for each ordinary share outstanding (therefore excluding treasury shares) on the date of payment for said dividend, allocating to this purpose:
    - € 127,788,485.85 of the profit for the financial year, and
    - part of the extraordinary reserve, for € 6,270,001.20.

The overall payable dividend therefore amounts to € 134,058,487.05, corresponding to € 0.09 for each ordinary share outstanding (therefore excluding treasury shares);

- to pay the dividend beginning 24 June 2015 with ex-coupon n° 13 dated 22 June 2015; this dividend will be paid to shares on 23 June 2015.
- to give a mandate to the Board of Directors, represented by its Chairman, to ascertain in due time, with regard to the definitive number of shares outstanding, the exact amount of profit paid and, therefore, the exact amount of the extraordinary reserve destined to payments.

1.13 SHAREHOLDERS' MEETING CONVOCATION NOTICE

The Shareholders are summoned to attend the Extraordinary and Ordinary Meeting at the headquarters of Hera S.p.a. - Viale C. Berti Pichat no. 2/4, Bologna – at the "Spazio Hera" – to be held April 28, 2015 at 10:00 am in a single call to address and resolve the following:

Agenda

Extraordinary Part
1. Amendment of Articles 6, 21 and 26 of the Articles of Association: related and consequent resolutions.
2. Amendment of Articles 7, 14, 16 and 17 of the Articles of Association, including through the introduction of a transitional provision concerning changes to Articles 16 and17: related and consequent resolutions.
Ordinary Part
1. Financial statements as at 31 December 2014, the Management Report, proposal for allocating revenues, Statutory Auditors' Report and Independent Auditor's report: related and consequent resolutions. Presentation of the consolidated financial statement as at 31 December 2014.
2. Presentation of the Report on Corporate Governance and resolutions on the remuneration policy.
3. Renewal of the authorization to purchase treasury shares and their disposal: related and consequent resolutions.

The full text of the proposed resolutions, along with the informational reports and documents to be presented to the shareholders' meeting, will be available to the public at the company's registered headquarters and on its website (www.gruppohera.it), as well as the official archival site 1Info (www.1Info.it) by the legal deadline established for each of the subjects under discussion.

Right to attend and participate by proxy
All those who hold the right to vote as of the end of the business day on 17 April 2015 (record date) and for which the Company has received notification by an authorized intermediary by the end of the third business day prior to the date scheduled for the meeting, that is 23 April 2015, are entitled to attend the meeting. However, the right to attend and vote still applies if the communication is received after this period, provided that it is received by the beginning of the meeting. Those who only hold shares after 17 April 2015 will not have the right to attend and vote at the meeting.
In compliance with the law, every individual entitled to participate may be represented at the Meeting with the right to use, for this purpose, the proxy form available on the Company's website, which also outlines the methods interested parties may use to notify the company about such proxies, including electronic methods.
The Company has appointed Computershare Spa as the representative to which voting right holders may, by 24 April 2015,confer their a proxies together with voting instructions for all or some of the proposals on the agenda. The proxy must be conferred to said representative in the manner and using the specific proxy form available on the Company's website, www.gruppohera.it.
The proxy to the designated representative will have no effect with regard to proposals for which no voting instructions have been provided.

Other shareholders' rights
Shareholders may ask questions regarding the agenda items, including before the meeting, as long as they do so by 25 April 2015, in the manner indicated on the company's website, www.gruppohera.it.
Shareholders who, including jointly, represent one fortieth of the share capital may request additions to the agenda within 10 days from the publication of this notice, specifying in the request the additional items proposed, or submit proposed resolutions on matters already on the agenda. Requests must be made in writing in the manner indicated on the Company's website, www.gruppohera.it.

Bologna, 26 March 2015

Chairman of the Board of Directors
(Tomaso Tommasi di Vignano)

CHAPTER 2

CONSOLIDATED FINANCIAL STATEMENTS OF THE HERA GROUP

2.01 FINANCIAL STATEMENTS

2.01.01 Income Statement

thousands of euros	notes	2014	2013 as adjusted*
Revenue	3	4.189.099	4.456.932
Other operating revenues	4	324.473	270.607
Use of raw materials and consumables	5	(1.965.461)	(2.367.770)
Service costs	6	(1.143.609)	(1.029.318)
Personnel costs	7	(496.918)	(478.609)
Amortisation, depreciation,provisions	8	(426.565)	(410.519)
Other operating costs	9	(57.057)	(59.903)
Capitalised costs	10	17.282	18.240
Operating profit		**441.244**	**399.660**
Portion of profits (loss) pertaining to joint ventures and associated cor	11	7.739	11.501
Financial income	12	144.889	109.376
Financial expense	12	(298.810)	(265.938)
Total financial operations		**(146.182)**	**(145.061)**
Other non-recurring non-operating income	13		45.225
Pre-tax profit		**295.062**	**299.824**
Taxes for the period	14	(112.655)	(118.116)
Net profit for the year		**182.407**	**181.708**
Attributable to:			
Shareholders of the Parent Company		164.772	164.934
Non-controlling interests		17.635	16.774
Earnings per share	15		
basic		**0,114**	**0,122**
diluted		**0,114**	**0,116**

2.01.02 Comprehensive Income Statement

thousands of euros	31-dic-2014	31December 2013 as adjusted *
Net profit / (loss) for the period	**182.407**	**181.708**
Items reclassifiable to the income statement		
Change in the fair value of derivatives for the period	3.804	5.342
Tax effect related to the other reclassifiable items of the comprehensive income statement	(1.056)	(1.680)
other components of comprehensive income, enterprises valuated with the equity method	18	434
Items not reclassifiable to the income statement		
Actuarial gains/(losses) post-employment benefits	(16.066)	(7.024)
Tax effect related to the other not reclassifiable items of the comprehensive income statement	4.248	1.721
other components of comprehensive income, enterprises valuated with the equity method	(2)	(8)
Total comprehensive income/(loss) for the period	**173.353**	**180.493**
Attributable to:		
Shareholders of the Parent Company	156.060	162.988
Non-controlling interests	17.293	17.505

2.01.03 Statement of Financial Position

			as adjusted*	as adjusted*
ASSETS				
Non-current assets				
Property,plant and equipment	16	2.063.698	2.104.981	1.922.905
Intangible assets	17	2.797.047	2.529.962	1.855.966
Property investments	18	3.737	2.999	0
Goodwill	19	378.564	378.564	378.391
Non-controlling interests	20	152.808	170.271	148.367
Financial assets	21	83.609	52.640	17.557
Deferred tax assets	22	68.098	79.271	41.870
Financial instruments - derivatives	23	103.096	37.560	88.568
Total non-current assets		**5.650.657**	**5.356.248**	**4.453.624**
Current assets				
Inventories	24	103.588	77.512	71.686
Trade receivables	25	1.463.635	1.357.196	1.307.002
Contract work in progress	26	16.268	22.830	20.635
Financial assets	21	45.150	84.851	49.711
Financial instruments - derivatives	23	24.136	11.385	34.199
Current tax assets	27	32.200	29.143	30.740
Other current assets	28	261.998	231.165	204.831
Cash and cash equivalents	21	834.495	926.933	424.121
Total current assets		**2.781.470**	**2.741.015**	**2.142.925**
Non-current assets held for sale	29	**601**	**3.300**	**14.154**
TOTAL ASSETS		**8.432.728**	**8.100.563**	**6.610.703**

thousands of euros		31-dic-2014	31-dic-2013 as adjusted*	01-gen-2013 as adjusted*
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves	30			
Share capital		1.469.938	1.410.357	1.101.201
Reserves		676.236	585.115	517.355
Profit (loss) for the year		164.772	164.934	118.686
Group equity		**2.310.946**	**2.160.406**	**1.737.242**
Non-controlling interests		148.055	145.317	141.380
Total equity		**2.459.001**	**2.305.723**	**1.878.622**
Non-current liabilities				
Borrowings – maturing beyond 12 months	31	3.095.301	3.267.422	2.428.987
Post-employment benefits	32	162.971	144.924	112.952
Provisions for risks and charges	33	336.500	314.871	251.800
Deferrred tax liabilities	22	15.084	4.743	5.948
Finance lease payments - maturing beyond 12 months	34	25.351	15.527	13.356
Financial instruments - derivatives	23	38.415	30.321	32.114
Total non-current liabilities		**3.673.622**	**3.777.808**	**2.845.157**
Current liabilities				
Banks and other borrowings – maturing within 12 months	31	547.333	361.874	313.088
Finance lease payments - maturing within 12 months	34	3.451	1.972	3.767
Trade payables	35	1.193.626	1.167.920	1.164.553
Current tax liabilities	27	30.203	5.946	17.574
Other current liabilities	36	493.563	463.999	349.713
Financial instruments - derivatives	23	31.929	15.321	38.229
Total current liabilities		**2.300.105**	**2.017.032**	**1.886.924**
TOTAL LIABILITIES		**5.973.727**	**5.794.840**	**4.732.081**
TOTAL EQUITY AND LIABILITIES		**8.432.728**	**8.100.563**	**6.610.703**

2.01.04 Cash Flow

thousands of euros	*notes*	*31-dic-2014*	*31December 2013 as adjusted **
Pre-tax profit		**295.062**	**299.824**
Adjustments to reconcile net profit to the cashflow from operating activities:			
Amortisation and impairment of property, plant and equipment		170.749	163.072
Amortisation and impairment of intangible assets		168.401	149.584
Effect of valuation using the equity method		(7.739)	(11.501)
Allocations to provisions		98.678	99.303
Financial expense / (Income)		153.921	156.562
Bargain purchases		0	(45.225)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)		(12.058)	(9.217)
Change in provisions for risks and charges		(20.466)	(43.928)
Change in provisions for employee benefits		(7.974)	(6.585)
Total cash flow before changes in net working capital		**838.574**	**751.889**
(Increase) / Decrease in inventories		(4.451)	2.543
(Increase) / Decrease in trade receivables		(120.067)	64.897
Increase / (Decrease) in trade payables		(11.221)	(138.193)
(Increase) / Decrease in other current assets/ liabilities		7.182	13.180
Change in working capitals		**(128.557)**	**(57.573)**
Dividends collected		11.113	7.583
Interests income and other financial income collected		53.900	43.291
Interests expense and other financial charges paid		(178.374)	(130.585)
Taxes paid		(89.328)	(131.889)
Cash flow from (for) operating activities (a)		**507.328**	**482.716**
Investments in property, plant and development		(110.636)	(119.305)
Investments in intangible fixed assets		(218.832)	(187.743)
Investments in companies and business units net of cash and cash equivalents	37	(12.948)	(237)
Sale price of property,plant and equipment and intangible assets (including lease-back transactions)		8.438	4.020
Divestments of investments	37	4.375	3.987
(Increase) / Decrease in other investment activities		12.160	(24.534)
Cash flow from (for) investing activities (b)		**(317.443)**	**(323.812)**
New issues of long-term bonds		25.346	546.683
Repayments and other net changes in borrowings		(138.989)	(164.663)
Lease finance payments		(6.723)	(4.692)
Investments in consolidated companies	37	(5.213)	(5.500)
Increase in share capital		0	98.178
Dividends paid out to Hera shareholders and non-controlling interests		(137.393)	(131.341)
Change in treasury shares		(19.352)	5.593
Other minor changes		0	(349)
Cash flow from (for) financing activities (c)		**(282.324)**	**343.909**
Effect of change in exchange rates on cash and cash equivalents (d)		**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)		**(92.439)**	**502.813**
Cash and cash equivalents at the beginning of the year		926.934	424.121
Cash and cash equivalents at the end of the year		834.495	926.934

2.01.05 Statement of Changes in Equity

thousands of euros	Share capital	Reserves	Reserves for derivative instruments recognised at fair value	Reserve for actuarial gains/(losses) in post-employment benefits	Profit for the year	Equity	Non-controlling interests	Total
Balance at 1 January 2013	**1.101.201**	**537.990**	**(5.993)**	**28**	**118.658**	**1.751.884**	**142.978**	**1.894.862**
Retrospective application of IAS 19 *revised*				(14.670)	28		(1.598)	
Retrospective application of IFRS 11		(385)	385					
Balance at 1 January 2013 (*as adjsuted*)	**1.101.201**	**537.605**	**(5.608)**	**(14.642)**	**118.686**	**1.737.242**	**141.380**	**1.878.622**
Profit for the period (as adjusted)					164.934	**164.934**	16.774	**181.708**
Other components of comprehensive income at 31 December 2013:								
fair value of derivatives, change in the year			2.545			**2.545**	1.117	**3.662**
Actuarial gains/(losses) post-employment benefits				(4.861)		**(4.861)**	(442)	**(5.303)**
other components of comprehensive income, enterprises valuated with the equity method		370				**370**	56	**426**
Total comprehensive income for the period		**370**	**2.545**	**(4.861)**	**164.934**	**162.988**	**17.505**	**180.493**
change in treasury shares	3.264	1.786				**5.050**		**5.050**
Purchase of Gruppo AcegasAps	227.680	51.725				**279.405**	(15)	**279.390**
Rights issue	78.212	19.966				**98.178**		**98.178**
change in equity interest		(2.610)				**(2.610)**	(2.890)	**(5.500)**
change in scope of consolidation						**0**	640	**640**
other movements		(35)				**(35)**	(5)	**(40)**
Allocation of 2012 profit:								
- dividends paid out		(10.430)			(109.382)	**(119.812)**	(11.298)	**(131.110)**
- allocation to other reserves		6.817			(6.817)	**0**		**0**
- undistributed profits to retained earnings		2.487			(2.487)	**0**		**0**
Balance at 31 December 2013 (*as adjsuted*)	**1.410.357**	**607.681**	**(3.063)**	**(19.503)**	**164.934**	**2.160.406**	**145.317**	**2.305.723**
Balance at 31 December 2013 (*as adjsuted*)	**1.410.357**	**607.681**	**(3.063)**	**(19.503)**	**164.934**	**2.160.406**	**145.317**	**2.305.723**
Profit for the period					164.772	**164.772**	17.635	**182.407**
Other components of comprehensive income at 30 December 2014:								
Change in the fair value of derivatives for the period			1.978			**1.978**	770	**2.748**
Actuarial gains/(losses) post-employment benefits				(10.706)		**(10.706)**	(1.112)	**(11.818)**
other components of comprehensive income, enterprises valuated with the equity method		16				**16**		**16**
Total comprehensive income for the period		**16**	**1.978**	**(10.706)**	**164.772**	**156.060**	**17.293**	**173.353**
change in treasury shares	(8.615)	(10.333)				**(18.948)**	(402)	**(19.350)**
Purchase of Gruppo Amga	68.196	73.788				**141.984**	4	**141.988**
change in equity interest		(1.662)		(50)		**(1.712)**	(3.501)	**(5.213)**
change in scope of consolidation						**0**	(41)	**(41)**
other movements		(156)		56		**(100)**	(71)	**(171)**
Allocation of 2013 profit:								
- dividends paid out					(126.744)	**(126.744)**	(10.544)	**(137.288)**
- allocation to other reserves		16.903			(16.903)	**0**		**0**
- undistributed profits to retained earnings		21.287			(21.287)	**0**		**0**
Balance at 31 December 2014	**1.469.938**	**707.524**	**(1.085)**	**(30.203)**	**164.772**	**2.310.946**	**148.055**	**2.459.001**

2.02 FINANCIAL STATEMENTS -- CONSOB RESOLUTION 15519/2006

2.02.01 Income Statement

thousands of euros	Notes	2014	of which related parties A	B	C	D	Total	%	2013 as adjusted*	of which related parties A	B	C	D	Total	%
Income Statement															
Revenue	3	4.189.099		84.561	339.818	29.755	454.134	*10,8*	4.456.932		78.263	324.712	10.288	413.263	*9,3*
Other operating revenues	4	324.473		2.732	570	(334)	2.968	*0,9*	270.607		2.919	880	178	3.977	*1,5*
Use of raw materials and consumables	5	(1.965.461)		(13.764)	(47)	(40.187)	(53.998)	*2,7*	(2.367.770)		(35.748)	(462)	(39.135)	(75.345)	*3,2*
Service costs	6	(1.143.609)	(5)	(13.919)	(25.944)	(40.947)	(80.815)	*7,1*	(1.029.318)		(16.755)	(24.910)	(35.761)	(77.426)	*7,5*
Personnel costs	7	(496.918)				(619)	(619)	*0,1*	(478.609)				(1.003)	(1.003)	*0,2*
Amortisation, depreciation,provisions	8	(426.565)							(410.519)						
Other operating costs	9	(57.057)		(11)	(5.266)	(630)	(5.907)	*10,4*	(59.903)		91	(4.358)	(407)	(4.674)	*7,8*
Capitalised costs	10	17.282							18.240						
Operating profit		**441.244**	**(5)**	**59.599**	**309.131**	**(52.962)**	**315.763**		**399.660**	**0**	**28.770**	**295.862**	**(65.840)**	**258.792**	
Portion of profits (loss) pertaining to joint ventures and associated companies	11	7.739		7.739			7.739	*100,0*	11.501		11.501			11.501	*100,0*
Financial income	12	144.889		2.521		2.013	4.534	*3,1*	109.376		5.923		107	6.030	*5,5*
Financial expense	12	(298.810)		(5.753)	(381)	(2.110)	(8.244)	*2,8*	(265.938)		(143)	(436)	(11.123)	(11.702)	*4,4*
Total financial operations		**(146.182)**	**0**	**4.507**	**(381)**	**(97)**	**4.029**		**(145.061)**	**0**	**17.281**	**(436)**	**(11.016)**	**5.829**	
Other non-recurring non-operating income	13	**0**							**45.225**						
Pre-tax profit		**295.062**	**(5)**	**64.106**	**308.750**	**(53.059)**	**319.792**		**299.824**	**0**	**46.051**	**295.426**	**(76.856)**	**264.621**	
Taxes for the period	14	(112.655)							(118.116)						
Net profit for the period		**182.407**	**(5)**	**64.106**	**308.750**	**(53.059)**	**319.792**		**181.708**	**0**	**46.051**	**295.426**	**(76.856)**	**264.621**	
Attributable to:															
Shareholders of the Parent Company		164.772							164.934						
Non-controlling interests		17.635							16.774						
Earnings per share	15														
basic		0,114							0,122						
diluted		0,114							0,116						

key of headings of related parties columns

A Non-consolidated subsidiaries

B Jointly controlled associated companies

C Related companies with significant influence (Municipality shareholders)

D Other related parties, statutory auditors, strategic executives and the Board of Directors

2.02.02 Statement of Financial Position

thousands of euros	Notes	31-Dec-2014	A	B	C	D	Total	%	31December 2013 as adjusted *	A	B	C	D	Total	%
			of which related parties							*of which related parties*					
ASSETS															
Non-current assets															
Property,plant and equipment	16	2.063.698							2.104.981						
Intangible assets	17	2.797.047							2.529.962						
Property investments	18	3.737							2.999						
Goodwill	19	378.564							378.564						
Non-controlling interests	20	152.808	283	129.377		19.096	148.756	97,3	170.271	173	137.631		21.916	159.720	93,8
Financial assets	21	83.609		50.350	19.304		69.654	83,3	52.640		27.209	22.507		49.716	94,4
Deferred tax assets	22	68.098							149.028						
Financial instruments - derivatives	23	103.096							37.560						
		5.650.657	**283**	**179.727**	**19.304**	**19.096**	**218.410**		**5.426.005**	**173**	**164.840**	**22.507**	**21.916**	**209.436**	
Current assets															
Inventories	24	103.588							77.512						
Trade receivables	25	1.463.635	28	19.344	40.853	16.451	76.676	5,2	1.357.196	28	20.202	59.989	16.303	96.522	7,1
Contract work in progress	26	16.268							22.830						
Financial assets	21	45.150		20.295	753		21.048	46,6	84.851		60.493	535		61.028	71,9
Financial instruments - derivatives	23	24.136							11.385						
Current tax assets	27	32.200							29.143						
Other current assets	28	261.998		1.292	312	18.394	19.998	7,6	231.165		1.926	428	18.212	20.566	8,9
Cash and cash equivalents	21	834.495							926.933						
		2.781.470	**28**	**40.931**	**41.918**	**34.845**	**117.722**		**2.741.015**	**28**	**82.621**	**60.952**	**34.515**	**178.116**	
Non-current assets held for sale	29	**601**							**3.300**						
TOTAL ASSETS		**8.432.728**	**311**	**220.658**	**61.222**	**53.941**	**336.132**		**8.170.320**	**201**	**247.461**	**83.459**	**56.431**	**387.552**	

thousands of euros	Notes	31-dic-2014	A	B	C	D	Total	%	31-dic-2013 rettificato	A	B	C	D	Total	%
			of which related parties							*of which related parties*					
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and reserves	30														
Share capital		1.469.938							1.410.357						
Reserves		676.236							585.115						
Profit (loss) for the year		164.772							164.934						
Group equity		**2.310.946**							**2.160.406**						
Non-controlling interests		148.055							145.317						
Total equity		**2.459.001**							**2.305.723**						
Non-current liabilities															
Borrowings – maturing beyond 12 months	31	3.095.301			6.454		6.454	0,2	3.267.422			7.399		7.399	0,2
Post-employment benefits	32	162.971							144.924						
Provisions for risks and charges	33	336.500							314.871						
Deferrred tax liabilities	22	15.084							74.500						
Finance lease payments - maturing beyond 12 months	34	25.351							15.527						
Financial instruments - derivatives	23	38.415							30.321						
		3.673.622	**0**	**0**	**6.454**	**0**	**6.454**		**3.847.565**	**0**	**0**	**7.399**	**0**	**7.399**	
Current liabilities															
Banks and other borrowings – maturing within 12 months	31	547.333		845	32.384		33.229	6,1	361.874		840	1.146		1.986	0,5
Finance lease payments - maturing within 12 months	34	3.451							1.972						
Trade payables	35	1.193.626	(3)	12.521	21.480	26.098	60.096	5,0	1.167.920	(3)	15.742	19.760	33.348	68.847	5,9
Current tax liabilities	27	30.203							5.946						
Other current liabilities	36	493.563		3.543	8.618	2.872	15.033	3,0	463.999		1.436	6.777	3.242	11.455	2,5
Financial instruments - derivatives	23	31.929							15.321						
		2.300.105	**(3)**	**16.909**	**62.482**	**28.970**	**108.358**		**2.017.032**	**(3)**	**18.018**	**27.683**	**36.590**	**82.288**	
Total liabilities		**5.973.727**	**(3)**	**16.909**	**68.936**	**28.970**	**114.812**		**5.864.597**	**(3)**	**18.018**	**35.082**	**36.590**	**89.687**	
TOTAL EQUITY AND LIABILITIES		**8.432.728**	**(3)**	**16.909**	**68.936**	**28.970**	**114.812**		**8.170.320**	**(3)**	**18.018**	**35.082**	**36.590**	**89.687**	

key of headings of related parties columns

A Non-consolidated subsidiaries

B Jointly controlled associated companies

C Related companies with significant influence (Municipality shareholders)

D Other related parties, statutory auditors, strategic executives and the Board of Directors

2.02.03 Cash Flow Statement

thousands of euros	31-dic-2014	of which related parties
Pre-tax profit	**295.062**	
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	170.749	
Amortisation and impairment of intangible assets	168.401	
Effect of valuation using the equity method	(7.739)	
Allocations to provisions	98.678	
Financial expense / (Income)	153.921	
Bargain purchases	-	
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(12.058)	
Change in provisions for risks and charges	(20.466)	
Change in provisions for employee benefits	(7.974)	
Total cash flow before changes in net working capital	**838.574**	
(Increase) / Decrease in inventories	(4.451)	
(Increase) / Decrease in trade receivables	(120.067)	(30.518)
Increase / (Decrease) in trade payables	(11.221)	(11.533)
(Increase) / Decrease in other current assets/ liabilities	7.182	3.626
Change in working capitals	**(128.557)**	
Dividends collected	11.113	9.320
Interests income and other financial income collected	53.900	128
Interests expense and other financial charges paid	(178.374)	(196)
Taxes paid	(89.328)	
Cash flow from (for) operating activities (a)	**507.328**	
Investments in property, plant and development	(110.636)	
Investments in intangible fixed assets	(218.832)	
Investments in companies and business units net of cash and cash equivalents	(12.948)	(3.902)
Sale price of property,plant and equipment and intangible assets (including lease-back transactions)	8.438	
Divestments of investments	4.375	2.073
(Increase) / Decrease in other investment activities	12.160	21.749
Cash flow from (for) investing activities (b)	**(317.443)**	
New issues of long-term bonds	25.346	
Repayments and other net changes in borrowings	(138.989)	(5.254)
Lease finance payments	(6.723)	
Investments in consolidated companies	(5.213)	
Dividends paid out to Hera shareholders and non-controlling interests	(137.393)	(65.010)
Change in treasury shares	(19.352)	
Other minor changes	-	
Cash flow from (for) financing activities (c)	**(282.324)**	
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(92.439)**	
Cash and cash equivalents at the beginning of the year	926.934	
Cash and cash equivalents at the end of the year	834.495	

key of headings of related parties columns
A Non-consolidated subsidiaries B Jointly controlled associated companies C Related companies with significant influence (Municipality shareholders)
D Other related parties, statutory auditors, strategic executives and the Board of Directors

2.02.04 correlate Related parties list

Values shown in the table as at 31 December 2014, refer to the related parties hereunder:

Group A. Related parties – non-consolidated subsidiaries and joint ventures:

AdriaLink S.r.l.
Calorpiù Italia Scarl in liquidazione
Black Sea Comp.Compr.GAS Ltd

Group B. Related parties – associated companies and joint ventures:

Adriatica Acque Srl
Aimag Spa
Centro Idrico di Novoledo Srl
Elettrogorizia Spa
Enomondo Srl
Energo doo
Estenergy Spa
Estense Global Service Scarl
FlameEnergy Trading GMBH in liquidazione
Ghirlandina Solare Srl
H.E.P.T. Co.Ltd
Natura Srl in liquidazione
Oikothen Scarl
Q.Thermo Srl
Sei Spa
Service Imola Srl
SET Spa
SGR Servizi Spa
So.Sel Spa
Tamarete Energia Srl

Group C. Related parties with significant influence:

Comune di Bologna
Comune di Casalecchio di Reno
Comune di Cesena
Comune di Ferrara
Comune di Forlì
Comune di Imola
Comune di Modena
Comune di Padova
Comune di Ravenna
Comune di Rimini
Comune di Trieste
Holding Ferrara Servizi Srl
HSST - Modena Spa
Livia Tellus Governance Spa
Ravenna Holding Spa
Rimini Holding Spa

Group D. Other related parties:

Con.Ami
Romagna Acque Spa
Unica reti-Asset
Azimut Spa-Asset
Acosea Impianti Srl
Acquedotto del Dragone Impianti Spa
Amir Spa-Asset
Aspes Spa
Calenia Energia Spa
Energia italiana Spa
Fiorano Gestioni Patrimoniali Srl
Formigine Patrimonio Srl
Galsi Spa
Maranello Patrimonio Srl
Megas Net Spa
Sassuolo Gestioni Patrimoniali Srl
Serramazzoni Patrimonio Srl
Sis Società Intercomunale di Servizi Spa in liquidazione
Società Italiana Servizi Spa-Asset
TE.AM. Società Territorio Ambiente Spa in liquidazione
Sindaci, amministratori, dirigenti strategici

key of headings of related parties columns

A Non-consolidated subsidiaries

B Jointly controlled associated companies

C Related companies with significant influence (Municipality shareholders)

D Other related parties, statutory auditors, strategic executives and the Board of Directors

2.03 EXPLANATORY NOTES

2.03.01 Consolidated explanatory notes

Hera S.p.A. (the Company) is a joint-stock company established in Italy and registered in the Bologna Companies' Register. The addresses of the registered offices and the locations where the main activities of the Group are carried out are indicated in the introduction to the consolidated financial statement dossier. The main activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

The 2014 consolidated financial statements, comprised of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and explanatory notes, have been prepared in compliance with Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of International Accounting Financial Reporting Standards (hereinafter IFRSs), issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission, supplemented by the relevant interpretations (Standing Interpretations Committee - SIC and International Financial Reporting Interpretations Committee - IFRIC) issued by the International Accounting Standards Board (IASB), as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

Sufficient obligatory information to present a true and fair view of the Group's financial conditions, operating results and cash flows for the year has been provided.

Information on the Group's operations and on significant events after year end is provided in the Directors' report.

The figures in these financial statements are comparable with the same balances of the previous financial year, unless indicated otherwise in the notes commenting on the individual items. To this end, it is noted that the Statement of financial position at 31 December 2013 and at 1 January 2013, the Income statement and the Statement of comprehensive income for 2012 were adjusted as illustrated in the paragraph "Adjustment summary" of these Notes.

Financial statement formats

The formats used are the same as those used for the consolidated financial statements as of and for the year ended 31 December 2013. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents company results.

The Statement of comprehensive income is presented in a separate document from the income statement, as permitted by IAS 1revised, distinguishing that may be reclassified subsequently to profit and loss and those that will never be reclassified to profit and loss. The other components of comprehensive income are shown separately also in the Statement of changes in equity.
The Statement of financial position makes the distinction between current and non-current assets and liabilities. The Cash flow statement has been prepared using the indirect method, as allowed by IAS 7.

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

Moreover, with reference to Consob resolution no. 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 general principle adopted in preparing these consolidated financial statements is the cost principle, except for the financial assets and liabilities (including the derivative instruments), which were measured at fair value.

In drawing up the consolidated financial statements, management was required to use estimates; the major areas characterised by valuations and assumptions of particular significance together with those having notable effects on the situations presented are provided in the paragraph "Significant estimates and valuations".

The consolidated statement of financial position and income statement schedules and the information included in the explanatory notes are expressed in thousands of Euro, unless otherwise indicated.

These consolidated financial statements, drawn up according to IAS/IFRSs, have been audited by PricewaterhouseCoopers S.p.A..

These consolidated financial statements as at 31 December 2014 were drawn up by the Board of Directors and approved by the same at the meeting held on 24 March 2015.

Scope of consolidation

The consolidated financial statements as at 31 December 2014 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. Small-scale subsidiaries and those in which the exercise of voting rights is subject to substantial and long-term restrictions are excluded from line-by-line consolidation and valued at cost.

Equity investments in joint ventures (as defined by Ifrs 11), in which the Hera Group exercises joint control with other companies, are consolidated with the equity method. The equity method is also used to evaluate equity investments in companies over which a significant influence is exercised. Small-scale subsidiaries are carried at cost. Subsidiaries and associated companies that are not consolidated, or are accounted for with the equity method, are reported in Note 20.

Companies held exclusively for future sale are excluded from consolidation and valued at their fair value or, if fair value cannot be determined, at cost. These investments are recorded as separate items.

Changes in the scope of consolidation

The table below shows the changes in the scope of consolidation that occurred in the 2014 financial year, with respect to the 2013 consolidated statements.

Subsidiaries

Consolidated companies	Companies no longer consolidated	Notes
Amga Calore & Impianti Srl		Acquisition of control (1)
Amga Energia & Servizi Srl		Acquisition of control (1)
Black Sea Gas Company Ltd		Acquisition of control (1)
Black Sea Technology Company		Acquisition of control (1)
Esil Scarl		Acquisition of control (2)
Fucino Gas Srl		Acquisition of control
Herambiente Recuperi Srl		New co
	Herasocrem Srl	Sold

(1): companies acquired in the business combination with the Amga Group

(2): company consolidated with the equity method until 22 December 2014,at which date control was obtained

Jointly controlled entities

Consolidated companies	Companies no longer consolidated	Notes
Elettrogorizia Spa		Acquisition of joint control
	Esil Scarl	Acquisition of control
	Isontina Reti Gas Spa	Acquisition of control

Associated companies

Consolidated companies	Companies no longer consolidated	Notes
	Elettrogorizia Spa	Acquisition of joint control
	FlameEnergy Trading Gmbh	Discontinued

The main changes in the scope of consolidation were due entirely to the business combination with the Amga Group, which is discussed extensively in the Report on operations and in the following notes.

On 24 January 2014 AcegasApsAmga Spa acquired the remaining 50% held by Eni Spa in Isontina Reti Gas Spa, becoming the sole shareholder and thus gaining control. Later, effective as of 1 July, the company was merged. The cash outlay for the acquisition was 9,367 thousand Euro and did not lead goodwill to be assigned.

On 6 February 2014 Hera Comm Srl acquired all the shares of the sales company Fucino Gas Srl. The cash outlay for the acquisition was 204 thousand Euro and the merger led to a client list to be registered for 965 thousand euro.

On 18 March 2014 Hera Spa sold its controlling interest, equal to 51% of the share capital, of Herasocrem Srl, to the minority shareholder Socrembologna Srl, thereby leaving the shareholder structure.

On 17 September 2014 Herambiente Spa created the single-member company Herambiente Recuperi Srl, with an initial capital injection of 10 thousand euro.

Effective at 1 January 2014, the dissolution of the company FlameEnergy Trading Gmbh was resolved, thus beginning the phase of liquidation, that concluded on 4 October with payment to the shareholders of the residual assets.

On 23 October 2014 AcegasApsAmga Spa acquired a further 17% of the share capital of Elettrogorizia Spa, thus holding 50% of the shares and acquiring joint control of the company. The cash outlay involved in the operation, equal to 1,079 thousand euro, did not lead goodwill to be assigned.

On 22 December 2014, the company Hera Luce Srl acquired from CoVeCo (Consorzio Veneto Cooperativo) a branch of the company charged with managing, maintaining and technologically requalifying public illumination and traffic lights. This branch also included 50% of investments in the company Esil Scarl, of which the Group now has total control.

In reference to the other operations of control acquisition previously mentioned, see below, paragraph “Other Business Combination operations” for an analysis of their effects on the abbreviated consolidated half-year financial statements.

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

Changes in equity investments

On 27 Jun 2014 Hera Spa acquired the minority shares of Hera Luce Srl held by the remaining shareholders, passing from 89.58% to 100% and becoming the sole shareholder. The operation involved an overall cash outlay of 1,860 thousand euro.

On 18 July 2014 the minority shareholders of Sinergia Spa proportionately sold their shares to the remaining shareholders, leaving the company. As a consequence of this operation, Hera Comm Srl's interest in the company passed from 59% to 62.77%.

On 10 September 2014 the company Herambiente Spa acquired the shares held in the company Sotris Spa by its minority shareholders, thus becoming the sole shareholder. Effective at 31 December 2014, and with accounting and fiscal effects backdated to 1 January, the company was merged.

Following the purchase of shares from the municipality of Mombaroccio, on 18 December 2014, and from the municipality of Urbino, on 23 December, Hera Spa's interest in Marche Multiservizi Spa passed from 44.62% to 46.39%.

In all of the preceding operations, the difference between the adjustment of these minority stakes and their fair value was recognised directly in equity and attributed to the parent company's shareholders.

Reorganization within the scope of consolidation

With effective date 1 July 2014 Hera Energie Rinnovabili Srl sold to third parties a branch of the company involved in a "mini-hydro" plant based on flowing water and with hydraulic energy source located in the Municipality of Verghereto, represented by the overall goods and relative contractual relations.

On 13 October 2014 Herambiente Recuperi Srl acquired from Ecoenergy Srl a branch of the company involved in waste treatment and disposal and road transport, on behalf of third parties and on its own behalf in waste. The cash outlay for the purchase was 6,865 thousand euro and the merger led a client list to be registered for 10,173 thousand euro.

Other corporate operations

Effective at 1 April 2014, the companies SIL Srl and CST Srl, already 100% held and fully consolidated, were merged into AcegasApsAmga Spa.

Effective at 1 July 2014, the companies Est Reti Elettriche Spa and Isontina Reti Gas Spa, fully controlled, were merged into AcegasApsAmga Spa.

With an act of 1 December 2014, Iniziative Ambientali Srl was merged into the controlling company AcegasApsAmga Spa.

Summary of the effects of the business combinations with the Amga Group

On 1 July 2014, at the end of a series of negotiations between Hera Spa and the Municipality of Udine, Amga – Azienda Multiservizi merged with and into Hera Spa, with a consequent overall capital increase of 141,984 thousand euro. Following the merger, Hera Spa transferred to Hera Comm Srl its interest in the sales companies Amga Energia & Servizi Srl and Amga Calore & Impianti Srl (previously held by Amga Spa), and to AcegasAps Spa (that changed its company name to AcegasApsAmga Spa) the assets previously managed by Amga Spa for the public utility services and the interest held in Black Sea Technology Company Group, Black Sea Company for Gas Compressed Ltd and other minor companies.

This business combination was accounted for in accordance with IFRS 3 revised and effective at 1 July 2014, the date of acquisition of controll of the Amga Group by the Hera Group. Following the integration in application of the aforementioned IFRS 3 revised, the management conducted, with the help of independent experts, analyses of the fair value of assets and liabilities and contingent liabilities, on the basis of information concerning facts and events available at the date of acquisition. The evaluation period ended on 30 September 2014.

The table below shows the assets and liabilities acquired recognized at their fair value.

	Book value	Adjustments to *fair value*	*Fair value* acquired
Property,plant and equipment	14,880		14,880
Intangible assets	100,104	73,394	173,498
Property investments	877		877
Non-controlling interests	5,348		5,348
Non-current financial assets	13,764		13,764
Deferred tax assets	6,810	235	7,045
Inventories	4,931		4,931
Trade receivables	45,370		45,370
Contract w ork in progress	330		330
Current financial assets	1,000		1,000
Current tax assets	2,247		2,247
Other current assets	11,814		11,814
Cash and cash equivalents	3,681		3,681
Borrow ings – maturing beyond 12 months	(4,898)		(4,898)
Post-employment benefits	(4,255)		(4,255)
Provisions for risks and charges	(3,258)	(1,500)	(4,758)
Deferrred tax liabilities	(7,515)	(25,025)	(32,540)
Banks and other borrow ings – maturing w ithin 12 months	(47,554)		(47,554)
Trade payables	(27,186)		(27,186)
Current tax liabilities	(1,686)		(1,686)
Other current liabilities	(13,390)		(13,390)
Total net assets acquired			**148,518**
Fair value ordinary shares issued			141,984
Fair value shares held			6,530
Non-controlling interests			4
Total merger value			**148,518**
Goodw ill / Badw ill			**0**

As regards the evaluation of the fair value of the intangible assets acquired, in the management's review, that also considered the recoverable value of said assets (calculated on the basis of the business plans of the acquired company), the following significant differences between carrying amounts and fair value came to light:

- 40,283 thousand euro gas distribution networks in concession. The VIR (Residual Industrial Value) was chosen as the most adequate parameter for recognising the fair value of the rights acquired;
- 31,089 thousand euro derived from the evaluation of the gas client list. To set the fair value, a business case was elaborated of an operator active in the gas sales sector, compared to the multiples method applied to transactions involving sales operators;
- 2,022 thousand euro derived from the evaluation of the electricity client list. This amount was established on the basis of both the characteristics of the reference area and internal appraisal models.

As regard the evaluation of the of the fair value of the tangible assets acquired, in the management's review, that also considered the recoverable value of said assets, no significant differences came to light with respect to the carrying amounts previously recognised in the financial statements of the Amga Group; as such, no further adjustments were made to the financial statement entries and no additional assets were recognised.
Based on the information available at the date of acquisition, i.e. at 1 July 2014, the management's review led to the identification of certain contingent liabilities risen prior to the date of acquisition, for the amount of 1,500 thousand euro. The deferred taxation corresponding to these evaluations led assets for 235 thousand euro and liabilities for 25.025 thousand euro to be registered.

The acquisition did not lead to any cash outlay, in that the amount in question is entirely represented by newly placed shares. See note 37, Comments on the Cash Flow Statement for an analysis of the cash flows involved in the business combination.

Other Business Combination operations

As described in the preceding paragraphs Changes in the scope of consolidation and Changes in equity investments, during the 2014 financial year, controll was acquired of the companies Isontina Reti Gas Spa and Fucino Gas Srl and the acquisition of branches of Ecoenergy and CoVeCo was completed. A brief summary of the main effects of the two operations follows:

€ / 000	Isontina Reti Gas Spa	Fucino Gas Srl	Ramo Ecoenergy	Ramo Esil
Carying amount of acquired assets	**18,687**	**(399)**	**(3,308)**	**(482)**
Adjustments to fair value:				
Intangible assets		965	10,173	485
Property,plant and equipment				
Deferred tax assets / (liabilities)		(362)		
Fair value net assets acquired	**18,687**	**204**	**6,865**	**3**
Fair value ordinary shares issued				
Cash payment	9,367	204	6,865	3
Acquisition cost	***9,367***	***204***	***6,865***	***3***
Non-controlling interests acquired				
Fair value shares held	9,320			
Merger value	**18,687**	**204**	**6,865**	**3**
Effect from acquisition:				
- recording of goodwill				
- Change in the scope of consolidation				
- gain arising on consolidation				

Adjustment summary

As of 1 January 2014, the Hera Group applies the standards of IFRS 11 Joint Arrangements, introduced by EU Regulation 1254/2012 to substitute IAS 31 Interests in Joint Venture and Sic 13 Jointly Controlled Entities – Non Monetary Contributions by Ventureres. The new standard for Joint Arrangements foresees a distinction between joint operations and joint ventures, drawing attention to rights and obligations rather than the legal form of the arrangement. In the case of joint ventures, in particular, the method of proportionate consolidation adopted by the Group is abolished, previously allowed for as an alternative with respect to the equity method. This latter amendment is the most relevant for the Group, given that at 1 January 2014 various proportionally consolidated jointly controlled companies were included in its scope of consolidation: Enomondo Srl, Esil Scarl, Estenergy Spa. The amendments are applied retroactively, as provided for by IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, and we have therefore restated the financial statement and the cash flow statement at 31 December 2013, as well as the statement of financial position at 31 December 2013. In the restatements, jointly controlled companies (as well as Est più Spa, which left the scope of consolidation during the 2013 financial year, and Est Reti Elettriche Spa and Isontina Reti Gas Spa, control over whom was acquired respectively at the end of 2013 and during the first semester of 2014) have therefore been excluded from the aggregate balance and the cancellation of intragroup entries has not been provided for, these companies being valuated instead with the equity method, separately indicating the respective portion of results in the entry Share of profits (losses) pertaining to joint ventures and associated companies.

Furthermore, to better represent the precepts of the “Ias 12 – Income taxes” standard as regards compensation of deferred fiscal items, the Group has decided to reclassify deferred shares of financial profits and losses in any case involving a legally exercisable right to compensate current fiscal activities with the corresponding current fiscal liabilities.

The figures restated at 31 December 2013 are as follows.

Adjusted income statement for the year ended 31 December 2013

thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	31December 2013 as adjusted
Revenue	4,579,681	(122,749)	4,456,932
Other operating revenues	271,660	(1,053)	270,607
Use of raw materials and consumables	(2,454,762)	86,992	(2,367,770)
Service costs	(1,040,482)	11,164	(1,029,318)
Personnel costs	(482,703)	4,094	(478,609)
Amortisation, depreciation,provisions	(414,929)	4,410	(410,519)
Other operating costs	(60,902)	999	(59,903)
Capitalised costs	18,240		18,240
Operating profit	**415,803**	**(16,143)**	**399,660**
Portion of profits (loss) pertaining to joint ventures and associated companies	4,912	6,589	11,501
Financial income	109,603	(227)	109,376
Financial expense	(269,577)	3,639	(265,938)
Total financial operations	**(155,062)**	**10,001**	**(145,061)**
Other non-recurring non-operating income	45,225		45,225
Pre-tax profit	**305,966**	**(6,142)**	**299,824**
Taxes for the period	(124,258)	6,142	(118,116)
Net profit for the year	**181,708**	**0**	**181,708**
Attributable to:			
Shareholders of the Parent Company	164,934		164,934
Non-controlling interests	16,774		16,774
Earnings per share			
basic	**0.122**		**0.122**
diluted	**0.118**		**0.118**

Statement of financial position adjusted as of 31 December 2013 and related balances as of 1 January 2013

thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	Reclassifications	31December 2013 as adjusted
ASSETS				
Non-current assets				
Property,plant and equipment	2,129,221	(24,240)		2,104,981
Intangible assets	2,546,160	(16,198)		2,529,962
Property investments	2,999			2,999
Goodwill	378,564			378,564
Non-controlling interests	140,114	30,157		170,271
Financial assets	52,640			52,640
Deferred tax assets	152,006	(2,978)	(69,757)	79,271
Financial instruments - derivatives	37,560			37,560
Total non-current assets	**5,439,264**	**(13,259)**	**(69,757)**	**5,356,248**
Current assets				
Inventories	77,813	(301)		77,512
Trade receivables	1,397,839	(40,643)		1,357,196
Contract work in progress	22,835	(5)		22,830
Financial assets	72,229	12,622		84,851
Financial instruments - derivatives	11,385			11,385
Current tax assets	29,919	(776)		29,143
Other current assets	237,246	(6,081)		231,165
Cash and cash equivalents	942,347	(15,414)		926,933
Total current assets	**2,791,613**	**(50,598)**		**2,741,015**
Non-current assets held for sale	**3,300**			**3,300**
TOTAL ASSETS	**8,234,177**	**(63,857)**	**(69,757)**	**8,100,563**

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thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	Reclassifica tions	31December 2013 as adjusted
ASSETS				
Non-current assets				
Property,plant and equipment	2,129,221	(24,240)		2,104,981
Intangible assets	2,546,160	(16,198)		2,529,962
Property investments	2,999			2,999
Goodw ill	378,564			378,564
Non-controlling interests	140,114	30,157		170,271
Financial assets	52,640			52,640
Deferred tax assets	152,006	(2,978)	(69,757)	79,271
Financial instruments - derivatives	37,560			37,560
Total non-current assets	**5,439,264**	**(13,259)**	**(69,757)**	**5,356,248**
Current assets				
Inventories	77,813	(301)		77,512
Trade receivables	1,397,839	(40,643)		1,357,196
Contract w ork in progress	22,835	(5)		22,830
Financial assets	72,229	12,622		84,851
Financial instruments - derivatives	11,385			11,385
Current tax assets	29,919	(776)		29,143
Other current assets	237,246	(6,081)		231,165
Cash and cash equivalents	942,347	(15,414)		926,933
Total current assets	**2,791,613**	**(50,598)**		**2,741,015**
Non-current assets held for sale	**3,300**			**3,300**
TOTAL ASSETS	**8,234,177**	**(63,857)**	**(69,757)**	**8,100,563**

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thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	Reclassifica tions	31December 2013 as adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	1,410,357			1,410,357
Reserves	585,115			585,115
Profit / (loss) for the year	164,934			164,934
Group equity	**2,160,406**			**2,160,406**
Non-controlling interests	145,317			145,317
Total equity	**2,305,723**			**2,305,723**
Non-current liabilities				
Borrow ings – maturing beyond 12 months	3,277,462	(10,040)		3,267,422
Post-employment benefits	145,355	(431)		144,924
Provisions for risks and charges	315,067	(196)		314,871
Deferrred tax liabilities	74,716	(216)	(69,757)	4,743
Finance lease payments - maturing beyond 12 months	15,527			15,527
Financial instruments - derivatives	30,828	(507)		30,321
Total non-current liabilities	**3,858,955**	**(11,390)**	**(69,757)**	**3,777,808**
Current liabilities				
Banks and other borrow ings – maturing w ithin 12 months	383,181	(21,307)		361,874
Finance lease payments - maturing w ithin 12 months	1,972			1,972
Trade payables	1,192,426	(24,506)		1,167,920
Current tax liabilities	6,722	(776)		5,946
Other current liabilities	469,877	(5,878)		463,999
Financial instruments - derivatives	15,321			15,321
Total current liabilities	**2,069,499**	**(52,467)**		**2,017,032**
TOTAL LIABILITIES	**5,928,454**	**(63,857)**	**(69,757)**	**5,794,840**
TOTAL EQUITY AND LIABILITIES	**8,234,177**	**(63,857)**	**(69,757)**	**8,100,563**

* The adjustment as to the retroactive application of IAS 19 revised, with reference to the balance sheet figures at 1 January 2013, had already been introduced in the consolidated financial statements at 31 December 2013, which includes a more detailed discussion.

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thousands of euros	01-Jan-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 19r *	Reclassifications	01january 2013 as adjusted
ASSETS					
Non-current assets					
Property,plant and equipment	1,947,597	(24,692)			1,922,905
Intangible assets	1,855,966				1,855,966
Goodwill	378,391				378,391
Non-controlling interests	139,730	8,637			148,367
Financial assets	17,557				17,557
Deferred tax assets	111,451	(318)		(69,263)	41,870
Financial instruments - derivatives	88,568				88,568
Total non-current assets	**4,539,260**	**(16,373)**		**(69,263)**	**4,453,624**
Current assets					
Inventories	71,822	(136)			71,686
Trade receivables	1,307,961	(959)			1,307,002
Contract work in progress	20,635				20,635
Financial assets	47,286	2,425			49,711
Financial instruments - derivatives	34,199				34,199
Current tax assets	30,882	(142)			30,740
Other current assets	209,108	(4,277)			204,831
Cash and cash equivalents	424,162	(41)			424,121
Total current assets	**2,146,055**	**(3,130)**			**2,142,925**
Non-current assets held for sale	**14,154**				**14,154**
TOTAL ASSETS	**6,699,469**	**(19,503)**		**(69,263)**	**6,610,703**

* The adjustment as to the retroactive application of IAS 19 revised, with reference to the balance sheet figures at 1 January 2013, had already been introduced in the consolidated financial statements at 31 December 2013, which includes a more detailed discussion.

thousands of euros	01-Jan-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 19r *	Reclassifications	01january 2013 as adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	1,101,201				1,101,201
Reserves	532,025		(14,670)		517,355
Profit / (loss) for the year	118,658		28		118,686
Group equity	**1,751,884**		**(14,642)**		**1,737,242**
Non-controlling interests	142,978		(1,598)		141,380
Total equity	**1,894,862**		**(16,240)**		**1,878,622**
Non-current liabilities					
Borrowings – maturing beyond 12 months	2,440,994	(12,007)			2,428,987
Post-employment benefits	91,366	(10)	21,596		112,952
Provisions for risks and charges	251,897	(97)			251,800
Deferrred tax liabilities	78,114		(2,903)	(69,263)	5,948
Finance lease payments - maturing beyond 12 months	13,356				13,356
Financial instruments - derivatives	32,963	(849)			32,114
Total non-current liabilities	**2,908,690**	**(12,963)**	**18,693**	**(69,263)**	**2,845,157**
Current liabilities					
Banks and other borrowings – maturing within 12 months	317,560	(4,472)			313,088
Finance lease payments - maturing within 12 months	3,767				3,767
Trade payables	1,165,838	(1,285)			1,164,553
Current tax liabilities	20,463	(436)	(2,453)		17,574
Other current liabilities	350,060	(347)			349,713
Financial instruments - derivatives	38,229				38,229
Total current liabilities	**1,895,917**	**(6,540)**	**(2,453)**		**1,886,924**
TOTAL LIABILITIES	**4,804,607**	**(19,503)**	**16,240**	**(69,263)**	**4,732,081**
TOTAL EQUITY AND LIABILITIES	**6,699,469**	**(19,503)**		**(69,263)**	**6,610,703**

Cash flow statement, adjusted as at 31 December 2013

thousands of euros	31-dic-2013	Adjusted as of ifrs 11	31-dic-2013 as ajusted
Pre-tax profit	**305,966**	**(4,859)**	**299,824**
Adjustments to reconcile net profit to the cashflow from operating activities:			
Amortisation and impairment of property, plant and equipment	165,100	(2,028)	163,072
Amortisation and impairment of intangible assets	150,906	(1,322)	149,584
Effect of valuation using the equity method	(4,912)	(6,589)	(11,501)
Allocations to provisions	100,373	(1,070)	99,303
Financial expense / (Income)	159,974	(3,412)	156,562
Bargain purchases	(45,225)		(45,225)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(9,424)	207	(9,217)
Change in provisions for risks and charges	(44,043)	115	(43,928)
Change in provisions for employee benefits	(6,569)	(16)	(6,585)
Total cash flow before changes in net working capital	**772,146**	**(18,974)**	**751,889**
(Increase) / Decrease in inventories	2,534	9	2,543
(Increase) / Decrease in trade receivables	89,643	(24,746)	64,897
Increase / (Decrease) in trade payables	(155,205)	17,012	(138,193)
(Increase) / Decrease in other current assets/ liabilities	18,030	(4,850)	13,180
Change in working capitals	**(44,998)**	**(12,575)**	**(57,573)**
Dividends collected	4,271	3,312	7,583
Interests income and other financial income collected	43,519	(228)	43,291
Interests expense and other financial charges paid	(134,251)	3,666	(130,585)
Taxes paid	(137,596)	5,707	(131,889)
Cash flow from (for) operating activities (a)	**503,091**	**(19,092)**	**482,716**
Investments in property, plant and development	(118,971)	(334)	(119,305)
Investments in intangible fixed assets	(189,393)	1,650	(187,743)
Investments in companies and business units net of cash and cash equivalents	4,369	(4,606)	(237)
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	4,021	(1)	4,020
Divestments of investments	1,751	2,236	3,987
(Increase) / Decrease in other investment activities	(23,059)	(1,475)	(24,534)
Cash flow from (for) investing activities (b)	**(321,282)**	**(2,530)**	**(323,812)**
New issues of long-term bonds	546,683		546,683
Repayments and other net changes in borrow ings	(172,548)	7,885	(164,663)
Lease finance payments	(4,664)	(28)	(4,692)
Investments in consolidated companies	(5,500)		(5,500)
Share capital increase	98,178		98,178
Dividends paid out to Hera shareholders and non-controlling interests	(131,341)		(131,341)
Change in treasury shares	6,093	(500)	5,593
Other minor changes	(525)	176	(349)
Cash flow from (for) financing activities (c)	**336,376**	**7,533**	**343,909**
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**518,185**	**(14,089)**	**502,813**
Cash and cash equivalents at the beginning of the year	424,162	(41)	424,121
Cash and cash equivalents at the end of the year	942,347	(15,413)	926,934

Accounting policies and consolidation principles

The financial statements used for the preparation of the consolidated statement of financial position and income statement schedules were those which the companies included within the scope of consolidation reclassified and adjusted (on the basis of specific instructions issued by the Parent Company) for the purposes of consistency with the accounting standards and principles of the Group. With regard to associated companies, adjustments to shareholders' equity values were considered in order to adapt them to IFRSs.

When drawing up the consolidated statement of financial position and income statement schedules, the assets and liabilities as well as the income and expenses of the consolidated companies are included on a line-by-line basis. However, the receivables and payables, income and expenses, gains and losses resulting from operations carried out between companies included in the scope of consolidation have been eliminated. The book value of the equity investments is eliminated against the corresponding portion of investees' shareholders' equity.

On first-time consolidation, the positive difference between the book value of the equity investments and the fair value of the assets and liabilities acquired, was allocated to the asset and liability items and on a residual basis to goodwill. The negative difference was immediately recorded in the income statement, as illustrated in the following section "business combinations". This negative difference was recorded in equity only if it related to acquisitions prior to 31 March 2004.

The total of capital and reserves of subsidiaries pertaining to non-controlling interests is recorded within equity in the line item "non-controlling interests". The portion of the consolidated result relating to non-controlling interests is recorded in the account "Non-controlling interests".

The valuation of the financial statement items has been carried out on the basis of the general criteria of prudence and on an accrual basis, with a view of the business as a going concern. For the purposes of the accounting entries, priority is given to the economic substance of the transactions rather than their legal form.

In preparing these consolidated financial statements, the accounting policies and principles were the same as those adopted in the previous year, considering the new accounting standards reported in the paragraph "Accounting standards, amendments and interpretations applied as of 1 January 2014". As far as the income statement is concerned, the costs and revenues stated include those recorded at year-end, which have a balancing entry in the statement of financial position. In this regard, income is included only if realised by said year-end date, while account has been taken of the risks and losses even if known after said date.

The transactions with non-controlling interests are recognised as equity investments. Therefore, for purchases of additional shares after control is attained, the difference between the cost of acquisition and the book value of the shares purchased from non-controlling interests is recognized in equity.

The assets and liabilities of foreign companies denominated in currencies other than the euro which are included in the scope of consolidation are translated using the exchange rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rate for the year. Exchange rate differences are included in a reserve until the relevant foreign operation is sold.

The main exchange rates used to translate the value of the investees outside the Euro zone are as follows:

	31-Dec-14	
	Average	Specific
Bulgarian Lev	1.9558	1.9558
Serbian Dinar	117.231	121.122

The criteria and principles adopted are outlined here below.

Property, plant and equipment - Property, plant and equipment are recorded at cost or production cost, including accessory costs, or at the value based on expert appraisals of the business assets, if relating to purchased companies, net of the related accumulated depreciation and any impairment. The production cost includes the portion of direct and indirect costs reasonably attributable to the asset (e.g. personnel costs, transport, customs duty, costs for the preparation of the installation location, final test & inspection costs, notary fees, land registry expenses). Cost includes any professional fees and, for certain assets, capitalised financial charges up to the moment the asset enters into service. The cost also comprises the costs for reclamation of the site which houses the item of property, plant and equipment, if it complies with the provisions of IAS 37.

Ordinary maintenance costs are charged in full to the income statement. Improvement, upgrading and transformation costs which increase the value of the assets are capitalized to the assets concerned.

The book value of property, plant and equipment is subject to assessment so as to identify any losses in value, particularly when events or changes in circumstances indicate that the book value cannot be recovered (for details, see the section “losses in value - impairment”).

Depreciation starts to be applied when the assets enter the production cycle. Work in progress includes costs relating to property, plant and equipment for which the process of economic use has not yet commenced. The property, plant and equipment are systematically depreciated in each accounting period using the depreciation rates considered representative of the remaining useful lives of the assets. The following tables contain the depreciation rates taken into account for the depreciation of the assets.

Purification service	% min	% max
Buildings	1	3.33
Light constructions	5	10
Generic plants	7.5	15
Laboratory equipment	5	10
Office furniture, electronic machines	6	12
Machines, systems and data processing units	10	20
Motor vehicles and means of internal transport	10	20
Cars	12.5	25
Remote control	2.5	20
Public Lighting	1.25	8

Purification service	% min	% max
Building civil w orks	1.5	3
Purification plant/Civil w orks	1.66	3.33
Putification plant	3.33	6.67
Generic and specific plants	5	15
Lifting equipment	6	12
Netw ork	2.5	5
Laboratory equipment	5	10

Gas service	% min	% max
1st stage pressure reducer stations	2.5	15
2nd stage pressure reducer stations - district - specific plant - user stations	3.13	10
Distribution netw ork in steel	1.75	8
Outlets/intakes	2.33	8
Meters	4	10
Cathodic protection	3.7	8

District heating service	% min	% max
Buildings	1.92	5.5
Generic and specific plants	3.85	9
Distribution netw ork	2.7	8
Meters	2.5	6.67
Heat exchange units	4.5	9
Equipment	5	10

Water service	% min	% max
Buildings/civil w orks	1.75	3.5
Wells	1.43	10
Captation	1.25	2.5
Centrali di produzione sollevamento e potabilizzazione	1.43	15
Tanks	1.11	5
Pipelines and distribution netw ork	1	5
Outlets/intakes and connections	2.22	5
Meters	4	10

Electricity production and distribution service	% min	% max
Buildings	1.5	3
MV underground and overhead distribution netw ork	2	4
LV underground and overhead distribution netw ork	2.5	8
HV/MV - BT/MV transformers	2	7
Connections	2.5	8
Meters	4	10
Tables	1.66	5
Limiting devices	1.66	5
Masonry and single-pole stations	1.66	3.57
Polyfers	1.25	2.5
Receiver stations	1.66	3.33

Waste management service	% min	% max
Buildings	1.5	3
Generic plants	7.5	15
Specific IIR plant		
- buildings	1 - 1,25	2 - 2,5
- fixed plant w ith real estate pertinency	1,66 -2	3,33 - 4
- external building w orks	1.66	3.33
- electricity production plants	2	4
- general plants	2.5	5
- w aste-to-energy post-combustion furnace boiler and fume recovery line	2.5	5
- w aste-to-energy heater w ith fluid bed boiler line	3.57	7.14
- steam turbine and electricity production	2.5	5
- w aste-to-energy line control systems	5	10
Specific BIOGAS plant. storage + IRE		
- buildings	1 - 1,25	2 -2,5
- fixed plant w ith real estate pertinency	1,66 -2	3,33 - 4
- external building w orks	1.66	3.33
- electricity production plants	2.5	5
- CDR packing	2.5	5
- selection, chopping, feeding and sorting plant	2,5 - 3,33	5 - 6,67
- ventilation plant	3.33	6.67
- general plant - stabilisation plant - storage tanks	2.5	5
- control systems	5	10
- containers and bins	5 -10	10 -20
- internal handling equipment	4.16	8.33
Specific w aste composting plant		
- buildings	1 - 1,25	2 - 2,5
- fixed plant w ith real estate pertinency	1,66 - 2	3,33 - 4
- external building w orks	1.66	3.33
- general plant and lifting equipment	3.33	6.67
- pre-selection plant	2.5	5
- mixing plant	3,33 - 5	6,67 - 10
- palleting plant	5	10
- energy recovery plant-	2.5	5
- screening and refining plant	3,33 - 4,16	6,67 - 8,33
- w eighing plant	2.25	5
- deoxidisation/organic treatment systems	3.33	6.67
- second maturing	5	10
- cumulus turning and internal handling equipment	4.16	8.33
Vehicles and internal means of transport	10	25
Equipment	5	10
Landfill controlled	0	0

As required by IAS 16, the estimated useful lives of property, plant and equipment are reviewed each year so as to assess the need to revise them. In the event that the estimated useful lives do not provide a truthful representation of the expected future economic benefits, the relative depreciation schedule must be redefined according to the new assumptions. These changes are made prospectively to the income statement.

Land is not depreciated, with the exception of land in which landfills are located, which is depreciated based on the quantity of waste disposed of with respect to the total conferable capacity.

Gains and losses on disposal of assets are calculated as the difference between proceeds from the sale and the book value of the relevant investment and are recognized in the income statement as the risk and benefits incident to ownership are transferred to the buyer.

Investment property – An item of property is recognized as investment property when it generates cash flows largely independently of the other assets held by the Company, as it is held to earn rentals or for capital appreciation or both, not to be utilized in production of for the provision of goods or services or in connection with company operations. As permitted by IAS 40, investment property has been recognized at cost. As such, these assets are reported at cost minus depreciation and any impairment.

Leasing – Leases are classified as finance leases when the terms of the agreement are such that they essentially transfer all the risks and benefits of ownership to the lessee. The assets covered by finance leases agreements are recorded among property, plant and equipment and stated at their fair value as at the date of acquisition or, if lower, at the present value of the minimum lease payment; they are depreciated on the basis of their estimated useful life, just like the assets owned are. The corresponding debt with the lessor is recorded in the statement of financial position. Lease payments include the principal portion and the interest portion and the financial charges are booked directly to the income statement for the period. All the other leases are considered to be operating leases and the related lease payments are recorded on the basis of the conditions set forth in the agreement.

Intangible assets –Intangible assets which are identifiable and can be monitored, and whose cost can be reliably determined based on the assumption that said assets will generate future economic benefits, are recorded in the accounts. These assets are stated at cost in accordance with the policies indicated for property, plant and equipment and, if they have a definite useful life, they are amortised systematically over the period of the estimated useful life. The amortisation commences when the asset is available for utilisation or in any case begins to produce economic benefit for the business. Work in progress includes costs relating to intangible assets for which the process of economic use has not yet commenced. If the Intangible assets have an indefinite useful life, they are not amortised but subjected to an annual impairment test, even in the absence of indicators signalling losses in value.

Research costs are recorded in the income statement; any development costs for new products and/or processes are booked to the income statement in the year they are incurred, unless their use extends over several years.

Advertising expenses are charged directly to the income statement.

Industrial patent rights and know-how are representative of assets that are identifiable and capable of generating future economic benefits under the Company’s control; these rights are amortised over their remaining useful lives.

Concessions and licences mainly comprise rights for the concession under management of local public services and are amortised on a straight-line basis over the shorter of the remaining useful life of the assets under concession arrangements or the duration of the concession arrangements. The residual value of the Intangible assets which corresponds with the water concessions contributed by the merged companies and/or the spun-off business segments is by contrast amortised in consideration of the average life of the management period, in light of the agreements currently in force with the area agencies. The residual value of the Intangible assets which corresponds with the concessions for the management of the methane gas distribution networks contributed by the merged companies and/or the spun-off business segments is amortised in consideration of the residual transitory management duration anticipated by current legislation (Letta Decree and Marzano Law).

Concession arrangements in force with grantors and relating to gas distribution, electricity, integrated water cycle and public lighting assets, as envisaged under interpretation IFRIC 12 are accounted for by applying the "intangible asset model", since it was considered that the underlying concession arrangements do not guarantee the existence of an unconditional right in favour of the concessionaire to receive cash or other financial assets. The implementation of IFRIC 12 made it necessary to apply IAS 11 to the same infrastructures, since if the concessionaire constructs or improves an infrastructure that it does not control, the relative construction and improvement services carried out on behalf of the grantor are classified as construction contracts. So, considering that most works are contracted out externally and that on construction activities carried out internally the job margin cannot be identified individually from the benefits included in the remuneration for the service, these infrastructures are reported on the basis of costs actually incurred, net of any contributions paid by the entities and/or private customers.

The intangible assets recognised following a business combination are recorded separately from goodwill if their fair value can be reliably determined.

Gains or losses on disposal of intangible assets are calculated as the difference between proceeds from the sale and the carrying amount of the asset and are recognized in the income statement when the risk and benefits incident to the ownership of the asset are transferred to the buyer.

Business combinations – Business combination transactions are stated by applying the acquisition method (foreseen by IFRS 3), as a consequence of which the buyer acquires the equity and takes over the assets and liabilities of the acquired company. The cost of the transaction is shown as the fair value of the transferred assets, liabilities assumed and equity instruments issued in exchange for the control of the acquired company, as at the date of acquisition. The expenses related to the combination are generally recognised in the income statement at the time they are incurred.
Any positive difference between the cost of the transaction and the fair value at the date the assets and liabilities are acquired is attributed to goodwill (subject to impairment test, as indicated in the paragraph below). If the process of allocating the purchase price shows a negative difference, such difference is immediately charged to the income statement at the date of acquisition.
Any consideration subject to conditions set forth in the business combination contract is measured at fair value on the acquisition date and considered in the value of the consideration paid for the business combination, for the purposes of calculating the goodwill.

Non-controlling interests on the acquisition date are measured at fair value or according to the pro rata amount of the net assets of the acquired company. The valuation method selected is stated for each transaction.

In the case of business combinations that take place in phases, the equity investment previously held by the Group in the acquired company is revalued at the fair value on the date control was acquired and any resulting profit or loss is recognised in the income statement.

Losses in value – impairment – As of each balance sheet date and when events or situation changes indicate that the book value cannot be recovered, the Group takes into consideration the book value of property, plant and equipment and intangible assets in order to assess whether there is any indication that said assets have suffered an impairment. If there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total write-down. The recoverable amount is either the fair value , less sales costs or the usage value, whichever is the greater.
Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the unit generating the cash flows to which said assets belong. Future cash flows are discounted to present value at a rate (net of taxation) that reflects the current market value and takes into account the risks associated with the specific business activities.
If the recoverable amount of an asset (or of a cash generating unit) is estimated as lower than the related book value, the book value of the assets is reduced to the lower recoverable value and the impairment is booked to the income statement. When there is no longer any reason for a write-down to be maintained, the book value of the asset (or the unit generating financial flows), with the exception of goodwill, is restated at the new value deriving from the estimate of its recoverable value; however, this new value cannot exceed the net book value that the asset would have had if the write-down had not been made for the loss in value. The write-back of the value is charged to the income statement.

Treasury shares – In application of IAS 32, treasury shares are recognised as a reduction in shareholders' equity. Also, any differences generated by future purchase or sale transactions are recorded directly as changes in shareholders' equity, without passing via the income statement

Investments – **I**nvestments entered in this item refer to long-term investments.

Investments in associated companies – An associated company is a company over which the Group is able to exercise significant influence, but not control, by means of participation in the decisions on the financial and operating policies of the investee company. A joint venture is a jointly controlled arrangement in which the entities that share joint control have rights to the net assets of the arrangement. Investments in associated companies are accounted for with the equity method, except in the cases where they are classified as “held for sale”, or when they are not of a significant value; in such an event they are carried at cost, with writedowns if necessary based on the results of the impairment test. Under the equity method, investments are recognised at cost, as adjusted for any changes following acquisition in the associated companies’ net assets, minus any impairment to the single investments. The excess price over the share of the fair value of an associated company’s identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and is tested for impairment.

Other investments and financial instruments – Other investments and financial instruments are accounted for as available-for-sale financial assets under IAS 39 (as discussed in the specific section).They comprise equity instruments and are recognized at fair value in equity. When the market price or fair value cannot be calculated, they are assessed at cost and can be adjusted if there are losses of value.
If the reasons for the write-down cease to exist, the investments carried at cost are revalued through profit or loss, or in equity if the investments are held as available for sale. The risk deriving from any losses exceeding the book value of the investment is recorded in a specific reserve to the extent that the holder is obliged to fulfil legal or implicit obligations vis-à-vis the investee company or in any event cover its losses.
As more fully specified hereunder, the financial assets that the Company intends or is able to hold to maturity are stated at cost, represented by the fair value of the initial consideration, increased by transaction costs. Following initial registration, the financial assets are valued on an amortised cost basis using the effective interest rate method.

Receivables and financial assets – The Group classifies financial assets in the following categories:

- assets valued at fair value with matching entry in the income statement;
- receivables and loans;
- financial assets held to maturity;
- financial assets available for sale.

The management determines their classification when they are first recorded.

Financial assets at fair value through profit or loss
This category includes the financial assets acquired for short-term trading purposes, in addition to the derivatives, which are described in the specific paragraph below. The fair value of these instruments is determined by referring to the market value on the date the registration period ends. Changes in fair value of the instruments belonging to this category are immediately recorded in the income statement.
Classification under current and non-current reflects management 's expectations regarding their trading: current assets include those whose trading is expected within 12 months or those identified as held for trading.

Receivables and loans
The category includes assets not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. These assets are valued at amortised cost on the basis of the effective interest rate method. Should there be objective proof of indicators of impairment, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future: losses in value determined through impairment test are recorded in the income statement. If reasons for the previous write-downs cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment test had not been carried out. These assets are classified as current assets, except for the portions accruing after 12 months, which are included amongst the non-current assets.

Held-to-maturity financial assets –These are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity. They are classified as current assets if their contractual maturity is expected within the next 12 months. Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of the flows that can be obtained in the future. losses in value as determined through impairment tests are recorded in the income statement. If reasons for the previous write-downs cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from applying the amortised cost if the impairment test had not been carried out .

Available-for-sale financial assets – These are any non-derivative financial assets designated on initial recognition as available for sale or that are not classified under the previous items. These assets are valued at fair value, the latter determined by referring to the market prices at the balance sheet date, infra-annual situations or using financial measurement techniques and models, recording their change in value in equity ("Reserve for available-for-sale financial assets"). This reserve is released to income only when the financial asset is actually sold or, in the case of negative changes, when the value reduction already recorded in the shareholders' equity is found to be unrecoverable. Classification as a current or non-current asset depends on management's plans and on the real tradability of the security. Those whose sale is expected during the next 12 months are recorded as current assets.

Should there be objective proof of indicators of impairments, the value of the assets is reduced to such an extent as to be equal to the discounted value of future cash flows. The negative value changes previously recorded in the shareholders' equity reserve are reversed to the income statement. The impairment previously booked is restored if the circumstances that brought about its recording no longer exist.

Environmental certificates – The Group is subject to the different rules and regulations enacted in the environmental area (directive 2003787/EC – emission trading; Ministerial Decree 24705 as amended and supplemented green certificates; Ministerial decree 20/07/04 – energy efficiency certificates) which require compliance with certain limits established through the use of certificates or other instruments .Therefore, the Group is obliged to meet a need in terms of grey certificates (emission trading), green certificates and white certificates (energy efficiency instruments).
The development of markets in which these certificates are traded has also made it possible to initiate a trading activity. These certificates are valued according to the intended use.
The certificates held to meet the company's requirement are recorded as assets at cost. The environmental certificates assigned free of charge are initially recorded at a nil value. If the certificates in the portfolio prove to be insufficient to meet the need, a liability is recorded to guarantee adequate coverage when the certificates are delivered to the operator. Certificates held for trading are recognised as assets and are measured at fair value through profit or loss.

Other non-current assets – These are stated at par value, and possibly adjusted for any losses in value corresponding to the amortised cost".

Trade receivables – These refer to financial assets arising from the provision of goods and services and are valued at amortised cost, adjusted for any impairment. Furthermore, these assets are derecognized in the event of sale which transfers all risks and benefits associated with their management to third parties.

Contract work in progress – Where the outcome of a construction contract can be estimated reliably, contract work in progress is measured on the basis of revenues accrued with reasonable certainty, according to the percentage of completion method of accounting (i.e. cost to cost), so as to apportion revenues and costs to the relevant financial years in proportion to the stage of completion of contract activity. The positive or negative difference between the value of the contracts and the advance payments received is recorded respectively among the statement of financial position assets or liabilities. Contract revenues, in addition to the contractual payments, include the variations, the price review and the recognition of the incentives to the extent it is probable that they represent effective revenues which can be determined reliably.
When the result of a contract cannot be reliably estimated, the revenues referable to the related contract are recorded solely within the limits of the contract costs incurred which will probably be recovered. The contract costs are recorded as expenses during the accounting period in which they are incurred. When it is probable that the total contract costs will be greater than the contractual revenues, the expected loss is immediately stated at cost.

Inventories – Inventories are recorded at cost, including directly attributable costs, or net estimated realizable value, whichever is the lower. Cost is determined on the basis of average cost weighted on a continual basis. The net realisable value is calculated on the basis of the current costs of the inventories at year end, less the estimated costs necessary for achieving the sale.

The value of obsolete and slow-moving stock is written down in relation to the possible use or realization, by means of the provision of a specific materials obsolescence allowance.

Inventories of work in progress are valued at weighted average manufacturing cost for the period, which comprises the raw materials, the consumables and the direct and indirect production costs excluding general expenses.

Cash and cash equivalents – The item relating to liquid funds and cash equivalents includes cash and bank current accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash and are subject to an insignificant risk regarding their change in value.

Financial liabilities – This item is initially stated at cost, corresponding to the fair value of the liability net of the transaction costs which are directly attributable to the issue of said liability. Following their initial recognition, financial liabilities, with the exception of derivatives, are valued on the basis of amortised cost, using the original effective interest rate method.

Post-employment benefits – Liabilities related to defined-benefit plans (such as the employee severance accrued until 1 January 2007) are reported net of any plan assets on the basis of actuarial assumptions and on an accrual basis, in keeping with the service necessary to obtain benefits. The liability is valued by independent actuaries. Actuarial gains and losses are reported as other comprehensive income/losses. Following the Budget Act of 27 December 2006, no. 296, for companies with more than 50 employees, the severance amounts accruing after 1 January 20017 qualify as a defined-benefit plan.

Provisions for risks and charges – The provisions for risks and charges comprise the amounts set aside as recorded in the financial statements on the basis of current obligations (as emerging from past events) which the Group believes it probably will have to meet. The provisions are set aside on the basis of the best estimate of the costs required to meet the obligation, as of the balance sheet date (assuming that there are sufficient elements for being able to make this estimate) and are discounted to present value when the effect is significant and the necessary information is available. In such event, the provisions are determined by discounting to present value the future cash flows at a pre-tax discount rate that reflects the current market valuation and takes into account the risk associated with the business activities.

When the discounting to present value is carried out, the increase in the provision due to the passing of time is recorded amongst the financial charges. If the liability relates to property, plant and equipment (e.g. restoration of sites), the contra-entry to the provision made is an increase of the asset to which the liability refers; on the other hand, the financial charges are expensed out through the depreciation process of the item of property, plant and equipment to which the charge refers. The methods envisaged by IFRIC 1 are adopted if liabilities are recalculated.

Trade payables – These refer to commercial supply transactions and are recorded at amortised cost.

Other current liabilities – These concern sundry transactions and are stated at nominal value, corresponding to the amortised cost.

Derivative financial instruments – The Group holds derivative instruments for the purpose of hedging its exposure to the risk of interest rate and exchange rate fluctuations and the risk of changes in methane gas and electricity prices. In relation to said activities, the Group must handle the risks associated with the misalignment between the index-linking formulas relating to the purchase of gas and electricity and the index-linking formulas linked to the sale of said commodities. The instruments used for handling price risk, both with regards to the price of the goods and the related Euro/Dollar exchange rate, are commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in the aforementioned market conditions.

The transactions which, in observance of the risk management policies, satisfy the requisites laid down by the accounting standards for hedge accounting treatment are classified as “hedging” (recorded in the terms indicated below), while those which, despite being entered into for hedging purposes, do not satisfy the requisites required by the standards, are classified as “trading”. In this case, the fair value changes of the derivative instruments are recognized through profit or loss during the period when they take place. Il fair value is determined on the basis of the market reference value.
For recording purposes, the hedging transactions are classified as “fair value hedges ” if they cover the risk of fluctuations in the market value of the underlying asset or liability; or as “cash flow hedges” if they cover the risk of

changes in cash flows deriving both from an existing asset or liability, or from a future transaction, including transactions on commodities.

As far as derivative instruments classified as fair value hedges are concerned, which observe the conditions for the accounting treatment as hedging transactions, the gains and losses deriving from the determination of their market value are recognized through profit or loss. The gains and losses deriving from the adjustment to fair value of the element underlying the hedge are also recognized through profit or loss.

For instruments classified as cash flow hedges and that qualify as such, the fair value changes are recorded in a reserve called "cash flow hedge reserve", but only for the effective part, through the statement of comprehensive income. This reserve is reversed to income whenever underlying hedged instrument is realized. The change in fair value referring to the ineffective portion is immediately recorded in the income statement of the period. If the underlying transaction should no longer be considered highly probable, or the hedging relationship can no longer be demonstrated, the corresponding portion of the “cash flow hedge reserve” is immediately reversed to income.

If, on the other hand, the derivative instrument is sold and therefore the hedging of the risk for which the transaction was created no longer qualifies as effective, the amount of “cash flow hedge reserve” relating to it is kept until the economic effects of the underlying contract arise.

Derivatives embedded in financial assets/liabilities are separated and independently assessed at fair value, except for those cases where, in accordance with the provisions of IAS 39, the exercise price of the derivative instrument as at the starting date is close to the value calculated on the basis of the amortised cost of the underlying asset/liability. In such case, the measurement of the embedded derivative instrument is absorbed in the measurement of the financial assets/liabilities.

Assets and liabilities held for sale – Assets and liabilities held for sale are those whose value will be recovered mainly through sale rather than use. Assets and liabilities are classified as held for sale the moment the sale of the group of assets is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Assets held for sale are valued at the lower of cost or fair value, net of sales costs..

Grants – Capital grants are recognized in the income statement over the period necessary for correlating them to the related costs; they are represented in the statement of financial position by recording the grant as deferred revenue. Operating grants, including those received from users for connection purposes, are considered to be revenues for services rendered during the accounting period and are therefore recorded on an accruals basis.

Revenue recognition – Revenues and income are recognized net of returned items, discounts and rebates, and net of taxes directly related to the sales of products and services rendered. They are broken down into revenues deriving from operating activities and financial income which accrues between the sale date and the payment date.
Specifically:

- the revenues from energy, gas and water sales are recognized and recorded at the moment of the provision of the service and include the services provided but not yet invoiced (estimated on the basis of historical analyses determined according to previous consumption levels);
- revenues from services rendered are recognized on the basis of services provided and in compliance with the relevant contracts,
- revenues from the sale of goods are recognised at the time the Group transfers the significant risks and benefits associated with ownership of the assets to the purchaser;
- costs are stated in accordance with the accruals principle.

Financial income and expense – – Financial income and expense are recognised on an accrual basis.
Dividends from “other companies” are recorded in the income statement, at the time the right to receive payment is established.

Income taxes for the year – Income taxes for the year represent the sum of current and deferred taxes.
Current taxes are based on the taxable income for the year. Taxable income differs from the result recorded in the income statement, as it excludes positive and negative components which will be taxable or deductible in other years, and excludes items which will never be taxable or deductible. The item “Current tax liabilities” are calculated on the basis of the tax rates applicable on the balance sheet date.

In determining tax rates for the period, the Group took into consideration the effects of the IAS/IFRS tax reform introduced by law no. 244of 24 December 2007, particularly the reinforced derivation principle of article 83 of the Consolidated Tax Act (TUIR) which calls for entities that use IFRSs to apply, including in a departure from the provisions of the TUIR, “the criteria for the determination, recognition and classification in the financial statements provided for by said accounting standards”.

Deferred taxes are calculated having regard to timing differences in taxation, and are recorded under item “Deferred tax liabilities”. Deferred tax assets are recognized to the extent that the existence of a taxable income at least equal to the amount of the differences to be offset is considered probable when the timing differences will reverse.

Deferred tax assets and liabilities are determined on the basis of the tax rates foreseen to be in force during the financial year in which the tax asset will be conferred or the tax liability will be extinguished, on the basis of tax rates established by provisions in force or substantively in force at the date of the financial statements. These changes are charged to the income statement, or equity, depending on how the difference in question was originally charged.

Translation of foreign currency balances – The functional and reporting currency adopted by the Group is the Euro. Foreign currency transactions are initially recorded using the exchange rate in force as of the transaction date. Foreign currency assets and liabilities, with the exception of property, plant and equipment and intangibles, are recorded using the exchange rate in force as at the period end date and the related exchange gains and losses are recognized through profit or loss; any net gain that might arise is set aside in a specific restricted reserve until the date of realization.

Earnings per share – The earnings per share are represented by the net profit for the year attributable to the shareholders holding ordinary shares, taking into account the weighted average of the ordinary shares outstanding during the year. The diluted earnings per share are obtained by means of the adjustment of the weighted average of the shares outstanding, taking into account all the potential ordinary shares with dilution effect.

Transactions with related parties - Transactions with related parties take place on an arms’-length basis, in observance of efficiency and cost-effectiveness criteria.

Risk management

Credit risk

The Group is active in business areas characterised by a low credit risk, given the nature of the activities carried out and considering that the credit exposure is distributed on a large number of clients. The reference market is the Italian market. Assets are recognised in the financial statements net of any write-downs determined on the basis of the default risk of the counterparties, taking into account the information available on solvency and the historical data.

Liquidity risk

The liquidity risk to which the Group is exposed may arise from difficulties in obtaining, in a timely manner, loans in support of operations. Cash flows, financing needs and the liquidity of the Company are centrally monitored or managed, under the control of the Group's Treasury Department, for the purpose of ensuring an efficient and effective management of financial resources.

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.

Exchange rate risk and interest rate risk

The Group is not subject to exchange rate risk as it operates almost exclusively in the Italian market, both in relation to the sale of its services and the procurement of goods and services. As for interest rate risk, the Group regularly assesses its exposure to the risk of interest rate fluctuations and manages this risk by means of derivative financial instruments, in accordance with its risk management guidelines. Under these guidelines, the use of derivative financial instruments is restricted to the management of exposure to interest rate fluctuations related to cash flows and balance sheet assets and liabilities. These policies do not enable speculative activities to be carried out.

Fair Value Hierarchy

IFRS 7 requires classification of financial instruments measured at fair value in a three-level hierarchy based on the way the fair value was determined, i.e., with reference to the factors used in determining the value:

- **level 1**, financial instruments the fair value of which is determined on the basis of quoted prices in active markets;
- **level 2**, financial instruments the fair value of which is determined using valuation techniques that employ parameters that are directly or indirectly observable on the market. Instruments valued on the basis of the market forward curve and short term differential contracts are classified in this category;
- **level 3**, financial instruments the fair value of which is determined using valuation techniques that employ parameters that cannot be observed on the market, using internal estimates exclusively. The Group does not currently own any instruments that fall into this category.

Significant estimates and valuations

Use of estimates

Preparation of the consolidated financial statements and related notes requires 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. Hence 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. Specific 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.

Impairment of goodwill

The Group carries out an analysis of the recoverable value of goodwill (impairment test) at least once a year. This test is based on the calculation of its value in use, which requires the use of estimates as specified in paragraph 18 of these notes.

Provisions

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, as well as on the basis of developments in the relevant legal proceedings. In particular in the section on the provisions for risks and charges, there are indications concerning the assumptions made to estimate provisions for the INPS dispute.

Recognition of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply and 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.

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.

Depreciation and amortisation

Amortisation and depreciation are calculated on the basis of the useful life of an asset. The useful life is determined by Management at the time the asset is recognized in the balance sheet; valuations of the duration of useful life are based on historical experience, market conditions and the expectation of future events that could affect the useful life itself, including technological changes. Therefore, it is possible that the actual useful life could differ from the estimated useful life.

Accounting standards, amendments and interpretations applicable from 1 January 2014

Starting 1 January 2014 the following amendments to IFRSs, as issued by the IASB and endorsed by the European Union, apply:

IFRS 10 – Consolidated Financial Statements (Regulation 1254/2012). Published by the IASB on 12 May 2011, IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and Interpretation 12 of the Standing Interpretations Committee (SIC) Consolidation—Special Purpose Entities (SIC-12). The new standard introduces a new definition of control, outlines the concept of de facto control (control with less than the majority of the voting rights) and clarifies the relationship between control and agency relationship. This IFRS will be applied retrospectively.
The application of the new standard has not brought about any effects on the composition of the Group's scope of consolidation.

IFRS 11 – Joint Arrangements (Regulation 1254/2012). Published by the IASB on 12 May 2011, IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities–Non-monetary Contributions by Venturers. The new standard draws a distinction between joint operation and joint venture, emphasizing the rights and obligations of the parties to the arrangement, rather than the legal form of the agreement. In addition, proportionate consolidation for joint ventures is no longer required. The application is foreseen with retroactive effect.
Given that until 31 December 2013 the Group adopted the option of proportionate consolidation for joint ventures, as provided for by the IAS 8 Accounting policies, Changes in Accounting Estimates and Errors, an adjustment has been made in the comparative balance sheet and income statement figures. See the paragraph entitled Adjustments in the present notes for an analysis of the effects that the new standard has brought to the Group's balance sheet items.

IFRS 12 – Disclosure of Interests in Other Entities(Regulation 1254/2012). Issued by the IASB on 12 May 2011, this IFRS applies to entities with interests in subsidiaries, joint arrangements and unconsolidated structured entities. It requires the disclosure of significant judgments and assumptions in determining control, joint arrangements or association.

IAS 27 Revised – Separate Financial Statements(Regulation 1254/2012). Issued by the IASB on 12 May 2011, following the issue of IFRS 10, IAS 27 applies only to separate financial statements, governing the recognition of investments in subsidiaries, associated companies and joint ventures. The amendments have not had any effect of the valuation of the balance sheet items.

IAS 28 Revised – Investments in Associates and Joint Ventures (Regulation 1254/2012). Issued by the IASB on 12 May 2011, following the issue of IFRS 10 and IFRS 11, IAS 28 deals with the accounting treatment of associated companies and joint ventures and the criteria to apply the equity method. Beginning with the current financial year, the Group applies the equity method to valuations of joint ventures.

Amendments to IFRS 10, IFRS 11 and IFRS 12– Transition Guidance (Regulation 313/2013). Published by the IASB on 28 June 2010, the document clarifies the time of initial application of IFRS 10 and provides guidance in case the application of IFRS 10 causes the consolidation or deconsolidation of an entity. In addition, relief is provided with reference to the initial application of IFRS 11 and IFRS 12. As regards the application of the IFRS 11 standard, see the paragraph entitled Adjustment summary of the present notes for an analysis of the effects that the new standard has had on the Group's balance sheet items.

Amendments to IFRS 10, IFRS 12 and IAS 27– Investment Entities (Regulation 1174/2013). . Amendments issued by the IASB on 31 October 2012. The document exempts entities that measure their investments at fair value (Investment Entities) from the consolidation requirements provided for by IFRS 10, as the IASB considered that for these entities the disclosure provided in relation to the fair value measurement of their investments is more meaningful that that associated with the consolidation of assets and liabilities. In addition, it clarifies that an investment entity is not required to apply IFRS 3 when it obtains control of another entity but can measure its investment in such entity in accordance with IFRS 9 or IAS 39. Lastly, guidelines are provided on the treatment in the separate financial statements and on the type of disclosure to be provided. The amendments have not had any effect of the valuation of the balance sheet items.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (Regulation 1374/2013). Amendments issued by the IASB on 29 May 2013 and applicable retrospectively as of 1 January 2014. The amendments indicated that disclosure of the recoverable amount of the assets or the CGUs is required only if an impairment or the reversal of an earlier impairment has been recognized. Moreover, they clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets
No effects on the Group's balance sheet have been seen following the application of the amendments introduced.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Regulation 1375/2013). Amendments issued by the IASB on 27 June 2013 and applicable retrospectively as of 1 January 2014, with earlier adoption permitted. The amendments indicated certain exemptions to the hedge accounting requirements laid down by IAS 39, in the event that a derivative should be replaced with a new derivative that, by law or regulation, should have directly or indirectly a central counterparty. In particular, these amendments clarify that the novation of a hedging derivative should not be considered expiration or termination of an instrument, giving rise to the prospective interruption of the hedge accounting, if certain conditions are met. No effects on the Group's balance sheet have been seen following the application of the amendments introduced.

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

Starting 1 January 2015 the standards, interpretations and amendments listed below will apply mandatorily, as they have completed the EU endorsement process:

IFRIC 21 – Levies (Regulation 634/2014). Interpretation issued on 20 May 2013 by the IFRS IC and applicable retrospectively starting as of 17 June 2014. The interpretation was issued to indicate the accounting treatment of levies, i.e. all the payments to a government agency for which the entity does not receive specific goods or services. The document identifies different types of levies, clarifying which events give rise to the obligation that determines, in turn, the recognition of a liability under IAS 37.
The Group is currently evaluating the potential effects on its balance sheets that would derive from the adoption of this standard.

As of 1 January 2016, the following accounting standards and amendments of accounting standards will be obligatorily applied, having also already concluded the process of community endorsement:

Amendments to IAS 19 – Employee benefits: Defined-benefit plans – employee contributions. Document issued by the IASB on 21 November 2013, applicable as of 1 January 2014. The objective of the amendments is to simplify the accounting treatment of contributions, which are independent of the number of service years for employees, such as employee contributions calculated on the basis of a fixed salary percentage.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2010-2012 Cycle)", subsequently adopted by the European Union with Regulation 28/2015. These improvements, which are applicable as of 1 July 2014, include amendments to the following existing IFRSs:

- **Improvement IFRS 2** – Share-based Payments: Definitions relating to vesting conditions. The definitions of vesting conditions and market conditions are changed and the new definitions of performance condition and service condition are introduced.
- **Improvement IFRS 3** – Accounting for contingent consideration in a business combination. This improvement clarifies that contingent consideration in a business acquisition classified as an asset or a liability is measured at fair value at every year-end, whether it falls within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability.
- **Improvement IFRS 8** – Operating segments: Aggregation of operating segments. The improvement requires disclosure of management's considerations in the process of aggregation of operating segments.
- **Improvement IFRS 8** – Operating segments: Reconciliation of the total of the reportable segment assets to the entity's total assets. This improvement calls for the reconciliation to be reported only in the event that the total of the segment assets are regularly reported by management.
- **Improvement IFRS 13** – Fair value measurement: Short-term receivables and payables. This improvement clarifies that the introduction of IFRS 13 does not change the possibility to account for short-term receivables and payables when the effect of discounting is immaterial.
- **Improvement IAS 16** – Property, plant and equipment & **Improvement IAS 38** – Intangible assets: Revaluation method. These improvements remove certain inconsistencies in the recognition of depreciation and amortization, when an item or property, plant and equipment or an intangible is revalued. In particular, they clarify that the gross carrying amount must be adjusted consistently with the revaluation of the carrying amount of the asset and that accumulated depreciation is equal to the difference between the gross carrying amount and the carrying amount minus any previously recognized impairment.
- **Improvement IAS 24** – Related parties: Key management personnel. Clarifications are provided for the identification of related parties and the disclosure in relation to key management personnel.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2011-2013 Cycle)", subsequently adopted by the European Union with Regulation 1361/2014. These improvements, which are applicable as of 1 July 2014, include amendments to the following existing IFRSs

- **Improvement IFRS 1** – First-time adoption of IFRSs: Meaning of effective IFRSs. This improvement clarifies that, on first-time adoption of IFRSs, an entity may either choose to apply a current standard or opt for the early application of a new standard that is intended to replace the current standard.
- **Improvement IFRS 3** – Business Combinations: Scope exceptions of joint ventures. The improvement clarifies that all types of joint arrangements are outside the scope of IFRS 3.
- **Improvement IFRS 13** – Fair value measurement: Scope paragraph 52 (portfolio exception). The objective of this amendment is to clarify that the possibility to measure at fair value a group of assets and liabilities applies also to all contracts within the scope of IAS 39 (or IFRS 9), but that do not meet the definitions of financial assets or financial liabilities as defined in IAS 32 (such as contracts to buy and sell commodities, which can be settled in cash for their net amount).
- **Improvement IAS 40** – Investment property – Interrelationship between IFRS 3 and IAS 40. The objective of this amendment is to clarify that, to determine whether the purchase of property falls within the scope of IFRS 3, reference should be made to IFRS 3; on the other hand, if the purchase falls within the scope of IAS 490, reference should be made to this standard.

The Group is currently evaluating the potential effects on its balance sheets that would derive from the adoption of this standard or amendments to existing standards.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

The following standards, updates and amendments of IFRSs (already approved by the IASB) as well as interpretations (already approved by the IFRS IC) are in the process of being endorsed by the competent bodies of the European Union:

IFRS 9 – Financial Instruments. Published by the IASB in its final version on 24 July 2014 at the end of a process lasting many years, intended to replace the current IAS 39. The standard, whose application has been defined at 1 January 2018, introduces new criteria to classify financial assets and liabilities, for the derecognition and impairment of financial assets, and the treatment and accounting of hedging transactions.

IFRS 14 – Regulatory deferral accounts. This standard was published for the first time on 30 January 2014. It permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Its application will be effective 1 January 2016, but early adoption is permitted.

IFRS 15 – Revenue from contracts with customers. Standard issued by the IASB on 28 May 2014 that replaces the IAS 18 – Revenue, the IAS 11 – Construction contracts, the interpretations SIC 31, IFRIC 13 and IFRIC 15. the new standard applies to all contracts with customers except for: leases within the scope of IAS 17 – Leases, contractual rights and obligations, and other financial instruments. It establishes a principle to be delivered in five phases, defining a timetable and the amount of revenue to be recognised (identifying the contracts with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price, recognising revenue when (or as) the entity satisfies a performance obligation).
Application of the standard begins on 1 January 2017, and earlier application is permitted. Application is foreseen with retroactive effect, with the possibility of choosing whether to apply IFRS in full to prior periods or to recognise the effects as an adjustment to the opening balance of equity as at the date of the first reporting period.

Amendments to IFRS 11 – Joint arrangements: acquisitions of interests in joint operations. Amendment issued by the IASB on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The document establishes that the standards contained in IFRS 3 – Business combinations concerning recognition of a business combination must be applied to recognise the acquisition of a joint operation in which the activity constitutes a business.

Amendments to IAS 16 and IAS 38 – Clarifications as to acceptable methods for depreciation and amortisation. Amendments issued by the IASB on 12 May 2014 and applicable as of financial years that begin on 1 January 2016. The documents specifies that, except for a few limited circumstances, a method of amortisation related to revenues cannot be considered acceptable for property, plant and equipment nor for intangible assets.

Amendments to IAS 16 and IAS 41 – Bearer plants. Amendments issued by the IASB on 30 June 2014 and applicable as of the financial years beginning 1 January 2016. The documents foresees that for a few specific types of biological assets (bearer plants) the accountancy methods must be those of IAS 16.

Amendments to IAS 27 – Separate financial statements. Document issued by the IASB on 12 August 2014. The amendments, applicable as of financial years beginning 1 January 2016, allow the equity method to be used in recognising investments in subsidiaries, associated companies and joint ventures in the separate financial statements. The objective is to reduce the complexity of treatment and the relative costs for companies that operate in legal systems in which the IFRS standards also applicable in separate financial statements as well.

Amendments to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. Document published by the IASB on 11 September 2014 in order to resolve a conflict between the two standards mentioned, regarding the sale of assets or subsidiaries to an associate in a joint venture, effective for annual periods beginning on or after 1 January 2016. The amendments introduced foresee that in case of sales or contributions of assets or subsidiaries to an associate or a joint venture, the value of the profit or loss to be recognised in the balance sheets of the sold/contributed entity is to be put in relation with the classification of the assets or the subsidiary sold/contributed as a business, as defined by IFRS 3. In the event that the sale/contribution represents a business, the entity must recognise the profit or loss for the entire interest previously held; while, if this is not the case, the entity must recognise the amount of profit or loss pertaining to the interest still held by the entity to be eliminated.

On 25 September 2014 the International Accounting Standards Board (IASB) published the document Improvements to the International Financial Reporting Standard (2012-2014 Cycle). These improvements, applicable to financial years beginning 1 January 2016 or later, include amendments to the following international accounting standards:

- **Improvement IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations: changes in methods of disposal. The amendment establishes the guidelines to be followed in case an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa) and cases in which held-for-distribution accounting is discontinued.
- **Improvement IFRS 7** – Financial Instruments: Disclosures. The document adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures. Furthermore, as regards compensation between financial assets and liabilities, the document clarifies that the information is not explicitly required in all the interim financial reporting. However, the information cold be necessary to respect the requisites foreseen by IAS 34, in case the information in question is significant.
- **Improvement IAS 19** – Employee Benefits: problems problematiche relative al tasso di sconto. The document introduces amendments to IAS 19 in order to clarify that high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendments specify that the depth of the market for high quality corporate bonds should be assessed at currency level.
- **Improvement IAS 34** – Interim Financial Reporting: disclosure of information elsewhere in the interim report. The document introduces amendments in order to clarify cases in which the information required is presented in the interim report, but not in the balance sheet sections. The amendment specifies that such information be included by way of cross-references between the two documents, provided that both are made available to users on the same terms and at the same time.

Amendments to IAS 1 – Presentation of Financial Statements. Document issued by the IASB on 18 December 2014. The amendments, applicable as of financial years beginning 1 January 2016, are aimed at improving the clarity of financial statements. The amendments introduced concern:

- *materiality and aggregation – clarifies that information should not be obscured by way of aggregation or disaggregation and that the concept of materiality is applied to balance sheet formats, explanatory notes and the specific informatory requirements foreseen by each IFRS. It also clarifies that the information specifically required by IFRSs is to be provided only if the information is material;*
- *statement of financial position and statement of comprehensive income – clarifies that the list of items specified by IAS 1 for such statements can be aggregated or disaggregated according to individual cases. Guidelines are also provided as to the use of subtotals within the statements;*
- *presentation of other comprehensive income (OCI) – clarifies that an entity's share of OCI of equity-accounted associates and joint ventures is presented in aggregate as single line items, based on whether or not it will subsequently be reclassified to profit or loss;*
- *explanatory notes – clarifies that entities are entitled to flexibility in defining the structure of the explanatory notes, and guidelines are provided as to the systematic order in which notes are to be presented.*

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: applying the consolidation exception. The document, issued by IASB on 18 December 2014, introduces the following amendments:

- *the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity;*
- *the requirement, for an investment entity, of consolidating a subsidiary providing services that relate to the parent's investment activities, to be applied only for subsidiaries that are not, themselves, investment entities;*

- *when applying the equity method to an associate or joint venture that is an investment entity, it is possible to retain the fair value measurement applied by the associate or joint venture to its interests in its own subsidiaries;*
- *an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.*

3 Revenues

	2014	2013 as ajusted	Change
Revenues from sales and services	4,196,058	4,454,164	(258,106)
Change in contract w ork in progress	(6,909)	2,659	(9,568)
Changes in inventories of w ork in process, semifinished and finished products and w ork in progress	(50)	109	(159)
Total	**4,189,099**	**4,456,932**	**(267,833)**

Please see the Directors’ Report for the analysis of sales trends by business sector and the note providing information by *business* area.

Revenues are achieved mainly in Italy.

4 Other operating revenues

	2014	2013 as ajusted	Change
Long-term contract	186,165	160,798	25,367
White certificates	46,701	27,386	19,315
Operating grants and grants for separated w aste collection	26,350	24,048	2,302
Apportionments of operating grants	7,964	7,017	947
Cost refunds	5,293	9,562	(4,269)
Uses of and releases from provisions	5,231	12,594	(7,364)
Leases	2,387	2,463	(75)
Insurance reimbursements	1,954	4,379	(2,425)
Sales of material and inventories to third parties	1,669	2,483	(814)
Grey certificates	750	-	750
Gains on disposal	589	639	(50)
Other revenues	39,420	19,236	20,183
Total	**324,473**	**270,607**	**53,866**

"Long-term contracts" include revenues generated from the construction or improvement of infrastructures held under concession arrangements, in application of IFRIC 12. The change compared to the 2013 financial year is mainly due to an increase in investments, see the more detailed comments in the Management Report.

"White certificates" show the revenues recorded for the Compensation Fund of the electricity sector, after energy goals were attained. The increase was mainly due to an increase in the rate granted to the principals by the Electricity and Gas and Water Management Authorities as compared to the 2013 financial year.

"Operating grants and grants for separated waste collection" include operating grants, amounting to €4,796 thousand (€5,025 thousand as at 31 December, 2013), mainly comprising incentives provided by the GSE for the production of energy from renewable sources and contributions from sorted waste collection in the amount of 21,554 thousand euros (19,023 thousand euros as at 31 December 2013) mainly comprising the value of packaging (cardboard, iron, plastic and glass) transferred to the Conai consortia.

The item "Use and re-assessment of provisions" refers, in the amount of 5,231 thousand euros, to labour costs, percolate disposal and vehicle hours. The significant decrease is due to the choice of reporting only uses in "other operating revenues", while, in the interest of greater clarity, re-assessments for excess provisions were classified to correct their associated provisions (see note 8, *Amortizations and Provisions*).

La voce *Quote contributi in conto impianto* rappresenta il ricavo correlato alla quota di ammortamento relativa ai cespiti oggetto di contributi.

The item *Capital grant contributions* represents the proceeds from the amortization of the assets subject to contributions.

"*Other revenues*" include mainly cost recoveries in relation to environmental, electricity and gas services.

5 Use of raw materials and consumables

	2014	2013 as ajusted	Change
Electricity ready for sale	944,281	1,114,587	(170,306)
Methane ready for sale and LPG net of change in stocks	751,519	1,024,044	(272,524)
Maintenance materials net of changes in stocks	63,335	66,152	(2,816)
Electricity for industrial use	56,817	36,195	20,622
Water	40,510	41,152	(642)
White, green an grey certificates	33,480	19,274	14,206
Fuels and lubricants	17,110	17,575	(465)
Chemical products	13,579	13,836	(257)
Methane for industrial use	13,501	8,568	4,933
Charges and revenues from certificate valuation	11,574	(1,987)	13,561
Heat management combustible materials	4,360	5,763	(1,403)
Charges and revenues from derivatives	(811)	8,734	(9,546)
Consumables and sundry	16,206	13,877	2,329
Total	**1,965,461**	**2,367,770**	**(402,309)**

For an analysis of the costs of raw materials and consumables, please see the management report and the report by business area 1.02.

For the item *Charges and revenues from derivatives*, please see note 23 of the statement of financial position.

As for *Electricity earmarked for sale*, the decrease is attributable to a different classification of electricity transmission costs in 2014 (from Terna and Enel) which in 2013 amounted to 12,889 thousand euros.

In *Electricity for industrial use*, the increase is attributable to the consolidation of Amga Energia e Servizi Srl in the amount of 17,195 thousand euros.

The item *White, gray and green Certificates* includes the purchase cost of the various types of environmental certificates incurred during 2014. In particular:
• 30,739 thousand euros for white certificates (14,902 thousand euros in 2013);
• 1,091 thousand euros for gray certificates (3,013 thousand euros in 2013);
• 1,650 thousand euros for green certificates (1,359 thousand euros in 2013).

The change from the previous year was due to the different purchasing requirements in view of the Group's certificate needs.
"Charges and revenues from certificate valuation" reflect the valuation of certificates in stock, particularly:

- white, expenses of Euro 7 thousand (revenues of Euro 2,o32 thousand as at 31 December 2013)
- green, expenses of Euro 11,669 thousand (revenues of Euro 5,690 thousand as at 31 December 2013);
- grey, revenues of Euro 103 thousand (expenses of Euro 1.671 thousand as at 31 December 2011);

6 Service costs

	2014	2013 as ajusted	Change
Charges for w orks and maintenance	297,033	273,371	23,662
Transport and storage	274,715	214,866	59,849
Waste transport, disposal and collection service	246,076	224,107	21,969
Fees paid to local authorities	71,425	71,338	87
IT and data processing services	28,654	21,503	7,151
Rents and leases payable	28,286	29,597	(1,311)
Professionnal, legal, tax and organisational services	25,287	26,861	(1,574)
Insurances	21,002	21,683	(681)
Recruitement training and other staff cost	17,350	16,474	876
Technical services	16,654	16,711	(57)
Postal and telephone cost	16,212	16,854	(642)
Other commercial services	15,964	13,751	2,213
Bank fees and charges	14,009	13,047	962
Agency costs	12,167	12,172	(5)
Cleaning and security costs	7,663	7,795	(132)
Announcements and advertising	5,961	6,348	(387)
Remuneration to statutory auditors and directors	5,533	6,340	(807)
Meters reading	4,489	4,402	87
Laboratory analysis	4,056	4,332	(276)
Organisational costs	3,422	2,387	1,035
Fees payable	3,041	3,173	(132)
Utilities	2,091	2,529	(438)
Other service costs	22,519	19,677	2,842
Total	**1,143,609**	**1,029,318**	**114,291**

The item *Charges for works and maintenance* includes costs relating to the construction or improvement of infrastructure held in concession as per the interpretation of IFRIC 12 and the costs of maintaining the plants. The increase as compared to the previous period is mainly due to an increase in investment, as highlighted in the item *Long-term Contracts* in Note 4 “Other operating revenues.” For further information, refer to the detailed comments in the management report.

Transport and storage includes the costs of distributing, transporting and storing gas as well as electricity distribution. The increase is due to:

• a different classification of electricity transmission costs (Terna and Enel) under service provision as compared to the previous year, in the amount of 14,622 thousand euros (in relation to this see Note 5 *Raw materials and consumables*);

• the first-time consolidation of the company AMGA Energia e Servizi Srl (part of the AMGA Group), in the amount of 26,615 thousand euros.

In *Waste transport, collection and disposal services,* the increase is mainly due to the activation of additional services aimed at obtaining a higher percentage of recycling in addition to higher volumes disposed of.

Information services and data processing, show an increase due to:

- higher costs for information services provided by third parties as a result of the implementation of and compliance with new regulations governing the Group's transnational systems;
- an increase in the value of services earmarked for sale in the amount of approximately 2,400 thousand euros and costs for telephone services purchased by the subsidiary Acantho Spa from other operators due to higher revenues recorded in 2014 as compared to the year 2013.

The item *Other costs for services* includes miscellaneous costs such as the cost of the fee for using the production capacity of the Elettrogorizia plant (Tolling Fee) and fees for service contracts as well as ancillary and miscellaneous services.

7 Personnel costs

	2014	2013 as ajusted	Change
Wages and salaries	352,759	338,618	14,141
Social security contributions	114,840	110,487	4,353
Employee leaving indemnity and other benefits	1,368	1,440	(72)
Other costs	27,951	28,064	(113)
Total	**496,918**	**478,609**	**18,309**

The increase in labor costs of 18,309 thousand euros as compared to the previous financial year is mainly due to the consolidation of the Amga Group (12,170 thousand euros) in addition to the normal evolution of contractual dynamics.

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

	2014	2013	Change
Managers	152	153	(1)
Middle-management	477	446	31
Clerks	4,264	4,120	144
Blue-collar w orkers	3,399	3,428	(29)
Average number	**8,292**	**8,147**	**145**

Complessivamente, il costo del lavoro medio pro-capite nell’anno 2014 è risultato pari a 59,9 migliaia di euro (58,7 migliaia di euro nell’anno 2013).

Al 31 dicembre 2014 il numero effettivo dei dipendenti è pari a 8.419 unità (8.107 unità al 31 dicembre 2013), con un apporto complessivo netto di circa 319 unità derivante dal consolidamento di Gruppo Amga.

8 Amortisation, depreciation and provisions

	2014	2013 as ajusted	Change
Amortisation property,plant and equipment	166,136	162,964	3,172
Amortisation property investments	108	108	-
Amortisation intangible assets	165,304	147,757	17,547
Allowance for bad debts	65,509	61,208	4,301
Provisions for risks and charges	31,801	36,655	-4,854
Impairment of property, plant and equipment and intangibles	7,602	1,827	5,775
Releases from provisions	-9,894		-9,894
Total	**426,566**	**410,519**	**16,047**

For the composition of the items, please refer to the detailed reports and comments on *Fixed Assets, immaterial assets, commercial credits and Provisions for risks and charges* in the statement of financial position.

The increase in amortization of tangible fixed assets is related in part to the increased amount of waste disposed of and the consequent higher depreciation rate of the assets associated with the Group's landfills.

The higher amortization of intangible assets is related to the increase of the amortization of assets related to contracted public services provided on commissions and carried out in previous years. The acquisition of control over the Amga Group and "Ecoenergy" business unit also resulted in higher depreciation, for 10,623 thousand euros and 251 thousand euros respectively, in part as a result of the allocation of the higher values in purchase price allocation (mainly customer lists).

Another element of note is the decrease in *provisions for risks*, mainly due to a different accounting procedure adopted beginning this year in relation to the cost for leaks in the integrated water management service and the item *De-provisioning* , which includes the reporting, beginning in 2014, of the re-assessment in different funds in order to adjust the provisions (as of 31 December 2013, the value of this item amounted to 5,879 thousand euros). See Note 4 *Other operating income* and the item *Use and re-assessment of provisions*.

9 Other operating costs

	2014	2013 as ajusted	Change
Taxation other than income taxes	14,926	13,845	1,081
Landfill special tax	8,954	9,061	(107)
State rentals	6,615	6,284	331
Loss on disposal of assets	4,318	4,264	54
Membership and other fees	3,633	3,988	(355)
Bad debt expenses	1,435	929	506
Other minor charges	17,176	21,532	(4,356)
Total	**57,057**	**59,903**	**(2,846)**

Taxation other than income taxes mainly relates to taxes on buildings, stamp duties and registration fees and excise duties.

Special landfill levy refers to the relevant environmental tax for the period on landfills operated by the Group. The decrease is mainly attributable to the subsidiary Feronia Srl and reflects lower quantities of waste disposed of in landfills.

State rentals is mainly related to fees paid to the Emilia Romagna region and land reclamation consortia, increased primarily as a result of the consolidation of Isontina Reti Gas Spa.

"*Loss on disposal of assets*", arising mainly from the disposal of certain components of the WTE plants, following cyclical replacement.

The item *Other minor charges* mainly includes compensation for damages, fines, penalties and other non-recurring charges. The decrease is attributable to the inclusion of "non-recurring" costs in the 2013 financial year.

10 Capitalized costs

	2014	2013 as ajusted	Change
Increases in self-constructing asset	17,282	18,240	(958)
Total	**17,282**	**18,240**	**(958)**

Increases in self-constructed assets include mainly labour costs and other charges (such as materials and vehicle hours) directly attributable to the Group's self-constructed assets. The decrease was due to the decline in investments compared to 2013. For an analysis of investments, see the Management Report, section 1.01.02

11 Share of profits (losses) pertaining to associated companies

	2014	2013 as ajusted	Change
Share of profits pertaining to joint ventures	3,717	6,355	(2,638)
Share of losses pertaining to joint ventures	(59)		(59)
Share of net profit pertaining to joint ventures	**3,658**	**6,355**	**(2,697)**
Share of profits pertaining to associated companies	4,239	6,675	(2,436)
Share of losses pertaining to associated companies	(158)	(1,529)	1,371
Share of net profit pertaining to associated companies	**4,081**	**5,146**	**(1,065)**
Total	**7,739**	**11,501**	**(3,762)**

The item *Share of profits/losses of joint ventures and associated companies* includes the effects generated by the evaluation of the companies included in the consolidation carried out using the equity method.

The period of comparison was adjusted in accordance with accounting standard IFRS11, which introduced the net equity method of evaluation for companies under joint control as well. Please refer to the section *Summary of adjustments* in these notes for further detail.

Share of profit - joint venture relates to the companies:

- Enomondo Srl, 1,187 thousand euros (1,183 thousand euros in 2013);
- Estenergy Spa, 2,530 thousand euros (4,858 thousand euros in 2013);

The item *Share of profit in associated companies* relates mainly to:

- Aimag Spa, 1,672 thousand euros (2,908 thousand euros in 2013);
- Sgr Spa, 2,333 thousand euros (3,139 thousand euros in 2013);
- Tamarete Energia Srl in the amount of 155 thousand euros.

In the year 2013, the item *share of losses – associated companies* was primarily related to Tamarete Energie Srl in the amount of 1,107 thousand euros.

12 Financial income and expense

Financial income	2014	2013 as ajusted	Change
Interest rate and foreign exchange derivatives	106,403	30,075	76,328
Income from valuation at *fair value* of financial liabilities	13,710	55,042	(41,332)
Banks	9,303	8,060	1,243
Customers	7,047	6,035	1,012
Capital on equity, investment and dividends from other companies	3,257	3,702	(445)
Other financial income	5,169	6,462	(1,293)
Total	**144,889**	**109,376**	**35,513**

Financial expense	2014	2013 as ajusted	Change
Bonds	111,618	104,725	6,893
Charges from valuation at *fair value* of financial liabilities	65,436	-	65,436
Interest rate and foreign exchange derivatives	44,210	78,094	(33,884)
Loans	18,025	15,942	2,083
Discounting of provisions and financial leases	16,263	14,412	1,851
Charge from the valuation of financial liabilities at amortised cost	14,045	11,563	2,482
Factoring charging	12,903	17,132	(4,229)
Write-downs of financial assets	8,135	11,177	(3,042)
Overdrafts	3,107	7,440	(4,333)
Losses on disposals of investments	55	794	(739)
Other financial expense	5,013	4,659	354
Total	**298,810**	**265,938**	**32,872**

The change in financial income/(expense) is described, overall, in the Directors' Report.

For the item *Gains and losses on the fair value of interest rate derivatives and financial liabilities* please see note 23 of the statement of financial position.

Capital gains on investments and dividends from other companies can be broken down as follows:

- 138 thousand euros for dividends received from Service Imola Srl;
- 1,977 thousand euros for dividends received from Calenia Energia Spa;
- 414 thousand euros for dividends received from minor investments.
- 110 thousand euros for the proceeds of the sale of the company's investment in Carniacque Spa, acquired following the merger of AMGA Azienda Multiservizi Spa into Hera Spa.
- 617 thousand euros following the agreement between Hera Spa and CAFC Spa about the dispute regarding the sale price of the integrated water management business unit for the city of Udine sold by Amga Azienda Multiservizi Spa to Nau Srl,

For details on bonds subscribed, please refer to note 31 “*Banks and loans*”.

The item *Write-downs of financial assets* refers to:

- 2,110 thousand euro for the write-down of the residual value of the investment in Energia Italians Spa (holder of a 50% share of Tirreno Power SpA). In the second half of the previous financial year, in view of the negative performance of Tirreno Power SpA, which operates in the electricity generation sector, Energy Italiana Spa had annulled the carrying value of the affiliate, resulting in a reduction of share capital due to losses. The carrying value of the share that continued to be recorded after the write-down represented the proportion of its net equity made up of credits owed to Energia Italiana by the company Sorgenia Spa that holds a 78% share in it.
  However, due to the significant financial difficulties affecting Sorgenia Spa, which led to a debt restructuring and reorganization of the corporate structure, we strongly believe that the possibility of recovering the amount due to Energia Italiana Spa in the foreseeable future is highly unlikely and so the company effectively has no value.
- 4,808 thousand euros to Tamarete Energia Srl and 868 thousand euros to Oikothen Scarl in liquidation, both associates of Hera Spa, occurred following assessments resulting from the future prospects of the company and losses that were effectively accounted for.
- 17 thousand euros for AcegasApsAmga’s equity investment in Energeica Srl.
- 331 thousand euros for the capital loss to Sinergie as a result of the sale of its equity investment in Aristea Sinergie Illuminazione to Hera Luce.

Financial expenses from factoring refers to borrowing costs relaed to the sale of loans in order to optimize the management of the Group’s working capital.
Capital losses from equity investments primarily refers to the discontinued company FlameEnergy Trading Gmbh.

The item “Discounting of provisions and finance leases” is broken down as follows:

	2014	2013	Change
Post-closure landfill	7,383	6,773	610
Restoration of third-party assets	4,354	3,223	1,131
Employee leaving indemnity and other benefits	3,240	3,439	(199)
Finance leases	1,143	838	306
Plants dismantling	143	140	3
Total	**16,263**	**14,412**	**1,851**

For the item *Other financial expenses* , the main amounts derive from Hera Spa in the amount of 1,489 thousand Euros, Hera Comm Srl in the amount of 1,667 thousand Euros, Hera Trading Srl in the amount of 689 thousand euros and AcegasApsAmga Spa in the amount of 583 thousand euro.

13 Other non-operating revenues

	2014	2013	Change
Other non-recurring non-operating income		45,225	(45,225)
Total	**-**	**45,225**	**(45,225)**

This item includes all potential income produced by the comparison between the transferred amount and the fair value of net assets acquired as part of business combinations of companies and business units.
As of 31 December 2013, the balance was related to the acquisition of Gruppo AcegasAps for 43,540 thousand euros and Est Reti Elettriche for 1,266 thousand Euros, Tamarete Srl for 414 thousand euros, Isontina Reti Gas for 5 thousand euros.

14 Income taxes for the year

This item is made up as follows:

	2014	2013as ajusted	Change
Current taxes (Ires, Irap and substitute tax)	112,696	125,123	(12,427)
Deferrred tax	(21,673)	(1,108)	(20,565)
Prepaid taxes	21,632	(5,899)	27,531
Total	**112,655**	**118,116**	**(5,461)**

The tax burden for the year 2014 amounted to 112,655 thousand Euros, compared to 118,116 thousand Euros for the previous year, which translates into a 38.2% impact on profit before taxes. At 31 December 2013, the impact on profit before taxes, net of "Other non-operating income", was 46.4%.

Income taxes include positive effects in the amount of 9,266 thousand Euros related to the exemption, through a substitute tax, from the higher amounts recorded in the financial statement, as a result of extraordinary operations pursuant to and for the purposes of Article.176, paragraph 2-ter of the TUIR. In particular, the higher values of the assets of former AMGA were redeemed for a total value of 57.1 million Euros, with the consequent reporting of a substitute tax in the amount of 8,838 thousand Euros and the write-off of deferred tax liabilities reported in the amount of 18,104 thousand Euros. Depreciation expenses for most valuable assets involved in the transaction will therefore be deductible beginning in the 2015 financial year.

Lastly, it should be noted that, with reference to the ruling of the Constitutional Court no. 10 of 11 February 2015 that declared the IRES surcharge (so-called "Robin Tax") to be unconstitutional, taking effect beginning 12 February 2015 (the day following the publication of the ruling in the Gazzetta Ufficiale della Repubblica), the Group has applied the surcharge in calculating the current taxes of companies operating in the energy sector in view of the fact that the 2014 tax year had already concluded when the ruling took effect. In assessing pre-paid and deferred tax assets, on the contrary, the Group's energy companies did not take into account the IRES surcharge, given that the reversal effects on tax charges will emerge in subsequent years. This resulted in an overall positive effect of 115 thousand Euros.

Current taxes are broken down as follows:

Current taxes	2014	2013as ajusted	Change
Ires	63,144	78,208	(15,064)
Irap	40,130	39,365	765
Substitute tax	9,381	543	8,838
Total	**112,655**	**118,116**	**(5,461)**

The statutory tax rate determined on the basis of the configuration of taxable income for the purposes of IRES is equal to 27.50%; the reconciliation with the effective rate is shown below.

Reconciliation between statutory and effective tax rate	2014		2013*as ajusted*	
	Income statement amount	Effect in percentage	Income statement amount	Effect in percentage
Pre-tax profit	295,062		299,824	
IRES				
Ordinary rate	-81,142	-1.9%	-82,452	#DIV/0!
Robin Tax surcharge	-6,021	-0.1%	-8,327	#DIV/0!
IRAP deductions	6,470	0.2%	5,587	#DIV/0!
Participation exemptions and investment impairments	-3,184	-0.1%	-2,428	#DIV/0!
Dividends	-334	0.0%	-1,927	#DIV/0!
Goodw ill amortisation	960	0.0%	979	#DIV/0!
Car expenses	-896	0.0%		
Ires previous years	3,606	0.1%	1,299	#DIV/0!
Gains on bargain purchases			12,437	#DIV/0!
Other increases/decreases	-701	0.0%	-2,093	#DIV/0!
IRAP and other current taxes				
Irap	-40,130	-1.0%	-39,365	#DIV/0!
Franked investment income	8,723	0.2%	-543	#DIV/0!
Tax rate differences for current foreign taxes	-6	0.0%	-1,283	#DIV/0!
Effective rate	**-112,655**	**-2.6%**	**-118,116**	**#DIV/0!**

This reconciliation is performed only in connection with the corporate income tax (IRES), given that the particular rules governing the regional business tax (IRAP), reconciliation between the statutory tax rate and the effective tax rate is not meaningful.

The item "Exemption" includes the substitute tax reported in the financial period and the release of deferred tax liabilities carried forward in connection with the exemption operation of the 2014 financial year, as well as the release of the share of substitute tax relating to operations carried out in previous financial years.

The prepaid and deferred taxes relating to the year 2014 refer to the following variations between taxable income and profit recorded in the financial statements.

Deferred tax assets	2014			2013*as ajusted*		
	Temporary differences	Tax effect (IRES + IRAP)	acquisitions / disposals	Temporary differences	Tax effect (IRES + IRAP)	acquisitions / disposals
Deferred tax assets with effects on the income statement and on the statement of comprehensive income:						
Allowance for bad debt	53,676	14,761		134,903	42,284	
Provisions for risks and charges	129,750	32,289		120,847	29,261	
Provisions for employee benefits	16,163	5,053		4,862	1,346	
Depreciation and amortisation	216,826	60,984		173,834	49,154	
Non-controlling interests	36,660	11,593		36,660	12,199	
Tax loss carry forward	10,829	2,978		15,080	4,147	
cash flow hedge	3,070	844		6,835	1,901	
Other	28,042	6,520		25,365	5,348	
Total tax effect	**495,016**	**135,022**	**9,277**	**518,386**	**145,640**	**14,365**
Amount credited (charged) to the income statement		**(21,631)**			**5,899**	
Amount credited (charged) to the statement of comprehensive icome		**1,736**			**(1,612)**	

Deferrred tax liabilities	2014			2013*as ajusted*		
	Temporary differences	Tax effect (IRES + IRAP)	acquisitions / disposals	Temporary differences	Tax effect (IRES + IRAP)	acquisitions / disposals
Deferred tax assets with effects on the income statement and on the statement of comprehensive income:						
Provisions for risks and charges	59,088	18,669		60,922	19,244	
Provisions for employee benefits	4,573	788		3,417	948	
Amortisation and depreciation (FTA - fair value as deemed cost)	167,938	53,958		136,155	44,599	
Leases	8,135	2,617		9,482	2,968	
Capital gains recognized on installments	1,418	390		1,110	300	
Other	28,883	8,435		21,171	6,441	
Total tax effect	**270,035**	**84,857**	**32,223**	**232,257**	**74,500**	**1,774**
Amount credited (charged) to the income statement		**21,673**			**1,112**	
Amount credited (charged) to the statement of comprehensive icome		**193**			**1,493**	

In determining tax rates for the period, the Group took into consideration the effects of the IAS/IFRS tax reform introduced by law no. 244 of 24 December 2007, and the relevant implementation decreed –Ministerial Decree no. 48 of 1 April 2009 and Ministerial Decree 8 June 2011, to coordinate IFRSs with the rules to determine the taxable base for IRES and IRAP purposes, as per article 4, paragraph 7-quarter,of Legislative Decree 38/2005. In particular, the reinforced derivation principle of article 83 of the Consolidated Tax Act (TUIR) was applied, which calls for entities that use IFRSs to use, including in a departure from the provisions of the TUIR, "the criteria for the determination, recognition and classification in the financial statements provided for by said accounting standards"

Information on the "tax moratorium"

The appeal filed by Hera Spa aimed at obtaining the interest charged by the tax authorities in relation to the years under examination (1998 and 1999) was granted by the Provincial Tax Commission of Bologna. However, in its ruling, the Commission only liquidated the higher interest unduly paid for the year 1998, failing to specify this difference for 1999, in the amount of 1,412 thousand Euros. On the basis of this factual error, a request to correct this ruling was filed on 10 January 2014. At the hearing held on 17 March 2014, the Commission granted this request for correction, indicating in addition the amount of interest to be returned with reference to the 1999 assessment: the interest therefore totaled 2,707 thousand Euros. It should be noted that, on 19 March 2014, the Office notified Hera Spa of an appeal for the partial reform of said judgment. On 20 March 2014, the Company therefore filed a counter-appeal in which it was also proposed a cross appeal against this ruling. The hearing was scheduled for 24 September 2014 and the Regional Tax Commission of Bologna rejected the request to suspend the provisional execution of the ruling promoted by the Office. The next step is therefore the scheduling of the final hearing, which should at any rate be held before the end of 2015.
Apart from the above, aimed exclusively at recovering the amounts already paid, the entire "tax moratorium" matter should be considered closed, as future disbursements with a financial impact on the Group accounts are not expected.

Report on the assessment notices issued in 2010: management fee Ferrara and Forlì-Cesena

On 29 December 2010 Hera S.p.A. received three assessment notices for IRES, IRAP and VAT, following a tax audit focusing on the same year, which ended with a tax audit report by the Finance Police, Bologna's tax police unit, dated 1 October 2010.The tax audit report brought to light findings related to intercompany services (general management expenses and expenses related to use of the trademark) provided by Hera S.p.A., in its capacity as parent company of the Hera Group, to the operating subsidiary of Forlì-Cesena, Hera Forlì-Cesena S.R.L. On 18 February 2011, tax settlement proposals were submitted to the Emilia Romagna Regional Management, Large Taxpayers Office, pursuant to art. 6, subsection 2, of Legislative Decree n. 218 of 1997, which concluded negatively for the company. Therefore, on 20 May 2011, the related appeals were submitted to the Provincial Tax Commission of Bologna. Following said appeals presented by the company, the Tax Authorities, by means of act notified on 17 August 2011, partially cancelled, under the appeal process, the payment orders already issued in respect of the IRES component regarding royalties for use of the trademark, and for the entire recovery effected for VAT purposes. Pending the tax proceedings, the company was notified of a tax payment request on 4 January 2012, for the provisional recording of Euro 653 thousand, which the company paid on 29 February 2012.The hearing was held before the Provincial Tax Commission of Bologna on 19 September 2012. The decisions, which were all entered on 31 October 2012, are all in favour of the Company, for IRES, IRAP and VAT purposes. Following these decisions, on 19 November 2012, the General Directorate of the Revenue Agency for Emilia Romagna notified the company about the cancellation of the entries made while a decision was pending. In December 2012, the Company received a refund of the sum disbursed when the original entries were made. On 29 April 2013, there was notification of the appeals by the Regional Tax Office against the first instance rulings, and on 26 June 2013 the Company filed counterclaims and acts of formal appeal. It is possible that the appeal hearings will be scheduled to take place before the end of 2015.

In relation to this dispute, which presently is worth a total of 1,598 thousand Euros, having consulted with the Group lawyers as well, it was decided that there is no need to proceed with any provision to the risks fund, as the alleged violations are considered unfounded.

Disclosure of tax audits for the years 2012 and 2013

Hera Spa

On 20 December 2013 the Company was notified by Emilia Romagna Regional Management of assessment notices for the 2008 tax year, in relation to which was contested the deduction of VAT for operations relating to the construction, renovation and enhancement of the cogeneration plants at the rate of 20% instead of 10%, for a total value of approximately 1 million Euros. The Company filed an appeal on 7 February 2014 and through the presidential decrees of 26 February 2014 the contested acts were provisionally suspended until the hearing of 20 May 2014. The CTP of Bologna, through a decree dated 21 May 2014, confirmed the stay of execution on the acts contested by the Company. The rulings, filed on 29 October 2014, are all in favor of the Company. Therefore, in relation to this dispute, having consulted with the Group lawyers as well, it was decided that there is no need to proceed with any provision to the risks fund, as the alleged violations are considered unfounded.

Disclosure of tax audits for the year 2014

With reference to the company Amga Energia and Servizi Srl a Socio Unico, a subsidiary of AMGA, incorporated by Hera Spa, on 1 July 2014, an IRES assessment notice was served for the year 2009 based on an alleged violation of the matching system of accounting for losses on bad debts. The tax settlement request is being filed in order to take advantage of the compensation with the correct year for the deduction of costs.

Disclosure of ICI assessment notices served to Herambiente in 2012

On 24 April 2012 Herambiente was notified of an assessment notice by the municipality of Ferrara for failure to report and non-payment of ICI for the 2009 tax year with regard to the Ferrara incinerator. The established amount, including penalties and interest, amounts to 718 thousand Euros. On 7 January 2014 it was served with the associated payment order, amounting to 766 thousand euros, while on 21 January 2014 it was notified that the entry of the assessment notice had been suspended. On 24 April 2012, Hera Spa received notification of two assessments, once again from the municipality of Ferrara, for failure to report and non-payment of ICI relating to the tax years 2008 and 2009, with reference once again to the incinerator in Ferrara. The established amount, including penalties and interest, amounted to 1,461 and 723 thousand Euros respectively. On 7 January 2014, the company was served with the associated payment order, amounting to 2,332 thousand Euros and on 21 January 2014 it was notified that measures had been taken to suspend the entry of the assessments. The notices of assessment, all challenged by the appeal filed 23 July 2012, resulting from the land registry reclassification initiated in late 2001 by the Ferrara Territorial Agency which had carried out a reclassification for the incinerator of Ferrara from E9 - exempt from taxation for properties "with the purpose of meeting particular public needs and/or serving the public interest" as proposed by the Company, to category D1, "Industrial Factories", resulting in an amount due in terms of municipal property tax (now IMU) for the contested properties. The rulings, filed on 15 December 2014, were all favorable to the Company.

Therefore, the company has decided it was not necessary to proceed with any risk fund provisions for the disputes in question, as the alleged violations are considered unfounded.

Herambiente Spa

On 7 March 2012, an audit was initiated at Herambiente by the Revenue Agency - Emilia Romagna Regional Department - Large Taxpayers Office. The audit covered the 2009 fiscal year and focused mainly on the amount the company owed in relation to the IRAP subsidy as per nos. 2), 3) and 4) of paragraph 1, letter a) of article 11 of Legislative Decree no. 446/97, the so-called "tax wedge". On 22 May 2012 the formal notice of assessment was received, after which the company, on 19 July 2012, presented defensive comments contesting the entire content of the notice in question. On 21 and 22 October 2014 it was served with the associated assessment notices, against which the company appealed. The presidential request for a stay of execution was granted, but the Company provisionally paid a third of the tax assessment for the tax wedge on 24 December 2014, in the amount of EUR 100,529.13.

On 12 November 2014 a further tax audit was launched in relation to IRAP for 2010 and 2011, focused on the amount the company owed in relation to the IRAP subsidy as per nos. 2), 3) and 4) of paragraph 1, letter a) of art. 11 of Legislative Decree no. 446/97, the so-called "Tax wedge, and, for 2011, the incorrect application of IRAP given that, according to the interpretation the office presented, that company had not applied the 4.20% rate relative to the concessionary companies. On 24 January 2015 comments were submitted on the tax assessment report.

The company decided it was not necessary to proceed with any risk fund provisions for the disputes in question, as the alleged violations are considered unfounded.

Hera Trading Srl

On 12 June 2012 an audit was initiated at Hera Trading Srl conducted by the Revenue Agency- Emilia Romagna Regional Department - Large Taxpayers Office. The audit covered the 2009 tax period and the tax periods before and after this period for any possible effects arising from transactions related to these annuities. The assessors paid particular attention to the VAT treatment the Company reserved for commodity derivatives and their associated indexes, with particular reference to the categorization of these operations as "exempt" from VAT pursuant to art. 10, paragraph 1, point n. 4) of Presidential Decree 633/72 and the consequent application of the pro-rata of deductibility of art. 19, paragraph 5, of Presidential Decree 633/72. In particular, the office's objection centers on the qualification of the indicated derivative transactions as exempt from the calculation of the pro-rata of VAT deductibility on the basis of their being operations that are undoubtedly "incidental" to the taxable transactions relating to wholesale electricity and natural gas sales activities. The related report was presented on 12 July 2012, after which the company presented its comments in defense on 11 September 2012, and further supplementary statements on 30 June 2014, contesting the entire content of the notice.

The Office then invited the Company to attend the discussion of the case on 19 December 2014, following which it received two acceptance of tax settlement documents thoroughly outlining all the matters involved:
- one, concerning IRAP and VAT for 2009, that asserted the claim related to IRAP about the non-reporting of non-operating income in the amount of EUR 36,497.00; in contrast, the VAT-related claim for non-application of the pro-rata of deductibility appears to have been significantly reduced (establishing that the non-deductible VAT on costs incurred for both the exempt and taxable activity in the amount of EUR 149,180.00);
- The other, concerning IRES for 2009, asserted the IRES-related claim already contained in the PVC about the non-reporting of non-operating income amounting to EUR 208,232.00, yet allowing that this be deducted in the 2914 financial year of the effective accounting of this amount, seeing as the company is only impacted by a penalty in the amount of EUR 81,576.00

A further object of examination and subsequent discussion was the application of the increased IRAP rate for the production and distribution of electricity, gas and heat as per article 1 of Emilia Romagna Regional Law no.19/2006. In this regard, the tax authorities sent the company the following in relation to the tax periods in question.

- 2008: On 3 February 2012, a payment order for a total of EUR126,624.91, which the company appealed. The hearing on the merits of the case was held on 15 May 2013. The ruling, handed down on June 20, 2013, was unfavorable; the amount was then paid and, simultaneously, an appealed was filed on 31 January 2014.
- 2009: On 10 October 2012 a notice of irregularity for € 282,385.05, against which an appeal was filed on 7 December 2012. The Bologna CTP handed down its ruling on 28 May 2014, in which it ruled against the company's appeal; a counter-appeal was filed on 8 January 2015. On 13 May 2013, the payment order was delivered, including penalties and interest, in the amount of EUR376,353.23, against which an appeal was filed on 5 July 2013 before the CTP of Bologna and Trieste. On 25 November 2013, the amount was paid in that, in the meantime, the stay of execution request that had been initially granted was not confirmed. The date for the appeal hearing has not yet been scheduled.
- 2007: On 28 December 2012, following the notice contained in the above-mentioned tax assessment report, an assessment notice was delivered for EUR 110,246.47, against which the Company filed an appeal on 26 February 2013. Through its decree of 27 June 2013, the CTP of Bologna rejected the stay of execution request and the Company provisionally paid a third of the tax and interest amount due. The CTP Bologna handed down a ruling on 22 July 2014, unfavorable to the Company; the terms for bringing an appeal are pending.

The company, having consulted with its lawyers as well, decided that there is no need to proceed with any risk fund provision for the disputes in question.

Hera Comm Srl

With regard to the application of the increased IRAP rate for the production and distribution of electricity, gas and heat as per article 1 of Emilia Romagna Regional Law no.19/2006, the tax authorities sent the company the following in relation to the tax periods in question:

- 2008: On 13 March 2012, a payment order for a total of EUR 126,940.20, against which the Company filed an appeal. The hearing for the stay of execution of the act took place 16 January 2013 (the company paid the amount in arrears), while the hearing on the merits of the case was held 15 May 2013. The ruling, handed down on 20 June 2013, was unfavorable. An appeal was filed on 31 January 2014.

- 2009: On 11 October 2012, communication of irregularities in the amount of € 376,174.78 ,against which an appeal was presented 7 December 2012. On 19 April 2013 the payment order was received, including penalties and interest, for EUR 485,807.67, against which the Company filed an appeal on May 3, 2013. On 4 April the discussion hearing was held and on 28 May 2014 the ruling was handed down, which was unfavorable to the company, which proceeded to pay the payment order. An appeal was then filed on 8 January 2015.
- 2010: communication of irregularities in the amount of Euro 564,338.19, against which the Company filed an appeal on 19 July 2013. The CTP of Bologna handed down its ruling on 2 February 2015, unfavorable to the Company. The terms for filing an possible appeal are pending. On 31 March 2014 a payment order was served for € 713,478.01, including penalties and interest, against which an appeal was filed on 16 May 2014. On 30 May 2014, a stay of execution was granted until 16 June 2014. On 17 June 2014, the stay of execution was rejected by order of the Commission of Bologna, and the company thus proceeded to pay the payment order in question.

The company, having consulted with its lawyers as well, decided not proceed with any risk fund provision for the disputes in question.

On 12 March 2013 a tax audit for the purposes of IRES, IRAP and VAT was initiated at Hera Comm Srl, conducted by the Guardia di Finanza – Bologna Tax Police Unit. On 13 June 2013 the tax assessment report was delivered, which appears to be focused exclusively on the area of sales of receivables without recourse and credit losses. In particular, in relation to one of the above-mentioned contracts, it was found that the accrual of a share of credit losses amounting to 638 thousand euro had been deferred, resulting in higher IRES and Robin tax rates in the amount of 211 thousand euros. On 13 June 2013 the tax assessment report was presented; on 28 October 2014 the associated assessment notices were served, which were settled on 22 December 2014 through the payment of a total of € 357,538.17. An reimbursement request is being prepared the IRES and Robin taxes amounting to EUR 277,621.67, due to the proven deferral of loan loss accruals.

The Group has decided not to proceed with any risk fund provisions for the disputes in question, considering the alleged violations to be unfounded.

15 Earnings per share

thousands of euros	*2014*	*2013*
Profit (loss) for the year attributable to holders of ordinary shares of the Parent Company (A)	164,772	164,934
Interest expenses relating to the liability component of convertible bonds		1,824
Adjusted profit (loss) for the year attributable to holders of ordinary shares of the Parent Company (B)	164,772	166,758
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
- basic (C)	1,441,419,249	1,349,443,805
- diluted (D)	1,441,419,249	1,411,280,502
Earnings (loss) per share (euro)		
- basic (A/C)	**0.114**	**0.122**
- diluted (B/D)	**0.114**	**0.116**

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share take account of the convertible bond which came to maturity on 1 October 2013, when its full amount was reimbursed to the bondholders.

As of this writing, the share capital of the parent company, Hera S.p.A., consisted of 1,489,538,745 ordinary shares, compared to 1,421,342,617 ordinary shares at 31 December 2013, which were used in determining basic and diluted earnings per share.

16 Property, plant and equipment

	31-dic-14	including assets held on the basis of lease finance arrangments	31December 2013*as adjusted*	including assets held on the basis of lease finance arrangments	Change
Land and buildings	558,263	17,206	535,073	4,156	23,190
Plants and machinery	1,307,533	17,374	1,345,389	16,228	(37,856)
Other moveable assets	117,081	887	116,519	1,456	562
Assets under construction and advance payments	80,821	-	108,000	-	(27,179)
Total	**2,063,698**	**35,467**	**2,104,981**	**21,840**	**(41,283)**

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	Change in the scope of consolidation	IFRS 5	Impairments	Other changes	Net closing balance	of which gross final amount	of which amortisation provision
31December 2013*as adjusted*											
Land and buildings	420,337	15,271	(273)	(14,523)	70,784	10,531	-	32,946	535,073	659,171	(124,098)
Plants and machinery	1,248,565	43,134	(2,744)	(119,187)	120,200	323	-	55,098	1,345,389	2,347,102	(1,001,713)
Other moveable assets	105,374	16,876	(1,712)	(29,254)	17,697	-	-	7,538	116,519	404,728	(288,209)
Asset under construction and advance payments	148,629	47,063	(1,771)	-	7,404	-	-	(93,325)	108,000	108,000	
	1,922,905	**122,344**	**(6,500)**	**(162,964)**	**216,085**	**10,854**	**-**	**2,257**	**2,104,981**	**3,519,001**	**(1,414,020)**
31-dic-14											
Land and buildings	535,073	19,355	(2,008)	(15,599)	9,459	-	(111)	12,094	558,263	703,062	(144,799)
Plants and machinery	1,345,389	47,564	(2,352)	(122,456)	5,276	(601)	(3,880)	38,593	1,307,533	2,433,260	(1,125,727)
Other moveable assets	116,519	22,039	(2,444)	(28,080)	2,545	-	(29)	6,531	117,081	412,749	(295,668)
Asset under construction and advance payments	108,000	37,067	(1,301)	-	1,872	-	(485)	(64,332)	80,821	80,821	
	2,104,981	**126,025**	**(8,105)**	**(166,135)**	**19,152**	**(601)**	**(4,505)**	**(7,114)**	**2,063,698**	**3,629,892**	**(1,566,194)**

"*Land and buildings*", totalling €558,263 thousand, consisted of €112,341 thousand in land and buildings and €445,922 thousand in building. In relation to land, these are mainly company-owned properties on which the majority of the sites and production plants stand.

"*Plant and machinery*", amounting to € 1,307,533 thousand, is made up mainly of distribution networks and plants relating to *business* not falling within the scope of the concession system and, therefore: district heating, electricity in the Modena area, waste disposal, waste treatment, purification and composting, material recovery and chemical-physical treatment, anaerobic digesters, and special waste treatment plants.

"*Other moveable assets*", equal to €117, 081 thousand, include the equipment, waste disposal bins for €76,268 thousand, furniture and fittings for €4,646 thousand, electronic machines for €8,157 thousand and vehicles and cars for €28,100 thousand

"*Assets under construction and advance payments*", amounting to €80,821, include mainly investment for development of district heating and electricity distribution and periodic replacement of waste-to-energy plant components.

The amounts shown in the column *Change in the scope of consolidation*, with a net value of 19,152 thousand Euros, refer primarily to the entry of the Amga Group into the scope of consolidation, in addition to the takeover and subsequent merger of Isontina Reti Gas Spa, as illustrated in the section *Change in the scope of consolidation* in these notes.

The amounts shown in the column *IFRS 5* are related to the reclassification to 601 thousand euros from tangible fixed assets to "Non-current assets earmarked for sale", referring to treatment plants and taking over the property of AcegasApsAmga Spa.

4,020 thousand euros of *Devaluations* refer to the Ponte San Nicolo landfill assets following the abandonment of the plan to exploit it, in addition to 485 thousand euros related to the devaluation of construction work on the 3rd line of the Modena WTE.

Other changes mainly covers the in-progress reclassification of fixed assets to the specific categories for assets brought into operation during the financial year and the in-progress reclassification of fixed assets from inventories of plant components to be sold to third parties in the amount of 9,567 thousand Euros (please see Note 24 for further information). This item also includes adjustments to the closure and post-closure costs estimated during the implementation or expansion of landfills that are still being used for the 2014 year, totaling 3,439 thousand Euros.

For a more accurate analysis of investments in the period, please see the Directors' Report, paragraph 1.01.02.

17 Intangible assets

	31-dic-14	31December 2013as adjusted	Change
Industrial patents and intellectual property rights	47,916	37,217	10,699
Concessions, licences, trademarks and similar rights	110,658	114,864	(4,206)
Public services under concession	2,370,220	2,138,814	231,406
Intangible assets under construction and advance payments for public services under concession	134,450	143,526	(9,076)
Work in progress and advance payments	54,159	48,373	5,786
Other	79,644	47,168	32,476
Total	**2,797,047**	**2,529,962**	**267,085**

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	Change in the scope of consolidation	Impairments	Other changes	Net closing balance	of which gross final amount	of which amortisation provision
31December 2013 as adjusted										
Industrial patents and intellectual property rights	29,569	4,982	(36)	(17,849)	(48)	-	20,599	37,217	237,896	(200,679)
Concessions, licences, trademarks and similar rights	46,926	379	-	(12,876)	95,486	-	(15,051)	114,864	371,484	(256,620)
Public services under concession	1,530,864	97,438	(564)	(109,185)	447,084	-	173,177	2,138,814	3,180,103	(1,041,289)
Intangible assets under construction and advance payments for public services under concession	170,501	62,452	-	-	70,066	-	(159,493)	143,526	143,526	-
Work in progress and advance payments	38,594	21,817	(11)	-	4,342	-	(16,369)	48,373	48,373	-
Other	39,512	3,304	(335)	(7,847)	19,053	(1,827)	(4,692)	47,168	118,293	(71,125)
	1,855,966	**190,372**	**(946)**	**(147,757)**	**635,983**	**(1,827)**	**(1,829)**	**2,529,962**	**4,099,675**	**(1,569,713)**
31-dic-14										
Industrial patents and intellectual property rights	37,217	6,287	(10)	(18,944)	2,006		21,360	47,916	271,278	(223,362)
Concessions, licences, trademarks and similar rights	114,864	871	-	(13,361)	5,586		2,698	110,658	380,280	(269,622)
Public services under concession	2,138,814	102,173	(759)	(123,748)	164,288		89,452	2,370,220	3,645,343	(1,275,123)
Intangible assets under construction and advance payments for public services under concession	143,526	79,261	-				(88,337)	134,450	134,450	
Work in progress and advance payments	48,373	28,258	-		374		(22,846)	54,159	54,159	
Other	47,168	2,634	8	(9,250)	44,425	(3,097)	(2,244)	79,644	158,087	(78,443)
	2,529,962	**219,484**	**(761)**	**(165,303)**	**216,679**	**(3,097)**	**83**	**2,797,047**	**4,643,597**	**(1,846,550)**

Industrial patents rights and know-how, in the amount of 47,916 thousand euros mainly refers to costs incurred in purchasing and implementing corporate information systems and related applications.

Concessions, licences, trademarks and similar rights, amounting to 110,658 thousand euros primarily comprises the value of the rights relating to the activities of gas distribution and integrated water management, classified as intangible assets even before the IFRIC 12 - service agreements interpretation was first applied.

Public services under concession, amounting to 2,370,220 thousand euros, consists of the goods related to the activities of gas and electricity distribution (in the Imola area), integrated water management and public lighting 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 interpretation 12.

Intangible assets under construction and advance payments for public services under concession, amounting to 134,450 thousand euros, refers to investments related to the these same contracts that have yet to be concluded at year-end

Work in progress and advance payments, amounting to 54,159 thousand euros, mainly consists of IT projects that have yet to be completed.

The item *Other*, amounting to 79,644 thousand euros, refers mainly to use rights for networks and infrastructures for the passage and laying down of telecommunication networks, to multi-year contractual rights and customer lists acquired through business combinations. The devaluation, amounting to 3,097 thousand euros, refers to the electricity right of withdrawal exercised by the subsidiary Hera Comm Srl, in relation to the Sparanise plant, owned by the affiliate Calenia, as a result of the impairment testing that has been carried out.

Other changes include the reclassifications of the assets under construction to the specific categories once these have entered service during the year and other reclassifications to property, plant and equipment.

The amounts shown in the column *Change in the scope of consolidation*, especially with reference to public services provided under contract and associated in-progress projects, are related to the entrance of the AMGA Group as well as the acquisition of control over the company Isontina Reti Gas. The values shown under *Other* also include the valorization of customer lists originating from the acquisition of the Amga Group, the Fucino Gas Srl companies and the "Ecoenergy" business unit as illustrated in the section *Change in the scope of consolidation* contained in these notes.

For a more accurate analysis of investments in the period, please see the Directors’ Report, paragraph 1.01.02.

18 Investment property

	31-dic-14	31December 2013 as adjusted	Change
Property investments	3,737	2,999	738
Total	**3,737**	**2,999**	**738**

Investment property showed the following changes

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Change in the scope of consolidation	Other changes	Net closing balance	of which gross final amount	of which amortisation provision
31December 2013 as adjusted									
Property investments	-	-	-	(108)	3,107	-	2,999	3,754	755
	-	**-**	**-**	**(108)**	**3,107**	**-**	**2,999**	**3,754**	**755**
31-Dec-14									
Property investments	2,999			(108)	846	-	3,737	4,602	(865)
	2,999	**-**	**-**	**(108)**	**846**	**-**	**3,737**	**4,602**	**(865)**

Real estate Investments consist of business properties located within the "Modello" building in Trieste as well as some apartments owned and leased out. The *Change in the scope of consolidation* refers entirely to the entrance of the AMGA Group.

19 Goodwill

	31-dic-14	31-dic-13	Change
Goodwill	323,604	323,604	-
Goodwill arising on consolidation	54,960	54,960	-
Total	**378,564**	**378,564**	**-**

The item Goodwill derives primarily from the following transactions:
• the integration operation that gave rise to Hera Spa in 2002, 81,258 thousand euros;
• the acquisition of control over Agea SpA by merger, effective 1 January 2004, 41,659 thousand euros;
• the acquisition of control over the Meta Group which took place at the end of 2005, following the merger of Meta SpA into Hera SpA, 117,686 thousand euros;
• the integration of Geat Distribuzione Gas into Hera Spa with effect 1 January 2006, 11,670 thousand euros;
• the acquisition of control over Sat Spa, by merger into Hera SpA, which took effect 1 January 2008, 54,883 thousand euros.

Goodwill arising on consolidation was due mainly to the following companies consolidated on a line by line basis:

- Marche Multiservizi S.p.A., Euro 20,790 thousand;
- Hera Comm Marche S.R.L., Euro 4,565 thousand;
- Medea S.p.A., Euro 3,069 thousand;
- Asa Scpa, Euro 2,789 thousand;
- Hera Luce S.R.L., Euro 2,328 thousand;
- Gastecnica Galliera S.R.L., Euro 2,140 thousand;

The balance of goodwill and goodwill arising on consolidation refer to minor transactions.

As required by the reference accounting standards (IAS 36) goodwill undergoes *impairment* testing. The following table shows the allocation of this item to the *cash generating unit* or group of units in accordance with the maximum aggregation limits that may not exceed the business segment identified, as per IFRS 8.

Goodwill *(millions of euros)*	
Gas	107.5
Electricity	43.1
Integrated ater cycle	41.2
Environment	175.0
Other services	8.2
Structure	3.6
Total	**378.6**

The impairment test was applied to the following cash-generating units (CGU): gas, electricity, integrated water management, the environment and other services (Public lighting and telecommunications) that are consistent with the business areas used for internal periodic reporting and with the sector-based reporting in the annual financial report in accordance with the provisions of IFRS 8 - operating areas.

The recoverable amount of the CGU for which individual goodwill amounts have been allocated was verified by determining the value in use, which is the current value of operating cash flows (duly discounted according to the dcf - discounted cash flow method) resulting from the 2014 - 2018 business plan approved by the Board of Directors of the parent company at its meeting of 1 October 2014.
In relation to this, it should be noted that the Group has implemented a structured process for preparing and reviewing the business plan, which involves formulating the Plan on an annual basis according to an external context scenario that

takes into account the market trends and rules for regulated businesses, with the support of all the business units and following a "bottom-up" logic.

Specifically, assumptions were implemented in developing the 2014-2018 Business Plan consistent with those used in previous plans and, on the basis of the final reported values, forecasts were defined that had been internally processed through reference to the most authoritative and up external sources available wherever necessary.

Revenues for regulated business areas were developed on the basis of the evolution of the rates deriving from industry regulations and/or agreements with the Area Authority. In particular, revenues from energy distribution were forecasted according to the principles of the AEEGSI 573/13 (RTDG) and 199/11 (TIT) resolutions for gas and electricity respectively. Revenues from energy sales under protected conditions have been estimated on the basis of the respective regulatory AEEGSI reference texts, i.e. the TIV (resolution 301/12) for electricity and TIVG (resolution 64/09) for gas. For integrated water management, the hypothesis used to forecast revenues assumed no change in the volumes distributed and was based on the rates originating from the agreements in effect with ATERSIR at the date the Plan and the application of the Water Rate method (MTI) set forth by AEEGSI resolution no. 643/13. For urban sanitation, the hypothesis formalized involved achieving full rate coverage over all the areas served within the duration of the plan, consistent with the provisions of rules currently in effect.

Price trends for electric energy and gas bought and sold in the open market were worked out on the basis of business considerations consistent with the energy scenario under which the business plan was prepared, considering the forecasts provided by a panel of institutional observers.

The development of plants for the disposal and recycling of waste is consistent with the forecasts of the provincial plans in which the Hera Group operates. The investment schedule and the subsequent start of new plants is the result of the best estimate of the managers in charge.

Group costs are expected to increase in line with the expected rate of inflation estimated on the basis of the Government's Economic Planning Document and forecasts by the Bank of Italy and the European Commission. Labour costs, instead, were assumed to grow in line with the labour agreements in place.

The first year of the Plan represents the base reference for identifying economic, financial and management objectives that converge in the annual Budget, the guiding operational element for achieving the Group's growth objectives.

The cash flows generated by the CGU were determined using the forecasted data for the 2015 - 2018 period as a base. In particular, the Net Profit Margin was used, from which taxes were deducted, depreciation and provision were added and the maintenance investments planned for each year of the plan were deducted.

Following the last year of the plan, "normalized" Cash Flows ("normalized Free Cash Flows" or "normalized FCF") were considered equal to the value of the Net Operating Profit for the last year of the plan, in the event that the value of depreciation and provisions remains at the level of the investments.

In the event that the plan does not take into account the prediction of future events that significantly influence estimated cash flows as a result of its medium-term timeframe, adjustments were applied in order to also incorporate the effects of such events. The cash flows are calculated by applying the growth rate ("g") to the "normalized Free Cash Flows" with the medium/long-term timeframe for the sector (2% on average) for the 2019-2034 period (20 years) for market services and, beginning in 2019 for the remaining years of effectiveness of the contracts for regulated services.

To these flows was added the current value of a perpetuity, calculated as follows:

- For activities under market (gas and electricity sales, waste disposal and telecommunication), the cash flow resulting from the application of the perpetuity criterion for the last year (2033) was considered, assuming an average factor growth of 2%, for assets under contract, the terminal value was established by considering the cash flow resulting from the application of the perpetuity criterion weighted by the percentage of competitive bidding processes that the Group is expected to win at the end of the contract periods (100 % for gas distribution services and integrated water management, 80% for urban sanitation services and public lighting in the CGU "Other Services") and the redemption value of assets weighted by the proportion of competitive bidding processes which the Group expected not to win; this value was estimated as equal to the current value of the VNC of assets owned and leasehold improvements, less the recovery values, in order to properly represent the non-renewal of the contract and the subsequent sale of the assets to the new operator with a value equal to the remaining book value.

The cash flows were discounted using discount rates represented by the WACC, net of taxes, differentiated according to the specific characteristics and consequent risks characterizing certain business areas: in particular, 6.61% for the environment and the 6.14 % for other business areas.

The results of the tests were positive. A sensitivity evaluation was also conducted. In this regard, it should be noted that the Group's business model, with its distinct characteristic of resilience thanks in part to the diversified portfolio of assets under management, has made it possible to achieve constantly improving results over the years with no overall significant changes in the planned hypotheses despite the adverse macroeconomic environment.

In view of this, the sensitivity analysis that was developed focused on the marginality of the CGU, hypothesizing a 5% decrease that would result in a reduction in the cash flows developed in the years covered by the plan and subsequent years. In this scenario, electricity is the only CGU for which the value in use is similar to the value of the reported activities, though still remaining above this level; for all the others, the values obtained are significantly higher than those reported. This analysis has therefore further confirmed the carrying values for all CGUs.

It is worth noting that the outcome of the above mentioned procedures has been specially approved by the Board of Directors of the Parent Company, as recommended by provisions set forth by Consob, Bank of Italy and ISVAP.

An impairment test was also carried out on the activities related to electricity generation. Please refer to note 20 *Investments* for the results of this test.

20 Equity investments

	31-dic-14	31-dic-13 rettificato	Variazioni
Joint Venture			
Elettrogorizia Spa	3.085	-	3.085
Enomondo Srl	11.207	10.046	1.161
Esil Scarl		5	(5)
EstEnergy Spa	8.469	10.787	(2.318)
Isontina Reti Gas		9.320	(9.320)
Totale	**22.761**	**30.158**	**(7.397)**
Collegate			
Aimag Spa	43.222	42.614	608
Elettrogorizia Spa	-	2.067	(2.067)
FlamEnergy Trading Gmbh	-	1.703	(1.703)
Ghirlandina Solare Srl	48	57	(9)
Q.Thermo Srl	1.264	1.286	(22)
Set Spa	36.177	36.257	(80)
Sgr Servizi Spa	18.991	19.156	(165)
Sosel Spa	745	693	52
Tamarete Energia S.r.l.	0	2.471	(2.471)
Totale	**100.447**	**106.304**	**(5.857)**
Controllate, joint venture e collegate non consolidate			
Adrialink Srl	167	167	-
Black sea Comp.Compr.Gas Ltd	110	-	110
Calor Più Italia Scrl	6	6	-
Energo doo	5.000	-	5.000
Sei Spa	902	902	-
Altre minori	267	267	-
Totale	**6.452**	**1.342**	**-747**
Altre imprese			
Calenia Energia Spa	7.000	9.073	(2.073)
Energia Italiana Spa	0	2.110	(2.110)
Galsi Spa	12.082	10.732	1.350
Altre minori	4.066	10.552	(6.486)
Totale	**23.148**	**32.467**	**(9.319)**

The changes in joint ventures and associated companies as compared to 31 December 2013 take into account the pro-quota profits/losses reported by the respective companies (including the other components of the comprehensive income statement) as well as the reduction of the value for any dividends that were distributed. In addition, the following corporate operations took place:

Joint ventures

On 24 January 2014, AcegasAps Spa acquired the remaining 50% stake held by Eni Spa in Isontina Reti Gas Spa, becoming the sole shareholder and acquiring control. Beginning from the 2014 financial year, the company has thus been consolidated using the integral method.

Affiliate companies

It should be noted that, with effect from 1 January 2014, it was resolved that the company FlameEnergy Trading Gmbh would be dissolved, and this company consequently ceased its operations.

It should also be noted that the investment in the associate company Tamarete Energia Srl was annulled due to its total write-down in the current year following the results of the impairment test.

Equity investments in other companies

Energia Italiana Spa
The change from the previous financial year is due to the annulment of the value of the equity investment. Please refer to note 13 for further details regarding the assessments carried out.

Calenia Energia Spa
In the 2014 financial year, the company proportionately repaid to the shareholders a part of the amounts paid in previous years as a *share capital increase*.

Other companies
The change in "Other minor ones" was primarily caused by the business combination of the Amga Group, which resulted in a reduction of the investment in AMGA Spa held by AcegasApsAmga and Est Reti Elettriche Spa in the amount of 6,531 thousand euros. This item now consists mainly of the following non-qualified investments:

- Veneta Sanitaria Finanza di Progetto S.p.A., with a 17.50% equity interest and a carrying amount of €3,587 thousand. The company engages in the planning and construction of the new hospital in Mestre, in the Norgo Pezzana di Zelarino area;
- Dolomiti Ambiente S.p.A., with a 7.61% equity interest and a carrying amount of €161 thousand. The company engages in the collection and shipment of urban waste and sorted waste collection;

Below are presented the main aggregate values of jointly controlled companies (Elettrogorizia Spa. Enomondo Srl. and EstEnergy Spa):

ASSETS	31-dic-14
Non-current assets	
Property,plant and equipment	61,375
Intangible assets	313
Non-controlling interests	4
Financial assets	12
Deferred tax assets	2,864
Total non-current assets	**64,568**
Current assets	
Inventories	1,074
Trade receivables	74,018
Current tax assets	1,763
Other current assets	16,668
Cash and cash equivalents	8,297
Total current assets	**101,820**
Total assets	**166,388**

SHAREHOLDERS' EQUITY AND LIABILITIES	31-dic-14
Share capital and reserves	
Share capital	21,318
Reserves	16,626
Profit / (loss) for the year	7,216
Group equity	**45,160**
Non-current liabilities	
Finanziamenti - scadenti oltre l'esercizio successivo	12,443
Post-employment benefits	333
Provisions for risks and charges	1,626
Financial instruments - derivatives	1,088
Total non-current liabilities	**15,490**
Current liabilities	
Banks and other borrowings – maturing within 12 months	57,000
Trade payables	40,597
Current tax liabilities	1,132
Other current liabilities	7,009
Total current liabilities	**105,738**
Total liabilities	**166,388**

INCOME STATEMENT	31-dic-14
Revenue	154,067
Other operating revenues	9,200
Use of raw materials and consumables	(87,766)
Service costs	(43,550)
Personnel costs	(5,153)
Amortisation, depreciation,provisions	(9,041)
Other operating costs	(787)
Operating profit	**16,970**
Financial income	855
Financial expense	(4,829)
Total financial operations	**(3,974)**
Pre-tax profit	**12,996**
Taxes for the period	(5,780)
Net profit for the period	**7,216**

Below are presented the main aggregate values of the companies with significant influence (Aimag Spa, Ghirlandina Solare Srl, Q.Thermo Srl, Set Spa, Sgr Servizi Spa, Sosel Spa, Tamarete Energia Srl):

ASSETS	31-dic-14
Non-current assets	
Property,plant and equipment	425,102
Intangible assets	44,931
Goodw ill	3,269
Non-controlling interests	11,887
Financial assets	9,246
Deferred tax assets	15,510
Total non-current assets	**509,945**
Current assets	
Inventories	4,378
Trade receivables	159,733
Contract w ork in progress	684
Current tax assets	7,728
Other current assets	30,847
Cash and cash equivalents	20,402
Total current assets	**223,772**
Total assets	**733,717**

SHAREHOLDERS' EQUITY AND LIABILITIES	31-dic-14
Share capital and reserves	
Share capital	88,040
Reserves	174,204
Profit / (loss) for the year	15,806
Group equity	**278,050**
Non-controlling interests	8,655
Total equity	**286,705**
Non-current liabilities	
Finanziamenti - scadenti oltre l'esercizio successivo	140,634
Post-employment benefits	8,222
Provisions for risks and charges	26,437
Deferrred tax liabilities	772
Total non-current liabilities	**176,065**
Current liabilities	
Banks and other borrow ings – maturing w ithin 12 months	134,531
Trade payables	104,656
Current tax liabilities	2,451
Other current liabilities	29,309
Total current liabilities	**270,947**
Total liabilities	**733,717**

INCOME STATEMENT	31-dic-14
Revenue	474,528
Other operating revenues	3,116
Use of raw materials and consumables	(259,225)
Service costs	(87,548)
Personnel costs	(34,485)
Amortisation, depreciation,provisions	(44,284)
Other operating costs	(10,958)
Operating profit	**41,144**
Financial income	376
Financial expense	(10,095)
Total financial operations	**(9,719)**
Other non-recurring non-operating costs	(1,320)
Pre-tax profit	**30,105**
Taxes for the period	(13,561)
Net profit for the period	**16,544**
Attributable to:	
Shareholders of the Parent Company	15,806
Non-controlling interests	#RIF!

Impairment of electricity generation assets

With reference to the market for electric generation, in the presence of different impairment indicators, an in-depth analysis was performed to determine the recoverable amount of the Group's investments, and related financial assets, operating in the sector. In particular, the test was conducted by discounting to present value the cash flows expected to be generated over the remaining useful lives of the plants of Calenia Energia S.p.A., Set S.p.A. e Tamarete Energia S.r.l..

Concerning the investment in Energia Italiana S.p.A., reference is made to note 13 of the income statement.

It should be noted the downturn associated with the electricity generation market continues. While showing signs of recovery in the medium/long term, this market is still burdened by the combination of multiple economic factors on both demand and supply sides. The main drivers of current price dynamics are to be found in the:

- attainment of full operational capability of the plants built in the recent cycle of investment in new thermoelectric capacity (period until 2010/2011);
- introduction of significant production capacity in renewable energy in the past few years (about 32GW of installed power at the end of 2013);
- low levels of energy demand caused by the negative economic cycle of the past few years, with the resulting impact on the reserve margin of the system which has reached a historical high.

The current economic condition is expected to change in the medium/long term, particularly due to:

1. lack of financial sustainability, over this period, of the current spark spread levels for single-technology operators (CCGT) not integrated along the value chain (particularly in the absence of end customers) which, if the negative margins generated by their assets continued, will be faced with two alternative strategies: a) new capital injections to continue to operate in generation to benefit from higher margins in the long terms (not easy to implement, due to unfavourable financial market conditions and, in the case of foreign operators engaging in Italy, subject to the need for cross-border optimization of investment portfolios); b) exit from the generation market, with a resulting reduction of capacity on the supply side and price rise;
2. lack of productive investments in the expansionary phase, due to current overcapacity, which discourages the construction of new generation plants (currently there seem to be no new projects under way);
3. lawmakers' interventions intended to reduce economic incentives for new renewable power, with the ensuing slowdown in investment growth in the sector;
4. the progressive return of demand for electricity toward pre-crisis levels, with consequent reduction of the system's reserve margin.

That said, future cash flows determined on the basis of a medium/long-term energy scenario - consistent with growth expectations for energy demand, installed power and the system's expected reserve margin - discounted to present value at an after-tax rate of 6.14% will give rise to amounts for the investments and related financial assets greater than their carrying amounts for Calenia Energia Spa and Set Spa, Therefore, no adjustment was made to their carrying amounts.

In contrast, the impairment test for Tamarete Energia Srl showed a current cash flow value of less than the carrying amount of current equity investments and financing. The values were therefore aligned by carrying out a write-down in the amount of 4,808 thousand euros, 2,626 thousand euros of which went to annul the entire equity investment and 2,182 thousand euros to the devaluation of the current financing (a residual financial credit towards Tamarete Energia Srl of 33,889 thousand euros therefore continues to be recorded under assets).

A sensitivity analysis was also carried out by reducing the curve of the spark spread by 5% compared to the scenario suggested above. This analysis also confirmed the adequacy of the amounts recorded for equity investments and related financial assets in Calenia Energia Spa and Set Spa, while for Tamarete, in this hypothesis, a further devaluation of approximately 700 thousand euros would take place.

21 Financial assets

	31-dic-14	31December 2012 as adjusted	Change
Receivables for loans	50,648	28,210	22,438
Portfolio securities	1,879	1,879	-
Other financial receivables	31,082	22,551	8,531
Total non-current financial assets	**83,609**	**52,640**	**30,969**
Receivables for loans	27,744	66,681	(38,937)
Portfolio securities	9,505	8,492	1,013
Other financial receivables	7,901	9,678	(1,777)
Total current financial assets	**45,150**	**84,851**	**(39,701)**
Total cash and cash equivalents	**834,495**	**926,933**	**(92,438)**
Total financial assets, Cash and cash equivalents	**963,254**	**1,064,424**	**(101,170)**

"*Loan receivables*", comprises non-interest bearing loans or loans extended at arm's length to the following companies:

	31-dic-14			31-dic-13		
	current portion	non current portion	Total	current portion	non current portion	Total
Enomondo Srl	4,850	-	4,850	4,850		4,850
EstEnergy Spa	6,630	-	6,630	10,200		10,200
Isontina Reti Gas Spa Acquisition	-	-	-	9,500		9,500
Oikothen Scarl	-	2,472	2,472		2,622	2,622
Sei Spa	4,379	-	4,379		3,949	3,949
Set Spa	2,832	14,349	17,181		16,932	16,932
Tamarete Energia Srl	1,360	32,529	33,889	35,200	3,706	38,906
Trading Srl conti vincolati	2,411	-	2,411	2,188		2,188
Unirecuperi Srl (Unieco Group)	4,000	-	4,000	4,000		4,000
Other minor companies	1,282	1,298	2,580	743	1,001	1,744
Total	**27,744**	**50,648**	**78,392**	**66,681**	**28,210**	**94,891**

Compared to 31 December 2013, the following changes should be noted:
- Estenergy Spa, repayment of the interest-bearing loan granted to the jointly controlled company in the amount of 3,570 thousand euros;
- Due to its incorporation into the parent company AcegasApsAmga, financing for Isontina Reti Gas Spa is now completely eliminated;
- Sei Spa, two additional payments of EUR50 thousand in February and May 2014;
- Tamarete Energia Srl, financing has been reviewed within the deadline now set at 31 December 2029 and, as a result of the impairment test, steps were taken to devalue it by 2,182 thousand euros.

For further details, see Note 20 of Equity Investments.

In relation to the chances of collecting €4,000 thousand due from Unirecuperi S.r.l., it is noted that in March 2013 Unieco S.r.l. filed an appeal under article 161, sixth paragraph, of the bankruptcy law. On 9 July 2013 Unieco Scrl exited the pre-bankruptcy procedure, following the filing of the appeal with the Court of Reggio Emilia for the certification of the arrangements with creditors pursuant to article 182 bis Rpyal Decree 267/1942. The restructuring process did not concern the amount due from Unirecuperi S.r.l. to ASA Scpa, which will be paid at its original maturity date

The item *Marketable Securities* includes, in the non-current section, bonds issued by Banca delle Marche in the amount of 309 thousand euros and government bonds in the amount of 1,570 thousand euros held by the subsidiary Asa Scpa.

The Banca Popolare dell'Emilia Romagna has pledged for these securities as collateral for the issuance of a bank guarantee on the post mortem of the landfill operated by the company.
Investment policies, bonds and certificates of deposit held by the subsidiary Herambiente Spa are recorded in the current section.

For *Other financial receivables* the non-current section includes the following financial positions regulated at market rates in relation to:
• the City of Padua, concerning the construction of photovoltaic systems which will be reimbursed at the end of 2030 in the amount of 17,526 thousand euros;
• the "Collinare" Consortium of Municipalities in the amount of 11,299 thousand euros, acquired as a result of the integration of the Amga Group, represents the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end;
• the provision of electricity to the Municipality of Padua for public lighting systems, for which a 10 year adjustment of 1,778 thousand euros was agreed upon.

The current part mainly consists of:
• credits for contributions earmarked for constructing integrated water management plants, the receipt of which has already been approved by the competent authorities and for which the actual payment of 4,149 thousand euros is pending;
• receivables payable to CAFC Spa following the sale of the integrated water management business unit in the city of Udine by the former Amga Spa to Nau Srl, for € 2,000 thousand;
• Interest income on loans in the amount of 993 thousand euros.

Cash and cash equivalents included cash, cash equivalents, and bank cheques and drafts held in the cashier office at headquarters and at other companies for a total of €182 thousand. They also include bank and financial institution deposits in general, available for current transactions and post office accounts totalling €834,252 thousand. Additional details about cash inflows and outflows are available in the cash flow statement and the comments shown in the Directors' report.

22 Deferred tax assets and liabilities

	31-dic-14	31December 2013as *adjusted*	Change
Differred tax assets	135,022	145,637	
Deferred taxation offset	(69,772)	(69,757)	
Substitute tax credit	2,848	3,391	
Total net deferred tax assets	**68,098**	**79,271**	**(11,173)**
Deferred tax liabilities	84,856	74,500	
Deferred taxation offset	(69,772)	(69,757)	
Total net deferred tax liabilities	**15,084**	**4,743**	**10,341**

Deferred tax assets arise from timing differences between reported profit and taxable profit, mainly in relation to the allowance for doubtful accounts, provisions and depreciation taken in excess of the amount allowed by the tax code.

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.

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.

The item *Receivables from the substitute tax*, taking the form of an advance on current taxes, represents the amount paid for the release of goodwill reported in prior years for tax purposes.

The change as compared to the previous year is also related to the reporting of deferred tax assets and liabilities as a result of the aggregation of the Amga Group. Please refer to paragraph 2.03.01 "Consolidated Explanatory Notes" and the section "Summary of the accrued effects of the Amga Group business combination" for the detailed analysis of the merger.

For more details about the composition of deferred tax assets and liabilities reference is made to note 14 “Income taxes for the year”

23 Financial instruments – derivatives

Non current assets/liabilities	Fair Value Hierarchy	Underlying	31-dic-14			31-dic-13		
			Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives								
- *Interest rate Swap*	2	Loans	1.000 mln	103,096		1.001,2 mln	37,560	
- *Interest rate Swap*	2	Loans	35,8 mln		36,783	283,3 mln		20,499
- *Interest rate Option*	2	Loans	3,5 mln		175	4,5 mln		317
Total Interest rate and foreign exchange derivatives				***103,096***	***36,958***		***37,560***	***20,816***
Exchange rate derivatives (financial transactions)								
- *Cross Currency Swap*	2	Loans	20 bn JPY		1,457	20 bn JPY		9,505
Total exchange rate derivatives (financial transactions)				***-***	***1,457***		***-***	***9,505***
Total				**103,096**	**38,415**		**37,560**	**30,321**

Current assets/liabilities	Fair Value Hierarchy	Underlying	31-dic-14			31-dic-13		
			Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives								
- *Interest rate Swap*	2	Loans	90,0 mln		1,703			
Total Interest rate and foreign exchange derivatives				***-***	***1,703***		***-***	***-***
Commodity derivatives								
- *Swap*	3	Foreign Gas Hubs	570.578 MWh	1,482		2.444.880 MWh	1,005	
- *Swap*	2	Crude oil	33.200 Bbl	949		22.500 Bbl	6	
- *Swap*	2	Refined oil/coal	22.900 Ton	3,581		48.500 Ton	700	
- *Swap*	2	Electric energy formulas	5.199.021 MWh	18,124		2.198.213 MWh	9,484	
- *Swap*	3	Foreign Gas Hubs	855.927 MWh		1,567	337.633 MWh		102
- *Swap*	2	Crude oil				36.000 Bbl		35
- *Swap*	2	Refined oil/coal				20.700 Ton		88
- *Swap*	2	Electric energy formulas	7.025.620 MWh		28,282	2.643.228 MWh		15,003
Total commodity derivatives				***24,136***	***29,849***		***11,195***	***15,228***
Exchange rate derivatives (commercial transactions)								
- *Swap*	2	EUR/USD exchange rate				10,0 mln Usd	190	
- *Swap*	2	EUR/USD exchange rate	6,0 mln Usd		377	13,0 mln Usd		93
Total exchange rate derivatives (commercial transactions)				***-***	***377***		***190***	***93***
Total				**24,136**	**31,929**		**11,385**	**15,321**

Derivative financial instruments classified under non-current assets amounted to €103,096 thousand, (€37,560 thousand as at 31 December 2013) and referred entirely to interest rate derivatives. Derivative financial instruments classified under non-current liabilities amounted to €38,415 thousand (€30,321 thousand as at 31 December 2013); they refer to interest rate derivatives for €36,958 thousand and to derivatives on exchange rates in connection to loans for €1,457 thousand.

Financial instruments reported as current assets and liabilities represent derivative contracts whose execution is expected to take place within the next financial year. The derivative financial instruments classified as current assets amounted to 24,136 thousand euros (11,385 thousand euros as at 31 December 2013) and refer entirely to commodity derivatives. The derivative financial instruments classified as current liabilities amounted to 31,929 thousand euros (15,321 thousand euros as at 31 December 2013) and 29,848 thousand euros of this refers to commodity derivatives, while 377 thousand euros refers to derivatives on exchange rates related to commercial transactions and 1,703 thousand euros to interest rate derivatives.

With regard to derivatives on current and long-term interest rates as at 31 December 2014, the Group's net exposure was positive by €64,435 thousand, compared with a positive exposure of €16,744 thousand as at 31 December 2013.

The significant change in the fair value as compared to the previous financial year was primarily due to a decrease in the yield curve as part of fixed rate hedge protection of financial liabilities.

As at 31 December 2014, The fair value of derivatives set up to hedge the exchange rate and the fair value of foreign currency loans is negative in the amount of 1,457 thousand euros as compared to an assessment that was also negative, amounting to 9,505 thousand euros, as at 31 December 2013. The positive change in fair value is primarily attributable to a decrease in the euro yield curve, while the exchange rate effect has not significantly affected the value, as the EUR / JPY rate was largely the same at these two dates.

At 31 December 2014 the net fair value of commodity and currency derivatives was negative for €6,090 thousand, compared to a negative net fair value of €3,936 thousand at December 31, 2013. The increase in absolute terms of the fair value of assets and liabilities, compared to 31 December 2013, was due - especially in relation to the contracts linked to special price arrangements (“Formule Energia Elettrica”), which constitute the majority of the company’s contracts – both to the increase of volumes covered by swap transactions on the date in question and trends in the Single National Price (PUN), in the case of contracts related to it.

The *fair value* of financial instruments, both on interest rates and foreign exchange rates, derives 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. The methodology for calculating the fair value of these instruments includes the valuation of non-performance risk. All derivative contracts entered into by the Group are with leading institutional counterparties.

During the 2014 financial year, there were no transfers between the different levels of fair value indicated above.

Interest rate and foreign exchange derivative instruments held as at 31 December 2014, subscribed in order to hedge loans, can be classed into the following categories (figures in thousands of €):

Interests exchange rate derivatives (financial transactions)							
Type	Underlying	31-dic-14			31December 2013 as adjusted		
		Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
- Cash Flow Hedge	Loans	129,3 mln	-	4,761	136,8 mln	-	8,407
- Fair Value Hedge	Loans	1.149,8 mln	103,096	35,357	1.149,8 mln	37,559	21,913
- Non Hedge Accounting	Loans		-	-	2,4 mln	1	1
Total fair value			**103,096**	**40,118**		**37,560**	**30,321**
Type	Underlying	31-dic-14			31December 2013 as adjusted		
		Income	Expense	Net effect	Income	Expense	Net effect
- Cash Flow Hedge	Loans	-	4,597	(4,597)	132	5,273	(5,141)
- Fair Value Hedge	Loans	106,403	39,611	66,792	29,924	72,813	(42,889)
- Non Hedge Accounting	Loans	-	2	(2)	19	8	11
Total Income / expense		**106,403**	**44,210**	**62,193**	**30,075**	**78,094**	**(48,019)**

Interest rate derivatives identified as *cash flow hedges* show a residual notional amount of Euro 129.3 million (Euro 136.8 million as at 31 December 2013) against variable rate loans of the same amount.
Income and charges associated to said class of derivatives predominantly refer to cash flows realised, or to the recording of shares of future flows, which shall have a financial impact in the following period.

As at 31 December 2014 the breakdown of net charges relating to derivatives classified as *cash flow hedges*, amounting to Euro 4,597 thousand, is as follows:

Cash Flow Hedges	31-dic-14			31December 2012 as adjusted		
	Income	Expense	Net effect	Income	Expense	Net effect
- Cash inflow		4,439	(4,439)		5,001	(5,001)
- Accrued Interest		10	(10)		198	(198)
- ineffective portion		148	(148)	132	74	58
Total derivatives effect	**-**	**4,597**	**(4,597)**	**132**	**5,273**	**(5,141)**

The reduction in net financial expenses as compared to the same period of last year is primarily due to a decrease in the notional amount of derivatives structured with cash flow hedge coverage following reimbursements of their respective associated underlying liabilities, partially offset by the negative effect of interest rates (in the context of the indicated fixed rate hedges), characterized by a significant decline in euribor rates, especially in the second half of the year.

The ineffective portion, related to this class of interest rate derivatives, determined a loss of €148 thousand recognized through profit or loss. All hedge relationships between the above derivative contracts and their underlying liabilities, which qualify as cash flow hedges, resulted in a negative reserve of €1,085 thousand, net of the relevant tax effect, for the Group.

The derivatives on interest rates and exchange rates, identified as fair value hedges of liabilities reported in the balance sheet (fair value hedges) have a residual notional value of 1.1498 million euros (unchanged from 31 December 2013) as compared to financing of the same amount. In cases of foreign currency financing, the notional value of the derivative in euros represents conversion at the original exchange rate hedged. Specifically, financial liabilities hedged refer to a bond loan in Japanese yen with a notional residual value of 20 billion yen and two fixed-rate bonds of 500 million euros each. The valuation of these derivatives resulted in the recording of a net financial income of 51,805 thousand euros; simultaneously, the value of the underlying loans has been corrected by detecting net financial expenses in the amount of 51,726 thousand euros.

The table below provides a breakdown at 31 December 2014 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	31-dic-14			31-dic-13		
	Income	Expense	Net effect	Income	Expense	Net effect
- Derivates valuation	73,266	21,461	51,805	6,743	61,863	(55,120)
- Accrued Interest	321	32	289	1,350	644	706
- Cash inflow	32,816	18,117	14,699	21,831	10,306	11,525
- ineffective portion	-	-	-	-	-	-
Total derivatives effect	**106,403**	**39,610**	**66,793**	**29,924**	**72,813**	**(42,889)**

Underlying	31-dic-14			31-dic-13		
	Income	Expense	Net effect	Income	Expense	Net effect
Financial liabilities valutation	13,710	65,436	(51,726)	55,042	-	55,042
Total	**13,710**	**65,436**	**(51,726)**	**55,042**	**-**	**55,042**

The positive economic effect associated with the assessment of this type of hedge as compared to the previous financial year, reflects changes in the fair value of the financial instruments described above, especially the lowering of the yield curve and the change in the fair value of derivatives on exchange rates. With reference to the realized flows as well, the increase in net income is attributable to the previously mentioned decrease in the yield curve as compared to the previous year.

The remaining interest rate derivatives not included in hedge accounting have a fair value and residual notional value close to zero, as they are set to expire in the year 2015; these contracts originate from mirroring operations carried out in previous years with a view to restructuring the derivatives portfolio.

Commodity derivative instruments held as at 31 December 2014 can be classed into the following categories (figures in thousands of €):

Commodity/change rate derivatives (commercial transactions)							
Type	Underlying	31-dic-14			31-dic-13		
		Fair Value Assets	Fair Value Liabilities	Net effect	Fair Value Assets	Fair Value Liabilities	Net effect
- Non Hedge Accounting	Transactions on commodities	24,136	30,226	(6,090)	11,385	15,321	(3,936)
Total fair value		**24,136**	**30,226**	**(6,090)**	**11,385**	**15,321**	**(3,936)**
Type	Underlying	31-dic-14			31-dic-13		
		Income	Expense	Net effect	Income	Expense	Net effect
- Non Hedge Accounting	Transactions on commodities	40,779	39,968	811	49,367	58,101	(8,734)
Total Income / expense		**40,779**	**39,968**	**811**	**49,367**	**58,101**	**(8,734)**

At financial year-end there were no commodity derivatives accounted for as hedges.
The commodity derivatives classified as non-*hedge accounting* also include contracts put in place substantially for hedging purposes, but which, on the basis of the strict requirements set forth by international accounting standards, cannot be formally classified under *hedge accounting*. In any event, these contracts generate income and charges referring to higher/lower purchase prices of raw materials and, as such, are recognised as operating costs.
Overall, these derivatives, in the 2014 financial year, generated a net income of 811 thousand euros, which essentially correspond to respective changes in the opposite direction in the costs of raw materials (gas and electricity) and in all respects form an integral part of this.

Interest rate risk and currency risk on financing transactions

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

To mitigate interest rate volatility risk and, at the same time, guarantee the correct balance between fixed rate indebtedness and variable rate indebtedness, the Group has stipulated derivatives on interest rates (*Cash Flow Hedge* and *Fair Value Hedge*) against part of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has stipulated foreign exchange derivatives (*Fair Value Hedge*) to fully hedge loans in foreign currency.

This Risk Mitigation policy is detailed in section 1.06.03 of the management report, which can be consulted for further information on this topic (see in particular the section "Rate Risk " and "Exchange rate risk not connected to the commodity risk").

Sensitivity Analysis - Financial transactions
In conjecturing an instant shift of -15 *basis points* in the interest rate curve with respect to the interest rates effectively applied for the assessments as at 31 December 2014, at like-for-like exchange rates, the potential increase in *fair value* of the existing derivative financial instruments on interest rates and exchange rates would amount to roughly Euro 8,1 million. Likewise, conjecturing an instant shift of +15 *basis points* in the interest rate curve, there would be a potential decrease in *fair value* of about Euro 8,2 million.
These changes in fair value of financial instruments accounted for as hedges would have no effect on the income statement if it were not for their potential ineffective portion. Concerning the effect on equity, in case of a negative shift of the yield curve, the change in the cash flow hedge reserve attributable to the Parent Company’s shareholders would decrease by €0.1 million, net of the relevant tax effect. On the other hand, a positive shift would result in a reserve increase of €0.1 million, net of the relevant tax effect
As to derivatives designated as fair value hedges, any change in fair value would not have any effect on the income statement, other than for the ineffective part, as any such change would be offset by a movement in the opposite direction of the hedged liability.
Assuming an instant change of 10% in the euro/yen exchange rate, given the same interest rates, the potential decrease in fair value of the derivative financial instruments in place at 31 December 2014 would amount to approximately Euro 16.3 million. Likewise, assuming an instant reduction of the same amount, the potential fair value increase would be approximately Euro 19.9 million. As exchange rate derivatives related to borrowing transactions are treated as fair value hedges, any change in these fair values would not have any effect on the income statement, other than for the ineffective part, as any such change would be offset by a movement in the opposite direction of the hedged liability.

Market risk and currency risk related to commercial transactions
Concerning the wholesale business carried on by Hera Trading S.R.L., 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 (essentially U.S. dollar).

With reference to these risks, the Group has set up a number of commodities derivatives aimed at pre-establishing the effects on sales margins irrespective of changes in market conditions.

While not formally part of the criteria defined by the IAS 39 principle, in order to be accounted for under hedge accounting, these derivatives effectively have the mere function of coverage in relation to price and exchange rate fluctuations on raw materials purchased and fall under the Risk Mitigation policy detailed in section 1:10 of the management report, which should be consulted for further information on this topic (see in particular the section "Risks in the macroeconomic context").

Sensitivity Analysis - Commercial transactions
In assuming an instant 10 dollar-per-barrel rise in the B*rent* price, with no change in the Euro/Dollar exchange rate, and no change in the curve of the national standard price, the potential reduction in the *fair value* of derivative financial instruments held as at 31 December 2014 would amount to approximately Euro 1.7 million. On the contrary, an instant fall in the same amount would bring about a potential increase in the *fair value* of the instruments of around Euro 1.7 million.
In assuming an instant change in the exchange rate of 0.05 dollars per euro, with no change in the *Brent* price and a steady pun curve, the potential increase in the *fair value* of derivative financial instruments held as at 31 December 2014 would amount to approximately 0.5 million euros. Similarly, an instant change of the same amount in the opposite direction would bring about a potential decrease in the *fair value* of the instruments of around Euro 0.5 million.

In assuming an instant +5 €/MWh change in the national standard price curve, with no change in the Euro/Dollar exchange rate, and no change in the *Brent* price, the potential increase in the *fair value* of derivative financial instruments held as at 31 December 2014 would amount to approximately Euro 0.1 million. On the contrary, an instant change of -5 €/MWh would bring about a potential decrease in the *fair value* of the instruments of around Euro 0.1 million.

24 Inventories

	31-dic-14	31 December 2013 as ajusted	Change
Raw materials and stock	92,973	76,323	16,650
Materials held for sale	9,555	-	9,555
Finished products	1,060	1,189	(129)
Total	**103,588**	**77,512**	**26,076**

"Raw materials and stocks", stated net of an obsolescence provision of Euro 453 thousand (Euro 535 thousand as at 31 December 2013) are comprised mainly of gas stocks, Euro 60,829 thousand (Euro 46,392 thousand as at 31 December 2013) and raw materials and stocks (S.p.A.re parts and equipment used for maintenance and running of operating plants), equal to Euro 32,144 thousand (Euro 29,931 thousand as at 31 December 2013).
L'incremento del gas stoccato è da ricondurre prevalentemente alle politiche di approvvigionamento del Gruppo legate all'andamento del prezzo della materia pima, per la cui analisi si rimanda alla relazione sulla gestione.

The item *Materials earmarked for sale* primarily comprises the value of the GVG - Steam Generator to Grid system (for a total of 6,295 thousand euros) and complementary plant components (for a total of 3,260 thousand euros), classified in previous years under the category fixed assets in course of acquisition in that it was earmarked for the enlargement of the Modena incinerator.

In previous financial years, management planned to build a new incineration line inside the complex of the current Modena WTE plant. The first authorizations obtained from the relevant authorities guaranteed a financial return that was deemed adequate to cover the investment. Meanwhile, during the year, the reference framework program changed. In particular this change occurred as a result of Resolution no. 103 of 3 February 2014 of the Regional Council, which adopted the "Proposal for a Regional Waste Management Plan pursuant to art. 199 of Legislative Decree 152 of 2006 ". If the plan was definitively approved, the construction of Line 3 would not involve the desired economic returns. Under this new framework, the Group decided not to proceed with the construction of this line, as it was not able, among other things, to request an additional time extension for beginning the construction work. Nonetheless, it is believed that the supply can be sold on the market to potential buyers who have already expressed interest in the purchase which, although not binding, suggest that the set value of 9,555 thousand euros for the GVG system can be recovered in its entirety.
During the reference period, the provision varied as follows:

	31-dic-12	Allocation to provisions	Impairments	Change in the scope of consolidation	Uses and other movements	31-dic-13
Allowance for obsolete inventory	523	96	0	439	(523)	535

	31-dic-13	Allocation to provisions	Impairments	Change in the scope of consolidation	Uses and other movements	31-dic-14
Allowance for obsolete inventory	535	900	(521)	85	(546)	453

The change in the scope of consolidation is mainly due to the acquisition of control over the company Isontina Reti Gas Spa outlined in these notes in the paragraph Changes in the scope of consolidation.

25 Trade receivables

	31-dic-14	31December 2012 as adjusted	Change
Trade receivables	1,100,533	934,325	166,209
Crediti per fatture emesse verso collegate e *joint venture*	13,056	14,007	(950)
Total trade receivables	**1,113,589**	**948,331**	**165,258**
Allowance for bad debt	**(183,014)**	**(153,403)**	**(29,611)**
Intangible assets under construction	526,771	556,073	(29,302)
intangible assets under construction	6,288	6,195	93
Total intangible assets under construction	**533,059**	**562,267**	**(29,209)**
Total	**1,463,635**	**1,357,196**	**106,438**

Trade receivables comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 31 December 2014. The balances are stated net of the provisions for doubtful receivables amounting to Euro thousand 183,014 thousand (Euro 153,403 thousand as at 31 December 2013) which is considered to be fair and prudent in relation to the estimated realizable value of said receivables.

Changes in the allowance for bad debts in 2013 and 2014 were as follows

	31/12/12	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	31/12/13
Allowance for bad debt	118,363	61,664	18,236	(44,860)	153,403

	31/12/13	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	31/12/14
Allowance for bad debt	153,403	65,509	5,197	(41,095)	183,014

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on historic analyses of the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the following paragraph *credit risk*.

La variazione dell’area di consolidamento riflette principalmente l’acquisizione del controllo del Gruppo Amga, come illustrato nelle presenti note al paragrafo *Variazioni area di consolidamento*.

The following table represents the various ranges of receivables due from customers for invoices issued:

Ageing trade receivables	31-dic-14	*Effect*	31 December as ajusted	*Effect*	Change
Not yet due	396,243	*#DIV/0!*	283,720	*#VALORE!*	112,523
Due 0-30 days	128,057	*#DIV/0!*	123,462	*#VALORE!*	4,595
Due 31-180 days	116,252	*#DIV/0!*	124,416	*#VALORE!*	(8,164)
Due 181-360 days	89,043	*#DIV/0!*	83,866	*#VALORE!*	5,177
Due beyond 360 days	383,994	*#DIV/0!*	332,867	*#VALORE!*	51,127
Total	**1,113,589**		**948,331**		**165,258**

The active management of credit processes has made it possible to improve the percentage of credit that affects each aging range out of the total due. This trend is also confirmed by carrying out the anlysis by excluding the past due loans that cannot be disconnected, in a safeguard regime. As a matter of fact, these benefit from a reimbursement mechanism from CCSE, as provided for by Del. 370 of 20 September 2012.
The table below shows the percentages of each range of aging out of total loans, without the credits in each range that cannot be disconnected in a safeguard regime:

Ageing trade receivables less nondisconnectable customers	31-dic-14	*Effect*	31 December as ajusted	*Effect*	Change
Not yet due	368,275	*#DIV/0!*	273,145	*#VALORE!*	95,130
Due 0-30 days	101,615	*#DIV/0!*	106,616	*#VALORE!*	(5,001)
Due 31-180 days	83,482	*#DIV/0!*	82,658	*#VALORE!*	824
Due 181-360 days	54,447	*#DIV/0!*	58,394	*#VALORE!*	(3,947)
Due beyond 360 days	288,443	*#DIV/0!*	281,410	*#VALORE!*	7,033
Total	**896,262**		**802,223**		**94,039**
di cui totale scaduto	**527,987**		**529,078**		**-1,091**

The reinstatement of the credits that cannot be disconnected occurs following periodic reporting, on a biennial basis; the last reporting was carried out in November of 2014 and the related revenue amounting to € 78.8 million was received in February 2015.

Credit risk
The value of the trade receivables shown in the financial statements is the maximum theoretical exposure to credit risk for the Group as at 31 December 2013. The current credit approval procedure requires specific individual evaluations, which makes it possible to reduce credit concentration, and the exposure to credit risk, to business and private customers. From time to time, analyses are conducted on the individual positions, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down. With regard to the receivables that do not undergo individual write-downs, allocations are made to the provision for doubtful receivables, on the basis of historic analysis (in relation to the aging of the receivables, the type of recovery action undertaken and the *status* of the creditor).

The carrying amount of trade receivables at year-end approximated their fair value.

26 Contract work in progress

	31-dic-14	31December 2012 as adjusted	Change
Contract w ork in progress	16,268	22,830	(6,562)
Total	**16,268**	**20,635**	**(6,562)**

As at 31 December 2014, *Contract work in progress* amounted to 16,268 thousand euros, mainly attributable to Hera Spa in the amount of 11,442 thousand euro and Hera Luce for 4,203 thousand euros.

The item includes multi-year work contracts for:

- the development of plants for gas and water services;
- start of the activities related to Florence's WTE plant;
- planning intended to obtain contracts in the national and international markets.

The 6,562 thousand euro decrease as compared to the previous year is attributable to the reclassification of 6,295 thousand euros from construction work in progress to inventories for the Modena waste-to-energy plant. Please refer to the detailed information in Note 24 *Inventories*.

27 Current tax assets and liabilities

	31-dic-14	31December 2012 as adjusted	Change
Income tax credits	11,567	6,927	4,640
IRES refund credit	20,633	22,216	(1,583)
Total current tax assets	**32,200**	**29,143**	**3,057**
Income tax payable	21,365	5,707	15,658
Substitute tax payable	8,838	239	8,599
Total current tax liabilities	**30,203**	**5,946**	**24,257**

"Income tax credits" refer to the excess advance IRES and IRAP payments over the tax amount payable

The "IRES refund receivable" refers to the IRES refund receivable following the deductibility of IRAP related to labour costs and the like under Law Decree 201/2011

The item *Income tax due* includes IRES and IRAP taxes applied to the income generated in the period. The significant increase compared to the previous year is due primarily to an IRES increase as compared to 2013, specifically due to the increase in the taxable base as well as the significant IRES credit that emerged in the financial year for acknowledged deductibility, in relation to the 2012 and 2013 financial years as per art. 33 paragraph 5 of Decree 83/2012, the provision for loss in relation to so-called "Mini-loans", established through provisions taxed in previous financial years; this is what essentially caused the non-payment of advances for 2014.

Substitute tax payable, which reflects the remaining instalments to be paid for the value alignment of certain assets, fell significantly as a result of the last payments related to the main value alignments completed. The increase from the previous year is due to the release of the higher value of former AMGA assets that led to the recording of a substitute tax in the amount of 8,838 thousand euros.

28 Other current assets

	31-dic-14	31 December as ajusted	Change
Certificates of energy efficiency and emission trading	71,648	86,016	(14,368)
Equalisation fund for the electricity and gas sectors for standardisation and continuity income	48,623	17,873	30,750
VAT, excise and additional taxes	36,722	20,574	16,148
Security deposits	22,586	24,288	(1,702)
Advances to suppliers/employees	11,071	8,419	2,652
Due from assets companies and ConAmi	6,970	6,805	165
Due from social security institutions	5,785	755	5,030
Insurance costs	3,400	5,955	(2,555)
Grants	3,118	2,408	710
Costi sospesi per servizi e lavorazioni esterne	3,099	5,108	(2,009)
Other tax credits	2,734	8,238	(5,504)
Payments and concession fees for netw ork services	2,576	1,967	609
Prepaid costs transport and gas storage	1,639	1,255	384
Receivables related to tariff components	1,007	548	459
Credito per consolidato fiscale	933	826	107
Other receivables	40,089	40,130	(42)
Total	**261,999**	**231,165**	**30,834**

The breakdown and changes in the main items are described compared with 31 December 2013:

Energy efficiency bonds and emissions trading, include:

- green certificates, Euro 51,751 thousand (Euro 63,610 thousand as at 31 December 2013);
- white certificates, Euro 17,678 thousand (Euro 20,410 thousand as at 31 December 2013);
- grey certificates, Euro 2,220 thousand (Euro 1,996 thousand as at 31 December 2013).

The change as compared to 31 December 2013 is mainly due to a significant decrease in green certificates, in particular the sale of certificates relating to the Forlì WTE plant for the years 2008 to 2012 and certificates relating to district heating plants and integrated water management for the years 2012 -2013.

Equalisation fund for the electricity and gas sectors for standardisation and continuity income, totaling 48,623 thousand (17,873 thousand euros as at 31 December 2013). The increase is mainly attributable to a higher credit for the equalization of gas distribution and the electricity sector for the year, resulting from a thermal trend in the financial year that led to billing sellers at a significantly lower amount than the revenue obligation established by CCSEEG.

VAT, excise and additional taxes, amounting to 36,722 thousand (20,574 thousand euros at 31 December 2013), is comprised of tax credits payable to the treasury for value added tax in the amount of 9,975 thousand euros and for excise and additional taxes in the amount of 26,747 thousand euros. The change as compared to 31 December 2013 is attributable to an increase of 2,490 thousand euros in receivables for value added tax (7,485 thousand euros at 31 December 2013) and an increase of 13,659 thousand euros in receivables for excise and additional taxes (13,088 thousand euros as at 31 December 2013). These changes should be interpreted together with the same change shown in the liability item "Other current liabilities" in Note 36. In particular, with regard to excise duties and the components of 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/debit positions with differences that can be significant even between one period and another. The contribution made by the entrance of AMGA Energia e Servizi Srl into the scope of consolidation is worth noting, which at 31 December 2014 amounted to 6,253 thousand euro, 5,989 thousand euros of which for excise and additional taxes.

Security deposits, consisting of:
• deposit to Acosea Impianti Srl, 12,000 thousand euros;
• deposits to the tax authority technical office, 2,229 thousand euros as security for payment of technical revenue taxes;
• other minor deposits to various public institutions and companies, 8,357 thousand (10,060 thousand euros as at 31 December 2013). The decrease is mainly due to the repayment of deposits that had been paid to GME as a security for purchasing green certificates and in order to distribute electricity with a greater transport capacity on international networks.

Advances to suppliers and employees, amounting to 11,071 thousand (8,419 thousand euros as at 31 December 2013). The increase as compared to the previous year regards the advances paid to suppliers and employees, in particular by AcegasApsAmga Spa with an increase of 1,249 thousand euros, and by Hera SpA in the amount of 671 thousand euros.

Receivables from social security institutions, includes the receivable that Marche Multiservizi Spa is owed by INPS in the amount of 5,058 thousand euros, which emerged in the 2014 financial year as a result of conciliation report no. 433/14 of 18/07/2014 released by the Magistrates' Court of Pesaro granting a refund on TBC, ENAOLI, CUAF, severance pay and sick leave contributions paid but not due, up to the period 31 August 2000, that is, before the company was transformed from a municipally owned company and consortium into an S.p.a. The overall compensation amounted to 6,525 thousand euros and has decreased as a result of having paid the contributions that have accrued in the months following the report.

Insurance and surety expenses, amounting to 3,400 thousand euros (5,955 thousand euros as at 31 December 2013), include costs for insurance and surety coverage as well as bank charges and fees due before the close of the financial year.

Contributions, amounting to 3,118 thousand euros (2,408 thousand euros as at 31 December 2013), mainly composed of receivables for grants dispensed by various Entities but yet to be collected as at the reference date

The item *Other receivables* includes:
• Costs advanced for leases and rentals in the amount of 801 thousand euros;
• Costs advanced for waste disposal (environmental damage) in the amount of 899 thousand euros;
• Deferred costs for taxes in the amount of 602 thousand euros;
• Credits for withholding taxes in the amount of 418 thousand euros.

29 Non-current assets held for sale

	31-dic-14	31-dic-13	Change
Land and buildings	-	3,300	(3,300)
Plants and machinery	601	-	601
Total	**601**	**3,300**	**(2,699)**

Non-current assets earmarked for sale, in compliance with the IFRS 5 principle, as at 31 December 2014 include approximately 601 thousand euros attributable to the water treatment and lifting plants in the Municipality of Fossalta held by the subsidiary AcegasApsAmga Spa.

The decrease as compared to last year derives from the sale, in the first half of 2014, of the property used as the company headquarters of Est reti Elettriche and located in Gorizia, recorded in the amount of 3,300 thousand euros in 2013.

30 Share capital and reserves

The statement of changes in equity is shown in section 2.01.05 of these consolidated financial statements

Share capital

The share capital as at 31 December 2014 amounted to 1,469,938 thousand euros, made up of 1,489,538,745 ordinary shares with a nominal value of 1 euro each and is fully paid-up. This value reflects the extraordinary transaction involving the integration of the Amga Group completed during the financial year.

The amount of treasury shares, whose nominal value at 31 December 2014 was €19.163 thousand and the costs associated to the new share issues which, net of the relevant tax effects, totalled €437 thousand are deducted from share capital.

Reserves

This item, amounting to €676,236 thousand, includes retained earnings and reserves established in connection with cash and in-kind equity injections for €719,986 thousand, cumulative loss in the other comprehensive income (OCI) reserve for €31,289 thousand and own shares held in treasury for €12,461 thousand. Changes during the year resulted in a gain of €2,914 thousand.

Non-controlling interests

This item reflects the amount of capital and reserves of subsidiaries held by parties other than the parent company's shareholders. In particular, it includes equity interests in the Herambiente Group and the Marche Multiservizi Group.

31 Payables to banks and medium/long and short-term financing

	31-dic-14	31December 2012 as adjusted	Change
Loans e mortgages: portion due beyond the period	3,088,901	3,258,923	(170,022)
Other financial liabilities: portion due beyond the period	6,400	8,499	(2,099)
Total loans and medium/long term financial liabilities	**3,095,301**	**3,267,422**	**(172,121)**
Loans e mortgages: portion w ithin beyond the period	303,013	111,372	191,641
Overdrafts and interest expense	175,582	227,603	(52,021)
Other financial liabilities: portion due w ithin the period	68,738	22,899	45,839
Total loans and short term financial liabilities	**547,333**	**361,874**	**185,459**
Total loans and financial liabilities	**3,642,634**	**3,629,296**	**13,338**

The main changes in the items related to *Financing and loans* are due to:
• The issuance, on 4 July 2014, of a green bond, out of the program outstanding *euro medium term notes*, for a total of 500 million euros for the principal maturing in 2024, 2.375% coupon and 2.436% annual yield, listed on the regulated market of the Luxembourg Stock Exchange. The green bond served to refinance certain existing debt instruments: in part, the 2016 Eurobonds for an amount of 304.6 million euros, the 2020 bond with a nominal value of 100 million euros, and the 2025 bond in the amount of 17 million euros;
• early repayment on 30 June 2014 of the entire remaining principal, amounting to 50 million euros, of the loan granted by Mediobanca, which was originally scheduled to mature on 16 May 2015;
• In December, drawing the 50 million euro installment associated with the 100 million euro line of credit with the European Investment Bank (EIB), which has a fixed rate of 1.428%, a lifespan of 15-year and first redemption date scheduled for 2018;
• signing of new financing by the subsidiary Akron Spa for a nominal value of 5 million euros;
• reclassification of the loan amounting to 180 million euros from the European Investment Bank to the subsidiary Herambiente Spa from non-current liabilities to current liabilities, on the basis of its being about to mature;
• reclassification of the loans issued by Unicredit Bulbank to the subsidiary Rilagas AD for a total of 36.8 million euros from the category medium-term debt to that of short-term debt.

At 31 December 2014, the item *Other debt* includes, for the portion due after the close of the financial year, the debt amounting to 6,400 thousand euros owed to the municipal pension fund of the City of Trieste by AcegasApsAmga Spa. The current portion, amounting to 68,738 thousand euros, also includes:
• a debt of 1,351 thousand euros for the acquisition of shares in Galsi Spa purchased from the Region of Sardinia;
•portion of the AcegasApsAmga Spa debt owed to municipal pension fund in the amount of 999 thousand euros;
• payables to municipalities for Tari collections owed by the parent company Hera Spa in the amount of 63,099 thousand euros;
• payables to municipalities for Tares collections incurred by the subsidiary Marche Multiservizi Spa in the amount of 336 thousand euros;
• portion of the outstanding debt of 1,100 thousand euros owed to Unieco Costruzioni Meccaniche Srl for the purchase of the minority share of 49% in the subsidiary Nuova Geovis Spa (later merged into Herambiente Spa).

At 31 December 2014 the Hera Group provided the following security interests for certain bank loans, including among others:

- mortgages and special liens on property, plant and equipment by the Hera Group to the syndicate of banks that extended a loan to the subsidiary Fea S.r.l. whose nominal amount outstanding is now €38,530 thousand;
- mortgages on buildings in Pesaro and Urbino held by a bank that provided a loan to the subsidiary Marche Multiservizi Spa with a nominal outstanding value of 3,575 thousand euros.
- mortgages securing the loan granted to the subsidiary AcegasApsAmga Spa, with a nominal outstanding value of 2,975 thousand euros.

The table below shows the bonds and loans as at 31 December 2014, with an indication of the portion expiring within 12 months, within 5 years and after 5 years (amounts in thousands of euros):

Type	Residual amount 31 December 2014	Portion due within the period	Portion due within 5° year	Portion due beyond 5° year
Bond	2,530,065	-	742,430	1,787,635
Loans e mortgages	861,849	303,013	251,295	307,541
Overdrafts and interest expense	175,582	175,582		
Other financial liabilities	75,138	68,738	6,400	-
Total loans and financial liabilities	**3,642,634**	**547,333**	**1,000,125**	**2,095,176**

The main terms and conditions of the bonds outstanding as of 31 December 2014 are shown below:

Bonds		Maturity (year)	Maturity date	Nominal value (mln)		Coupon	Annual interest rate
Eurobond	Luxembourg Stock Exchange	10	15 February 2016	195.4	EUR	Fixed, annual	4.125%
Eurobond	Luxembourg Stock Exchange	10	3 December 2019	500	EUR	Fixed, annual	4.500%
Green Bond	Luxembourg Stock Exchange	10	4 July 2024	500	EUR	Fixed, annual	2.375%
Bond	Unlisted	15	5-ago-24	20,000	JPY	ix-monthy sei	2.925%
Bond	Luxembourg Stock Exchange	10	22 May 2023	68	EUR	Fixed, annual	3.375%
Bond	Luxembourg Stock Exchange	12	22 May 2025	15	EUR	Fixed, annual	3.500%
Bond	Non quotato	15/20	14 May 2027/2032	102.5	EUR	Fixed, annual	5.250%
Bond	Luxembourg Stock Exchange	15	29 January 2028	700	EUR	Fixed, annual	5.200%
Bond	Luxembourg Stock Exchange	8	4 October 2021	500	EUR	Fixed, annual	3.250%

At 31 December 2014, the total bonds outstanding, with a nominal value of €2,731 million, had a fair value of €3,234 million, as determined on the basis of market quotations, when available.
There are no covenants on the debt except that, for some loans, which requires the company not to have even one agency lower its rating below investment grade (BBB-). As of the balance sheet date this covenant was met.

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 done with 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.

Current cash, cash equivalents, and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. In particular, at 31 December 2014 unused lines of credit amounted to approximately €1,000 million while available committed credit lines amounted to €295 million.

The analysis of cash flows, broken down by maturity date, related to borrowings outstanding at the balance sheet date is illustrated in the Report on operations in the section 1.06.03 *Financial policy and rating*.

32 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 matured receivables of the employee at the presumed date of leaving the company.

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 “ item “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 table below shows the changes in the above provisions during the year.

	31December 2013 as adjusted	Allocation to provisions		Actuarial gains/ losses	Uses and other movements	Changes in the scope of consolidation	31-dic-14
		service cost	Financial charges				
Employee leaving indemnity	127,781	428	2,852	15,305	(6,589)	4,779	144,556
Provisin for tariff reduction	7,515	569	197	(8)	(338)	-	7,935
Premungas	5,084	253	78	224	(644)	294	5,289
Gas discount	4,544	117	112	542	(421)	297	5,191
Total	**144,924**	**1,368**	**3,240**	**16,066**	**(7,992)**	**5,370**	**162,971**

Actuarial gains/(losses) reflect the re-measurement of the liabilities for employee benefits arising from changes in actuarial assumptions. These components are recognized directly in the comprehensive income statement(paragraph 2.01.02 of these Notes).

The item *Uses and other movements* mainly includes the amounts paid to employees.

The item *Changes in the scope of consolidation* reflects mainly:

- The acquisition of "Ecoenergy" by the newly established company Herambiente Recuperi Srl in the amount of 607 thousand euros;
- The aggregation of the Amga Group in the amount of 4,255 thousand euros;
- The deconsolidation as a result of divestiture of the company Herasocrem Srl in the amount of 140 thousand euros.

The main assumptions used in the actuarial estimate of the employee benefits are as follows:

	31-dic-14	31-dic-13
Annual discount rate	1.05%	2.99%
Annual rate of inflation	1.60%	2.10%
Annual salary increases	2.80%	3.90%
Annual rate of increase of employee leaving indemnity	2.24%	3.08%
Annual employee departure for reasons other than death	1.00%	1.10%
Annual usage rate of employee leaving indemnity	2.75%	1.50%

In interpreting said assumptions, account is taken of the following:

- for probabilities of death, those relating to Istat SIMF 2012 tables;
- In the actuarial valuations, account was taken of the new effective dates for pensions under Law Decree 6 December 2011, no. 201 entitled "Urgent measures for growth, equity, and the consolidation of public finances", as amended by Law no. 214 of 22 December 2011, as well as the regulation for adjusting requirements for accessing the pension system in view of increased life expectancies in accordance with Article 12 of Legislative Decree no. 7831 of May 2010, converted with amendments by Law n. 122 of 30 July 2010;
- For the probability of leaving employment for reasons other than death, an average leaving rate of 1% per annum was hypothesized, since the analysis differentiated by professional level and sex did not result in statistically significant results;
- to take into account the phenomenon of early leaving, the incidence and amount of average anticipated severance pay were hypothesized. As for the amount, the maximum allowed by law, that is 70%, was used, while as for the incidence, specific parameters were established for each company (the average value for the Group came to 2.75%).

Lastly, actuarial projections were made on the basis of the Euro Composite AA yield curve.

Sensitivity Analysis – Obbligazioni per piani a benefici definiti

Assuming a 50 bps increase in the internal rate of return compared to the discount rate actually applied to value the liabilities at 31 December 2014, all other actuarial assumptions being equal, the potential decrease of the present value of the obligations of the existing defined-benefit plans would amount to about €6.6 million. Likewise assuming a reduction of the same rate for the same amount there would be an increase in the present value of the liabilities of about €7.2 million.

Assuming a 50 bps increase in the in the rate of inflation compared to that actually applied to value the liabilities at 31 December 2014, all other actuarial assumptions being equal, the potential increase of the present value of the obligations of the existing defined-benefit plans would amount to about €3.6 million. Likewise assuming a reduction of the same rate for the same amount there would be a decrease in the present value of the liabilities of about €3.4 million.

Changes in the remaining actuarial assumptions would produce significantly lower or higher effects on the present value of the liabilities of the defined-benefit plans reported in the statement of financial position.

33 Provisions for risks and charges

	31December 2012 as adjusted	Allocation to provisions		Uses and other movements	Changes in the scope of consolidation	31-dic-14
		Allocation to provisions	Financial charges			
Provisions for landfill post-closure and closure expenses	97,772	4,865	7,383	(2,173)	-	107,847
Provision for restoration of third-party assets	124,509	14,027	4,354	(151)	-	142,739
Provisions for labour disputes	26,160	4,507	-	(3,623)	592	27,636
Other provisions for risks and charges	66,430	8,754	143	(21,317)	4,268	58,278
Total	**314,871**	**32,153**	**11,880**	**(27,264)**	**4,860**	**336,500**

The provision for landfill closure and post-closure expenses, equal to €107,847 thousand, 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 in use. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component derived from the discounting and provision procedure due to changes in the assumptions on future outlays, following the change in estimates both on current and closed landfills. Uses represent the effective outlays during the year. Changes in estimated closure and post-closure costs in relation to active or new landfills, which entailed adjustments to property, plant and equipment for the same amount, were classified under “Other movements”.

“Uses and other movements” decreased by €2.173 thousand, as follows:

• decreases in the amount of 12,357 thousand Euros due to actual cash outlays for the management of landfills, of which 4,994 thousand Euros were accounted for with the off-set entry "other revenues" (Note 4);
• increases in the amount of 3,439 thousand euros due to adjustments in estimated closure and post-closure costs of active landfills, which led to an adjustment in the same amount as the value of tangible assets (Note 16);
• decreases in the amount of 1,927 thousand Euros as a result of revised estimates for post-management costs for completed landfills;
• increases in the amount of 8,672 thousand euros due to the reclassification from the category *Other provisions for risks and charges* of the value of post-management costs for the Ponte San Nicolò (Padua) plant, following the decision to no longer develop the landfill.

The provision for restoration of third-party assets, totalling Euro 142,739 thousand, includes provisions made in relation to law and contractual requirements for Hera S.p.A. and 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 lessor 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 charges for the period associated with the cash flows discounted to present value.

The *provision for legal cases and disputes brought` by personnel*, amounting to 27,636 thousand Euros, reflects the outcomes of lawsuits and disputes brought by employees. The provision includes 8.9 million euros relating to the dispute with INPS (9.0 million euros as at 31 December 2013), mainly connected to the subsidiary AcegasApsAmga Spa. It should be noted that some Group companies have participated in proceedings against INPS relating to the finding that there is no obligation to pay INPS contributions for the redundancy fund (CIG), the extraordinary redundancy fund (CIGS), unemployment benefits, involuntary unemployment benefits, sick leave and the total non-payment of family (CUAF) and maternity benefits. As concerns Hera Spa and certain Group companies, the dispute has been permanently closed following an agreement signed 25 January 2013 with INPS and Equitalia, and the payment of the premiums and contributions payable with associated interest. Civil penalties remain to be paid, for which an extension has been requested. This provision is to be considered adequate based on currently available information, as well as the likely development of litigation and legal opinions accumulated over time.

The item *Other provisions for risks and charges*, amounting to €58,278 thousand, comprises provisions made against sundry risks. Below, there is a description of the main items:

- 10,828 thousand euros for the potentially higher expenses that may be incurred in connection with extraordinary maintenance on the Ponte San Nicolò (Padua) landfill. This amount was initially accounted for as a potential liability as part of the business combination involving the AcegasAps Group and, as previously mentioned, was reclassified during the financial year in the amount of 8,672 thousand euro under the heading *provision for closure and post-closure landfill costs* as a result of the occurrence of the negative event outlined below;
- €11,300 thousand, due to the contingent liability related to existing obigations (guarantee on financial exposure given by Acegas S.p.A.) in case of abandonment of the operations run by the foreign subsidiaries Rilagas (Bulgaria) and Sigas (Serbia). This amount was recorded as a contingent liability when the business combination with the AcegasAps Group was accounted for;
- 823 thousand euros associated with potential for unfavorable rulings in certain ongoing commercial disputes with the PP1 and Demetra companies. This amount was accounted for as a potential liability as part of the business combination involving the AcegasAps Group and, as will be explained, was reclassified during the financial year in the amount of 920 thousand to the *Credit devaluation provision* as a result of the occurrence of the negative event outlined below
- €6,511 thousand, for the future decommissioning of the WTE plants of Trieste and Padua. This provisions includes financial charges deriving from the discounting process;
- €4,333 thousand, for the risk associated with the enactment of the Decree of the Ministry of Economic Development of 20 November 2012 “New procedures to determine the component of the avoided fuel cost (CEC), under measure CIP6/92, and determination of the adjustment amount of CEC for 2011”, which introduced new procedures for the determination of the component of avoided fuel cost (CEC) for 2010, 2011 and 2012;
- 2,472 thousand euro for the provision established to cope with the losses of the company Oikothen Scarl in liquidation, in view of its future prospects;
- €2,332 thousand, related to costs for the disposal of waste stored in the Group’s facilities;
- €1,466 thousand, for any reclamation of cemetery land in Trieste;
- €1,100 thousand, for any penalties required by the Authority for Electric Energy and Gas for the failure to replace 30% of the grey cast iron tubes in the area of Trieste, pursuant to Resolution no. 168/2004 of the Authority.
- 991 migliaia di euro, relativo a spese di ripristino di beni gratuitamente devolvibili del sistema acquedottistico in concessione del fiume Rosola;
- 3,228 thousand euros, for penalties associated with the gas service;
- €701 thousand, related to continuity charges for the electric service.

The item "Uses and other movements" shows a net decrease of 21,317 thousand euros as follows:
• a decrease of 5,015 thousand Euros represented by actual cash outlays, mainly comprising refunds to customers following the 2011/2012 referendum on the remuneration of invested capital in the areas of Trieste and Padua (equal to 1,365 thousand euros) and the costs incurred in disposing of the waste collected at the end of the previous financial year (1,336 thousand euros);
• a decrease of 6,796 thousand euros resulting from de-provisioning due to the annulment of liability for which the provision was established; specifically, the provision of 3,250 thousand euros constituted in relation to potential future costs for the Ponte San Nicolò landfill was eliminated;
• a decrease totaling 9,592 thousand euros due to the reclassification of the value of post-management costs for the Ponte San Nicolò (Padua) landfill from *provision for closure and post-closure landfill costs*, following the decision to no longer develop the landfill, and to the *Credit devaluation provision* in relation to the commercial dispute with PP1 and Demetra (920 thousand euros);
• an increase of 86 thousand euros for reclassifications from other provision items.

Regarding the environmental damage compensation owed to the Municipality of Forlì, following the city’s agreement to expressly waive any further claims to damages for prior years as included in the new 2014-2020 convention, Herambiente Spa has agreed to pay an additional benefit. This out of court settlement involved using the provision established in the previous financial year, totaling 492 thousand euros.

The change in the scope of consolidation is almost entirely attributable to the effect of the consolidation of the Amga Group.

34 Finance lease payables

	31-dic-14	31-dic-13	Change
Finance leases payable beyond 12 months	25,351	15,527	9,824
Finance leases payable w ithin 12 months	3,451	1,972	1,479
Total	**28,802**	**17,499**	**11,303**

This item reflects debt arising from the recognition as finance leases of lease arrangements with Acantho S.p.A., Akron S.p.A., Hera Energie Rinnovabili S.p.A., Hera S.p.A. and Uniflotte S.r.l..

During the 2013 financial year, Akron Spa signed a new leasing contract, in the form of a sale and lease back, involving the real estate component of the new Granarolo Emilia (Bo) plant that was completed in the second half of 2014.

In addition, in the second half of 2014 Hera Spa proceeded with:
• the takeover of two leasing contracts with Fraer Leasing Spa for office buildings located at its headquarters;
• the signing of a contract with Acer Bologna to establish a lease for the real estate component and associated thermal power plants located in the Pilastro and Barca neighborhoods of the City of Bologna to supply district heating services and provide heat energy.

Details of finance lease payables, broken down by asset category, are shown below:

Financial leasing payables	31-Dec-13			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-termpayables beyond 5 years	Payments not yet due
Land and buildings	-	-	3,681	-
Plants and machinery	1,396	3,102	8,281	16,586
Other moveable assets	576	463	-	1,071
Total Financial leasing payables	**1,972**	**3,565**	**11,962**	**17,657**

Financial leasing payables	31-Dec-14			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-termpayables beyond 5 years	Payments not yet due
Land and buildings	977	4,527	7,693	14,744
Plants and machinery	2,276	2,837	10,139	19,968
Other moveable assets	198	154	-	360
Total Financial leasing payables	**3,451**	**7,518**	**17,833**	**35,072**

The net value of assets recorded in the financial statements is shown below (please refer to the values indicated in note 16 *Property, plant and equipment*).

Net carrying amount	31-dic-13	Assets held through finance Increases	Assets held through finance Decreases	31-dic-14
Land and buildings	4,156	13,503	(454)	17,205
Plants and machinery	16,228	3,869	(2,722)	17,375
Other moveable assets	1,456	-	(569)	887
Total assets held through finance lease arrangements	**21,840**	**17,372**	**(3,745)**	**35,467**

The above data reflect solely assets utilized in connection with lease agreements still in place.

35 Trade payables

	31-dic-14	31December 2012 as adjusted	Change
Trade payables	597,598	618,316	(20,718)
Trade payables – invoices receivable	579,476	523,732	55,744
Payables for advances received	5,800	14,300	(8,500)
Due to associated companies and joint ventures	10,752	11,572	(820)
Total	**1,193,626**	**1,167,920**	**25,706**

The majority of trade payables are the result of transactions carried out in Italy.

Payables for advances received refers to advances received in relation to gas supply contracts. The change as compared to 31 December 2013 is due to a reduction in advances paid to the subsidiary Hera Trading Srl by the affiliate Set Spa in relation to green and grey certificates from 2013 and 2014 that were physically transferred to the company in question.

Details of the main debts outstanding with associated companies and joint ventures are shown below:

	31-dic-14	31-dic-13	Change
Adriatica Acque Srl	99	1,281	(1,182)
Aimag Spa	442	3,722	(3,280)
Centro Idrico di Novoledo Srl	157	1,142	(985)
Elettrogorizia Spa	266	1,333	(1,067)
Enomondo Srl	372	964	(592)
EstEnergy Spa	4,428	1,113	3,315
Estense Global Service Soc.Cons.a r.l.	984	582	402
Service imola Srl	1,139	301	838
SET Spa	1,346	758	588
SO. SEL Spa	1,519	199	1,320
Other minor companies	-	177	(177)
Total	**10,752**	**11,572**	**(820)**

The amount due to the joint ventures represents the remaining portion of the liability reported in the consolidated statement of financial position.

36 Other current liabilities

	31-dic-14	31December 2012 as adjusted	Change
Capital grants	129,437	113,244	16,193
Security deposits	93,488	81,390	12,098
Personnel	45,498	42,654	2,844
Equalisation Fund	41,216	47,050	(5,834)
Due to social security institutions	32,995	31,682	1,313
Payables due to advances to the Equalisation Fund	25,984	18,684	7,300
Municipalities for environmental inconveniences and guarantees	20,189	11,926	8,263
VAT, excise and additional taxes	19,302	22,796	(3,494)
Revenues paid in advance other expense	15,890	16,481	(591)
Employee w ithholdings	15,759	15,014	745
Insurance and deductibles	8,842	7,098	1,744
Due to shareholders for dividends	5,614	5,719	(105)
Customers	4,517	3,381	1,136
Payables for tariff components	2,765	4,946	(2,181)
Other taxes payable	1,724	3,107	(1,383)
Certificates of energy efficiency and *emission trading*	1,295	1,461	(166)
Fees for sew age and purification	102	719	(617)
Debiti per conolidato fiscale	95	675	(580)
Payables for Tares	-	2,163	(2,163)
Other payables	28,851	33,809	(4,958)
Total	**493,563**	**463,999**	**29,564**

Plant investment grants refers mainly to investments made in the water and environment sector; this item has decreased in proportion to the amount of depreciation calculated on the fixed assets in question. As compared to 31 December 2013, the increase was instead caused by:

• 6,188 thousand Euros in increased contributions received following the implementation of the AEEG resolution concerning integrated water management, which established the new investment funds (Fo.NI) as a rate component to be used for investments and rate discounts in the water sector. The Group has taken account of the terms of the authority's resolution in determining the non-invested portion of Fo.NI that was recorded in the profit and loss account for the financial year;

• 3,811 thousand euros for new contributions dispensed as part of the integrated water management sector;

• 3,572 thousand euros for the portion derived from granting Wind use of company cable ducts and the portion of capital grants received from the Region, Municipality of Trieste and Trieste Fund.

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

VAT, excise and additional taxes shows a balance of 16,092 thousand euros of Value Added Tax (10,093 thousand euros as at December 31, 2013), an increase of 5,999 due mainly to lower VAT amounts collected by the parent company since 31 December 2013. This item also includes a balance of 3,210 thousand euros for excise and additional taxes (12,703 thousand euros as at 31 December 2013), a decrease of 9,493 thousand euros which, as shown in Note 29 *Other current assets*, must be understood in light of the procedures governing financial relations with the tax authorities, for which credit / debit positions can be generated that are significantly different, even from one period to the next.

Personnel, related to holiday time accrued but not used as of 31 December 2014, the productivity bonus and salaries accounted for on an accrual basis.

Payables to social security institutions, related to contributions owed to these institutions for the month of December.

“Equalisation Fund for the Electricity and Gas Sectors”, reflects the debt positions for equalization on the gas distribution/measurement, some components of the gas service system and equalization of the electricity service.

Payables for advances to the equalization fund, comprising the following:
• 24,422 thousand euros as of 31 December 2014 (18,684 thousand euros as at December 31, 2013) equal to the debt recorded in relation to the non-interest-bearing advances granted by the electricity sector Equalization Fund in accordance with the integration mechanism stipulated by AEEG resolutions no. 370 of 20 September 2012 and no. 519 of 6 December 2012, in relation to past due and uncollected receivables owed by customers covered by the safeguard regime, up to 31 December 2011.
• the remaining 1,563 thousand euros is due to debts for the Csal portion payable to the Equalization Fund to cover the charges for non-payment by customers covered by the safeguard regime, as set forth by AEEG resolution 456/13

Municipalities for environmental damage and pledges involves contributions owed to municipalities as compensation for environmental damage, in proportion to the waste disposed of in the plants as of 31 December 2014.

The significant decrease of “*Payables for tariff components*” from the comparable amount at 31 December 2012 was due to the time lag in billing between sales companies and distribution companies. All this gives rise to changes in credit/debit positions due also to the effects of seasonality between one year and the next. Accordingly, it should be noted that this item needs to be linked to the change of the similar item accounted for under “*Other current assets*”.

The amount of *Payables to shareholders for dividends* reflects the debt towards non-controlling shareholders of the following subsidiaries:
• Fea Srl, 5,390 thousand euros, unchanged from the previous year;
• Romagna Compost Srl, 224 thousand euros (329 thousand euros as of 31 December 2013).

Certificates of energy efficiency and emission trading refer to:
• gray certificates in the amount of 1,069 thousand euros (948 thousand euros as of 31 December 2013);
• green certificates in the amount of 226 thousand euros (513 thousand euros as of 31 December 2013).
This item line reflects the obligation to return certificates to the relevant authorities in accordance with applicable regulations.

37 Comments to the consolidated cash flow statement

Investments in companies and business operations

During the 2014 year control was acquired over the Amga Group, the distribution company Isontina Reti Gas SpA, the business unit "Ecoenergy" and the sales company Fucino Gas Srl. Smaller investments were also made in non-consolidated subsidiaries of a non-relevant size. The table below details the main cash disbursements and cash holdings acquired:

thousands of euros	
Transactions leading to acquisition of control	
Cash consideration for acquisition of Amga Group	-
Cash consideration for acquisition of Isontina Reti Gas Spa	(9,367)
Cash consideration for acquisition of "Ecoenergy" business unit	(6,865)
Other minor transactions	(197)
Transactions in joint ventures and companies subject to significant influence	
Cash consideration for acquisition of shares in Elettrogorizia	(1,079)
Investment in non-consolidated subsidiaries and joint ventures	
Cash consideration for acquisition of shares in Galsi Spa	(1,351)
Other minor investment	
Total cash outlays	**(18,859)**
Cash and cash equivalents from Amga group	3,681
Cash and cash equivalents from Isontina Reti Gas Spa	1,657
Cash and cash equivalents "Ecoenergy" business unit	383
Cash and cash equivalents related to other minor transactions	190
Total cash and cash equivalents obtained	**5,911**
Investments in companies and business units net of cash and cash equivalents	**(12,948)**

The acquisition of the Amga Group was carried out entirely by issuing new Hera Spa shares, therefore there was no cash transferred. For the analysis of the fair value of the assets acquired and liabilities taken on, see the section " Summary of the accrued effects of the Amga Group business combination " at the beginning of these notes.

Disposals of equity investments

During the 2014 year Hera Spa sold its controlling stake in Herasocrem Srl and finished liquidating the company FlameEnergy Trading Gmbh by paying the remaining assets to shareholders. On 14 February 2014, the subsidiary Calenia Energia Spa proportionally repaid shareholders, including Hera Spa, part of the amounts paid in prior years as share capital increase. Divestitures were also carried out in non-consolidated subsidiaries of a non-relevant size. The table below details the receipts and cash holdings disposed of:

thousands of euros	
Divestments of consolidated companies	
Cash received sale of Herasocrem Srl	46
Liquidazione FlameEnergy Trading Gmbh	1,499
Divestment of unconsolidated companies	
Restituzione versamenti conto aumento capitale Calenia Energia Spa	2,073
Other minor transactions	919
Total cash received for sale of investments	**4,537**
Cash and cash equivalents of companies sold	(162)
Cash and cash equivalents related to other minor transactions	-
Total cash and cash equivalents transferred	**(162)**
Divestments net of cash and cash equivalents	**4,375**

The item "Other minor transactions", which includes disinvestments in non-consolidated subsidiaries, comprises income in the amount of 617 thousand euros as a price adjustment in connection with the sale of the business unit of the integrated water management service in the city of Udine by Amga Spa, which took place in 2013.

Acquisition of shares in consolidated businesses

This value refers to the following cash outlays associated with the purchase of minority shares in companies included in the scope of consolidation:
• 2,000 thousand euros for the purchase of the entire minority shareholding of Hera Luce Srl, equal to 10.42% of the share capital;
• 1,125 thousand euros for the purchase of the entire minority shareholding of Sotris Spa (later merged into Herambiente Spa), 25% of the share capital;
• 1,793 thousand euros for the purchase of 1.77% of the share capital of Marche Multiservizi Spa;
• 295 thousand euros for the purchase of 3.77% of the share capital of Sinergia Spa.

38 Classification of financial assets and liabilities pursuant to IFRS 7

The table below illustrates the composition of the Group's assets, using the current and non-current distinction. Details of the fair value of derivatives are provided instead in note 23.

31-Dec-14	*Fair value* a conto economico	Receivables and loans	Held to maturity	Available for sale	Total
Non-current assets		**81,730**	**1,570**	**309**	**83,609**
Financial assets			1,570	309	1,879
Crediti non correnti verso parti correlate		50,350			50,350
Financial receivables		31,380			31,380
Current assets	**54,927**	**1,738,551**		**9,505**	**1,802,983**
Trade receivables		1,463,635			1,463,635
Financial assets				9,505	9,505
Crediti correnti verso parti correlate		20,295			20,295
Financial receivables		15,350			15,350
Other assets	54,927	239,271			294,198
31-Dec-13	***Fair value* a conto economico**	**Receivables and loans**	**Held to maturity**	**Available for sale**	**Total**
Non-current assets		**50,761**	**1,570**	**309**	**52,640**
Financial assets			1,570	309	1,879
Crediti non correnti verso parti correlate		27,209			27,209
Financial receivables		23,552			23,552
Current assets	**66,569**	**1,627,294**		**8,492**	**1,702,355**
Trade receivables		1,357,196			1,357,196
Financial assets				8,492	8,492
Crediti correnti verso parti correlate		60,493			60,493
Financial receivables		15,866			15,866
Other assets	66,569	193,739			260,308

With respect to "non-current assets" reference is made to note 21
With respect to "current assets" reference is made to notes 21, 25, 27 and 28.

The table below illustrates the composition of the Group's liabilities, using the current and non-current distinction. Details of the fair value of derivatives are provided instead in note 23.

31-Dec-14	*Fair value* a conto economico	Underlying (*fair value hedge*)	Costo ammortizzato	Total
Non-current liabilities		**1,198,837**	**1,921,815**	**3,120,652**
Loans		1,198,837	1,896,464	3,095,301
Financial leasing payables			25,351	25,351
Current liabilities	**1,295**		**2,266,881**	**2,268,176**
Loans			547,333	547,333
Financial leasing payables			3,451	3,451
Trade payables			1,193,626	1,193,626
Other liabilities	1,295		522,471	523,766
31-Dec-13	***Fair value a conto economico***	**Underlying (fair value hedge)**	**Costo ammortizzato**	**Total**
Non-current liabilities		**1,144,686**	**2,138,263**	**3,282,949**
Loans		1,144,686	2,122,736	3,267,422
Financial leasing payables			15,527	15,527
Current liabilities	**1,461**		**2,000,250**	**2,001,711**
Loans			361,874	361,874
Financial leasing payables			1,972	1,972
Trade payables			1,167,920	1,167,920
Other liabilities	1,461		468,484	469,945

With respect to "non-current liabilities" reference is made to notes 31 and 34.
With respect to "current liabilities" reference is made to notes 31, 34, 35, 27 and 36.

Guarantees

	31 December 2014	31December 2012 as adjusted
Sureties and bank guarantees	923,147	904,657
Sureties and insurance guarantees	217,673	190,758
Total	**1,140,820**	**1,095,415**

Sureties and bank guarantees, the value as at 31December 2014 comprises the following:
• 335,394 thousand euros for guarantees made to public institutions (the Ministry of the Environment, the Region of Emilia Romagna, other provinces and municipalities) and private entities to guarantee the suitable management of plants for treating waste, landfills and dumps, for the suitable provision of waste disposal services, for reclamation work and management and operational activities, including post-mortem ones, and for the proper fulfillment of contractual commitments;

:• 587,688 thousand euros for guarantees and comfort letters issued to guarantee timely payment for the supply of raw materials;
• 65 thousand euros for guarantees issued to the Italian Revenue Service for the refund of VAT credits to Hera SpA;

Sureties and insurance guarantees, with a value as at 31 December 2014 comprising the following:

• 217,673 thousand euro for guarantees issued to public entities (provinces and municipalities that are part of Emilia Romagna and the Marche, the Ministry of the Environment) and third parties to guarantee the suitable management of public utility and waste disposal services, the proper execution of the work to lay company pipelines across roads owned by private individuals, reclamation work, managing waste treatment systems and related activities including the post mortem of landfills;

As for other commitments, the following should be noted:

	31-dic-14	*31-dic-13*
Commitments		
Assets leased by the Hera Group	1,269,356	1,263,653
Collateral posted on behalf of third parties	168,827	185,761
Oher commitments	4,687	4,645
Total	**1,442,870**	**1,454,059**

1. *Third party assets being used by the Hera Group* are as follows:
• 1,171,297 thousand euros in assets used by the parent company by way of the concession and lease of a business unit;

• 88,319 thousand euros for assets used by the Group Marche Multiservizi by way of renting a business unit for gas services;

• 5,120 thousand euros for rented property used by Herambiente SpA, relating to the Tre Monti landfill plant in Imola and the waste selection and pre-treatment facility of Via Regina Pacis in Sassuolo.

• 4,620 thousand euros for third-party IT and network equipment at the data center of the subsidiary Acantho SpA

2. *Real guarantees to third parties* includes:
• Special mortgages and privileges on land, plants and machinery pledged by the subsidiary Frullo Energia Ambiente Srl to the banking syndicate that underwrote financing in the amount of 150,000 thousand euros;

• mortgages on the buildings of the Pesaro and Urbino headquarters of Gruppo Marche Multiservizi in relation to the bank that underwrote financing in the amount of 18,827 thousand euros;

3. *Other commitments* amounting to 4,687 thousand euros, mainly salary-backed loans and small loans to employees.

IFRS 8

Income statement 2014

	Gas	Electricity	Water	waste management	Other servicesi	Headquarters	Total	Consolidated financial statements
Direct revenues	1.448,0	1.367,1	745,6	832,1	95,2	25,5	4.513,6	4.513,6
Infracyclical revenue	12,6	68,5	8,6	58,5	28,6	47,9	224,6	
Total direct revenues	**1.460,6**	**1.435,7**	**754,2**	**890,6**	**123,8**	**73,3**	**4.738,2**	**4.513,6**
Indirect revenue	20,4	6,6	26,0	19,8	0,5	-73,3	0,0	
Total revenue	**1.481,0**	**1.442,3**	**780,2**	**910,4**	**124,4**	**0,0**	**4.738,2**	**4.513,6**
EBITDA	**276,0**	**111,4**	**217,1**	**241,8**	**21,5**	**0,0**	**867,8**	**867,8**
Amortization, depreciation and direct provision	88,4	64,8	95,0	131,6	15,5	31,2	426,6	426,6
Amortization, depreciation and indirect provisic	10,1	4,9	14,6	1,3	0,3	-31,2		
Total amortization, depreciation and provi	**98,5**	**69,6**	**109,6**	**133,0**	**15,9**	**0,0**	**426,6**	**426,6**
Operating Result	**177,5**	**41,8**	**107,5**	**108,8**	**5,6**	**0,0**	**441,2**	**441,2**

Income statement 2013 adjusted

	Gas	Electricity	Water	waste management	Other servicesi	Headquarters	Total	Consolidated financial statements
Direct revenues	1.632,4	1.419,1	715,2	821,7	114,0	25,1	4.727,5	4.727,5
Infracyclical revenue	18,4	74,0	10,8	45,3	14,2	3,0	165,8	
Total direct revenues	**1.650,8**	**1.493,1**	**726,1**	**867,0**	**128,2**	**28,1**	**4.893,3**	**4.727,5**
Indirect revenue	8,3	2,5	10,6	6,7	0,0	-28,1	0,0	
Total revenue	**1.659,1**	**1.495,6**	**736,7**	**873,7**	**128,2**	**0,0**	**4.893,3**	**4.727,5**
EBITDA	**265,6**	**87,3**	**193,5**	**239,3**	**24,5**	**0,0**	**810,2**	**810,2**
Amortization, depreciation and direct provision	77,5	60,3	91,5	130,7	16,6	33,9	410,5	410,5
Amortization, depreciation and indirect provisic	7,8	4,2	11,6	9,6	0,7	-33,9		
Total amortization, depreciation and provi	**85,2**	**64,5**	**103,2**	**140,3**	**17,3**	**0,0**	**410,5**	**410,5**
Operating Result	**180,3**	**22,8**	**90,4**	**99,0**	**7,1**	**0,0**	**399,7**	**399,7**

Statement of financial position 2014

	Net working capital	Net non-current assets	Provisions	Equity	Net borrowings	Consolidated financial statements
Total assets	**1.902,4**	**5.464,0**	**0,0**	**0,0**	**1.066,4**	**8.432,7**
Cash and other liquid assets					1.066,4	1.066,4
Tax assets	72,1	68,1				140,2
Unallocated Group assets		443,7				443,7
Segment assets	**1.830,4**	**4.952,1**	**0,0**	**0,0**	**0,0**	**6.782,5**
of which :						
GAS	626,0	1.401,7				2.027,8
Electric energy	519,9	650,5				1.170,4
Water	245,0	1.542,0				1.787,0
Waste management	382,1	1.247,0				1.629,1
Other services	57,3	110,9				168,2
Total liabilities	**1.749,3**	**3,1**	**514,6**	**2.459,0**	**3.706,8**	**8.432,7**
Financial liabilities and loans					3.706,8	3.706,8
Tax liabilites	67,1		15,1			82,2
Unallocated Group liabilities		3,1	13,4	2.459,0		2.475,5
Segment liabilities	**1.682,2**	**0,0**	**486,1**	**0,0**	**0,0**	**2.168,3**
of which :						
GAS	506,5		138,5			645,0
Electric energy	458,9		26,3			485,1
Water	272,1		106,1			378,2
Waste management	383,1		206,4			589,5
Other services	61,6		8,8			70,5
Total liabilities	**153,1**	**5.460,9**	**-514,6**	**-2.459,0**	**-2.640,4**	**0,0**

Statement of financial position 2013 adjusted

	Net working capital	Net non-current assets	Provisions	Equity	Net borrowings	Consolidated financial statements
Total assets	**1.732,5**	**5.266,0**	**0,0**	**0,0**	**1.102,0**	**8.100,6**
Cash and other liquid assets					1.102,0	1.102,0
Tax assets	58,0	79,3				137,2
Unallocated Group assets		429,3				429,3
Segment assets	**1.674,6**	**4.757,4**	**0,0**	**0,0**	**0,0**	**6.432,0**
of which :						
GAS	578,6	1.174,8				1.753,4
Electric energy	444,1	661,4				1.105,5
Water	234,1	1.507,8				1.741,9
Waste management	357,1	1.294,1				1.651,2
Other services	60,7	119,3				180,0
Total liabilities	**1.653,2**	**8,4**	**464,5**	**2.305,7**	**3.668,7**	**8.100,6**
Financial liabilities and loans					3.668,7	3.668,7
Tax liabilites	47,6		4,7			52,3
Unallocated Group liabilities		8,4	8,2	2.305,7		2.322,3
Segment liabilities	**1.605,6**	**0,0**	**451,6**	**0,0**	**0,0**	**2.057,2**
of which :						
GAS	468,9		119,9			588,8
Electric energy	379,3		21,2			400,4
Water	282,7		94,9			377,6
Waste management	407,9		202,7			610,6
Other services	66,8		12,9			79,8
Total liabilities	**79,3**	**5.257,6**	**-464,5**	**-2.305,7**	**-2.566,7**	**0,0**

2.03.02 Explanatory notes to the financial statements prepared in accordance with Consob resolution 15519 of 2006

Management of the services

The Hera Group, through Parent Company Hera S.p.A., has public service concession arrangements in place (distribution of natural gas via local gas pipelines, integrated water service and waste management services, including sweeping, collection, transport and waste recovery and disposal) in a large part of the area where it operates and in almost all of the shareholder municipalities (provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna and Rimini).

The electricity distribution service is carried out in Modena and Imola. Other public utility services (including district heating, heat management and public lighting) are provided at arm's length, through special agreements with the local authorities concerned. Through special agreements with local authorities, Hera S.p.A. is responsible for the waste treatment and disposal service excluded from the regulatory activity carried out by the local competent authority Atersir.

According to regional and national regulations for the sector, Atersir is responsible for awarding contracts, planning and controlling integrated water and urban hygiene services. In accordance with the cited regional and national regulations of reference, the Hera Group entered into several agreements with Atersir which govern the management of water and urban hygiene services.

Water sector

The water service managed by Hera in its area of competence is carried out on the basis of agreements entered into with Atersir, of varying duration, normally twenty years. The assignment to Hera of management of the integrated water service includes all activities involving the capture, purification, distribution and sale of drinking water for civil and industrial use, and the sewerage and purification service. The agreements also provide for the operator's execution of new network design and construction activities and the building of new plants to be used in managing the service. The management of the service is assigned exclusively to Hera for the different area municipalities involving the obligation of the Municipality not to grant to third parties usage of the subsoil of its property to lay pipelines without the prior consent of the company.

The agreements regulate the economic aspects of the contractual relationship, the forms of management of the service, as well as service and quality standards.

Starting from 2012, the Government attributed the Authority for electric energy, gas and water services (AEEGSI) competence over tariffs. Within this purview, AEEGSI adopted a transitory tariff period for 2012-2013 and a consolidation period for 2014-2015. In 2014, AEEGSI approved tariffs for 2014-2015 and the related economic and financial plans. The tariffs per unit applied in 2014 are those approved by AEEGSI.

The local authorities awarding the concession give the manager the right, free of charge as well, to use the network and plants for the provision of integrated water supplies. In the majority of the cases concerning the areas managed by Hera, the local authorities have conferred the ownership of networks and plants to special asset companies. At the end of the concession, Hera is obliged to hand over the assets used to provide the service to the asset companies, or to the municipal authorities.

Any works carried out to upgrade or expand the networks must be compensated at the end of concession with the payment of the residual value of the assets in question. Hera's relations with users are regulated by sector laws and by the provisions set out by the regional councils and environmental agencies. The duties of the operator in terms of service quality and resources and the users' rights are illustrated in the specific Service Charters drafted by the operator based on templates approved by Atersir.

Waste management sector

Hera manages urban waste management services. The agreements signed with Atersir cover the exclusive management of collection, transportation, street sweeping and cleaning, waste transportation to recovery and disposal etc. The agreements signed with Atersir set the prices for the services, the way the activity is organized and managed and the quantitative and qualitative levels of the services provided. The payments due to the operator for the services rendered has been defined annually, in accordance with the provisions of Presidential Decree 158/1999, setting the tariff, as supplemented, starting in 2013, by the rule first on Tares and then on Tari.

The Hera Group has provincial authority to operate urban waste treatment plants. For the first time since 2014, the Group, through the subsidiary Herambiente, signed a service agreement with Atersir, in accordance with article 16 of Regional Law 23/2011 for the disposal of unsorted urban waste.

Management of the networks, plants and equipment

The infrastructure required for the provision of services whose management has been assigned to Hera, including local gas pipelines and waterworks and sewage systems, are partly owned by Hera and partly owned by third parties (municipalities, asset companies owned by local authorities). In particular, the asset companies own the capital assets used to manage services following their direct contribution by the Municipalities (generally Hera shareholders) or following the assignment to the asset companies of business units which took place, in almost all cases, at the time of business combinations involving companies in the Emilia-Romagna region with Seabo Spa (then Hera Spa).

In the case of assets owned by local entities and asset companies, relations between the service operator and the owners are governed by service award agreements or business unit lease contracts and, for anything not covered thereunder, by prevailing industry rules.

As regards the financial aspect, business unit lease contracts fix the amount due from the operator to the owners for the use of networks and plants. On the basis of these contracts Hera must carry out, at its own cost and expense, routine and non-routine maintenance as well as the expansion of the networks, as provided for in the investment plans agreed with the asset companies and, where relevant, by the area plans defined by Atersir.

Upon expiry of the lease contracts, provision is made for the handover of the business units to the owner, in a normal state of repair. All works performed by Hera, involving expansion and extraordinary maintenance, will be similarly handed over to local authorities in return for the payment to the operator of compensation/supplement equal, as a general rule, to the net book value or residual value of the associated assets.

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 (Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market quoted in the part "Regulations" of the report on operations. Hera S.p.A. has longer residual terms than those set out for managing entities that have promoted partial privatisations 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. Tariffs for the distribution of gas are set pursuant to the regulations in force and AEEG's periodic resolutions. The territory in which Hera carries out the gas distribution services consists of "tariff areas" in which a distribution tariff is uniformly applied to the various categories of customers.

The tariff regulation in force at the date of approval of the annual consolidated financial statements, to which this report is attached, is represented mainly by Resolutions 573/2013/R/GAS, 367/2014/R/GAS (TUDG) and Annex A thereto (RTDG).

In fact, on 1 January 2014 the new "Regulation of tariffs for gas distribution and metering services for the regulation period 2014-2019 (RTDG 2014-2019)", approved with resolution 573/2013/R/gas, came into force. Pursuant to article 28 of the RTDG 2014-2018, the mandatory natural gas distribution and metering tariffs are broken down in accordance with six different geographical areas:

- North-West tariff, for the regions of Valle d'Aosta, Piedmont and Liguria;
- North-East tariff, for: Lombardy, Trentino - Alto Adige, Veneto, Friuli - Venezia Giulia, Emilia - Romagna;
- Central Italy tariff, for Tuscany, Umbria and Marche;
- Central/South-East tariff, for the regions of Abruzzo, Molise, Puglia, Basilicata;
- Central/South-West tariff, for the regions of Lazio and Campania;
- Southern tariff, for the regions of Calabria and Sicilia.

The amount of the components under paragraph 27.3, sub-paragraphs c), d), e), f), g), e) and h) of the RTDG 2014-2019 is set by the Authority and is subject to a quarterly update.

With resolution 633/2013/R/gas the Authority approved the components of the mandatory tariffs for the distribution, metering and commercialization of natural gas, under paragraph 27.3, sub-paragraphs a) and b) of RTDG 2014-2019, for 2014. Resolution 641/2013/R/com approved the GS, RE and UG1 components under paragraph 27.3, sub-paragraphs c), d), e) and f) of RTDG 2014-2019. In the case of electricity, the purpose of the concessions (30 years in duration and renewable according to current regulations) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, ordinary and extraordinary maintenance and programming and identification of development initiatives and measurement. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in

breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner.
The concessionaire is required to apply the tariffs set by regulations in force and resolutions adopted by AEEG. The tariff regulation in force when the consolidated annual financial statements for the year were approved, to which this report is attached, was resolution ARG/elt no. 199/2011 of AEEG and subsequent amendments and additions ("Provisions of AEEG for carrying out electricity transmission, distribution and measurement services for the regulatory period 2012-2015 and provisions regarding the economic conditions regulating the provision of the connection service").
The mandatory tariff for the distribution service covers the cost of transporting electric energy on distribution networks. It is applied to all end-customer, except low-tension residential customers. The tariff has a three-pronged structure, which is expressed in eurocents per delivery point per annum (fixed component), eurocents per KW per annum (power component) and eurocents per KWh used (energy component). The Authority updates the mandatory tariff for the distribution service every year.

2.04 NET BORROWINGS

2.04.01 Consolidated Net Borrowings

millions of euros		31 December	31 December 2013
a	**Cash**	**834,5**	**926,9**
b	**Other current financial receivables**	**45,2**	**84,9**
	Current bank debt	(175,6)	(227,6)
	Current portion of bank debt	(302,2)	(110,5)
	Other current financial liabilities	(69,6)	(23,7)
	Finance lease payables due within 12 months	(3,4)	(2,0)
c	**Current financial debt**	**(550,8)**	**(363,8)**
d=a+b+c	**Net current financial debt**	**328,9**	**648,0**
e	**Non-current financial receivables**	**83,6**	**52,6**
	Non-current bank debt and bonds issued	(3.020,6)	(3.243,3)
	Other non-current financial liabilities	(7,0)	(8,5)
	Finance lease payables due after 12 months	(25,3)	(15,5)
f	**Non-current financial debt**	**(3.052,9)**	**(3.267,3)**
g=e+f	**Net non-current financial debt**	**(2.969,3)**	**(3.214,7)**
h=d+g	**Net financial debt**	**(2.640,4)**	**(2.566,7)**

2.04.02 Net Borrowings –Consob resolution 15519/2006

	(millions of euros)	31 December	A	B	C	D	31 December as	A	B	C	D
a	**Cash**	**834,5**					**926,9**				
	of which related parties										
b	**Other current financial receivables**	**45,2**					**84,9**				
	of which related parties			**20,3**	**0,7**				**60,5**	**0,5**	
	Current bank debt	(175,6)					(227,6)				
	Current portion of bank debt	(302,2)					(110,5)				
	Other current financial liabilities	(69,6)		(0,8)	(32,4)		(23,7)		(0,8)	(1,1)	
	Finance lease payables due within 12 months	(3,4)					(2,0)				
c	**Current financial debt**	**(550,8)**					**(363,8)**				
	of which related parties		-	**(0,8)**	**(32,4)**	-		-	**(0,8)**	**(1,1)**	-
d=a+b+c	**Net current financial debt**	**328,9**					**648,0**				
	of which related parties		-	**19,5**	**(31,7)**	-		-	**59,7**	**(0,6)**	-
e	**Non-current financial receivables**	**83,6**					**52,6**				
	of which related parties			**49,3**	**19,3**				**27,2**	**22,5**	
	Non-current bank debt and bonds issued	#######					#######				
	Other non-current financial liabilities	(7,0)			(6,4)		(8,5)			(7,4)	
	Finance lease payables due after 12 months	(25,3)					(15,5)				
f	**Non-current financial debt**	**#######**					**#######**				
	of which related parties		-	**0,0**	**(6,4)**	-		-	-	**(7,4)**	-
g=e+f	**Net non-current financial debt**	**#######**					**#######**				
	of which related parties		-	**49,3**	**12,9**	-		-	**27,2**	**15,1**	-
h=d+g	**Net financial debt**	**#######**					**#######**				
	of which related parties		-	**68,8**	**(18,8)**	-		-	**86,9**	**14,5**	-

2.05 EQUITY INVESTMENTS

2.05.01 List of consolidated companies

Società Controllate

Denominazione	Sede legale	Capitale Sociale	Percentuale posseduta		Interessenza complessiva
			diretta	indiretta	
Capogruppo: Hera Spa	**Bologna**	**1.489.538.745**			
Acantho Spa	Imola (BO)	23.573.079	77,36%		77,36%
AcegasApsAmga Spa	Trieste	284.677.324	100,00%		100,00%
AcegasAps Service Srl	Padova	180.000		100,00%	100,00%
Akron Spa	Imola (BO)	1.152.940		43,13%	43,13%
Amga Calore & Impianti Srl	Udine	119.000		100,00%	100,00%
Amga Energia & Servizi Srl	Udine	600.000		100,00%	100,00%
ASA Scpa	Castelmaggiore (BO)	1.820.000		38,25%	38,25%
Black Sea Technology Company	Varna (Bulgaria)	15.904.566 lev		99,97%	99,97%
Black Sea Gas Company Ltd	Varna (Bulgaria)	5.000 lev		99,97%	99,97%
Consorzio Akhea Fondo Consortile	Bologna	200.000		59,38%	59,38%
Esil Scarl	Bologna	10.000		100,00%	100,00%
Feronia Srl	Finale Emilia (MO)	2.430.000		52,50%	52,50%
Frullo Energia Ambiente Srl	Bologna	17.139.100		38,25%	38,25%
Fucino Gas Srl	Luco dei Marsi (AQ)	10.000		100,00%	100,00%
HeraAmbiente Spa	Bologna	271.148.000	75,00%		75,00%
Herambiente Recuperi Srl	Bologna	10.000		75,00%	75,00%
Herambiente Servizi Industriali Srl	Bologna	1.748.472		75,00%	75,00%
Hera Comm Srl	Imola (BO)	53.536.987	100,00%		100,00%
Hera Comm Marche Srl	Urbino (PU)	1.977.332		71,07%	71,07%
Hera Energie Srl	Bologna	926.000		51,00%	51,00%
Hera Energie Rinnovabili Spa	Bologna	1.832.000	100,00%		100,00%
Hera Luce Srl	San Mauro Pascoli (FC)	1.000.000	100,00%		100,00%
Hera Trading Srl	Trieste	22.600.000	100,00%		100,00%
Insigna Srl	Padova	10.000		100,00%	100,00%
Marche Multiservizi Spa	Pesaro	13.484.242	46,39%		46,39%
Medea Spa	Sassari	4.500.000	100,00%		100,00%
MMS Ecologica Srl	Pesaro	95.000		46,39%	46,39%
Naturambiente Srl	Pesaro	50.000		46,39%	46,39%
Rila Gas AD	Sofia (Bulgaria)	33.337.000 lev		100,00%	100,00%
Romagna Compost Srl	Cesena	3.560.002		45,00%	45,00%
SiGas d.o.o	Pozega (Serbia)	162.260.057,70 RSD		95,78%	95,78%
Sinergia Srl	Forlì	579.600		62,77%	62,77%
Sinergie Spa	Padova	11.168.284		100,00%	100,00%
Sviluppo Ambiente Toscana Srl	Bologna	10.000	95,00%	3,75%	98,75%
Trieste Onoranze e Trasporti Funebri Srl	Trieste	50.000		100,00%	100,00%
Tri-Generazione Srl	Padova	100.000		70,00%	70,00%
Uniflotte Srl	Bologna	2.254.177	97,00%		97,00%

Società a Controllo Congiunto

Denominazione	Sede legale	Capitale Sociale	Percentuale posseduta		Interessenza complessiva
			diretta	indiretta	
Enomondo Srl	Faenza (RA)	14.000.000		37,50%	37,50%
Elettrogorizia Spa	Trieste	5.600.000		50,00%	50,00%
Estenergy Spa	Trieste	1.718.096		51,00%	51,00%

Società Collegate

Denominazione	Sede legale	Capitale Sociale	Percentuale posseduta		Interessenza complessiva
			diretta	indiretta	
Aimag Spa*	Mirandola (MO)	78.027.681	25,00%		25,00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (MO	60.000		33,00%	33,00%
Q.Thermo Srl	Firenze	10.000		39,50%	39,50%
Set Spa	Milano	120.000	39,00%		39,00%
So.Sel Spa	Modena	240.240		26,00%	26,00%
Sgr Servizi Spa	Rimini	5.982.262		29,61%	29,61%
Tamarete Energia Srl	Ortona (CH)	3.600.000	40,00%		40,00%

* il capitale sociale della società è costituito da € 67.577.681 di azioni ordinarie e da € 10.450.000 di azioni correlate

2.05.02 Key financial and operating data of consolidated and associated companies

Key operating and financial data of Subsidiaries pursuant to article 2429, last paragraph, of the Italian Civil Code.

Company	Acantho SpA	AcegasApsAmga SpA	AcegasAps Service Srl	Akron SpA	Amga Calore & Impianti Srl	Amga Energia & Servizi Srl	Asa ScpA	Black Sea Technology Company Group	Black Sea Gas Company Ltd	Consorzio Akhea Fondo Consortile
ASSETS										
Non-current assets	56.555	1.020.233	323	20.940	4.397	663	4.434	24.116	311	11
Working capital	32.697	289.654	19.936	24.423	5.034	63.225	14.794	4.583	699	883
Total assets	**89.252**	**1.309.887**	**20.259**	**45.363**	**9.431**	**63.888**	**19.228**	**28.699**	**1.010**	**894**
LIABILITIES										
Share capital	23.574	284.677	180	1.153	119	600	1.820	8.132	2	200
Reserves	1.131	123.894	479	4.269	2.211	7.055	622	4.488	521	
Net profit(+)/Loss(-)	3.240	41.962	-126	3.672	448	3.269		906	14	
Provisions	105	30.185	0	187	43	924	15.380	174	0	
Post-employment benefits	612	29.436	0	397	464	580	153	0	0	
Debt	60.590	799.733	19.726	35.685	6.146	51.460	1.253	14.999	473	694
Total liabilities	**89.252**	**1.309.887**	**20.259**	**45.363**	**9.431**	**63.888**	**19.228**	**28.699**	**1.010**	**894**
INCOME STATEMENT										
Value of production	49.559	399.324	33.189	49.222	7.580	167.570	5.417	19.745	1.767	501
Production costs	-43.590	-339.189	-32.406	-44.262	-6.776	-161.180	-5.802	-18.151	-1.737	-503
Financial expense / (Income)	-1.216	-8.894	-530	-335	-118	-390	408	-532	-11	3
Allowance for asset impairment		0	0					0	0	
Extraordinary income(+)/expenses(-)	339	-925	0	854	22	-77	2	0	0	0
Income tax for the period	-1.852	-8.354	-379	-1.807	-260	-2.654	-25	-156	-5	-1
Net profit(+)/Loss(-)	**3.240**	**41.962**	**-126**	**3.672**	**448**	**3.269**	**0**	**906**	**14**	**0**

Company	Esil Scarl	Feronia Srl	Frullo Energia Ambiente Srl	Fucino Gas Srl	Herambiente SpA	Herambiente Recuperi Srl	Herambiente Servizi Industriali Srl	Hera Comm Srl	Hera Comm Marche Srl	Hera Energie Rinnovabili Srl
ASSETS										
Non-current assets	350	1.201	86.038	21	842.849	12.045	1.350	99.221	41.100	10.005
Working capital	1.051	11.923	57.992	1.429	215.937	5.894	17.322	680.851	35.428.698	5.533
Total assets	**1.401**	13.124	**144.030**	**1.450**	**1.058.785**	**17.939**	18.672	**780.072**	**35.469.798**	**15.538**
LIABILITIES										
Share capital	10	2.430	17.139	10	271.100	10	1.748	53.537	1.977.332	1.832
Reserves		67	19.924	91	43.478	-109	304	21.453	4.941.903	463
Net profit(+)/Loss(-)		77	3.595	111	20.827	-135	78	40.252	4.265.899	265
Provisions		5.158	4.333	11	71.956	28	245	3.565	11.876	34
Post-employment benefits			1.394	10	9.556	620	512	5.722	180.916	
Debt	1.391	5.391	97.645	1.217	641.869	17.525	15.783	655.543	24.091.872	12.944
Total liabilities	**1.401**	13.124	**144.030**	**1.450**	**1.058.785**	**17.939**	18.672	**780.072**	**35.469.798**	**15.538**
INCOME STATEMENT										
Value of production	1.430	9.021	33.856	2.049	385.063	3.810	21.798	1.770.997	72.902.993	3.506
Production costs	-1.426	-9.005	-27.477	-1.875	-330.775	-3.892	-21.605	-1.703.203	-65.393.966	-2.540
Financial expense / (Income)	-4	28	-1.343	-10	-25.821	-83	6	-316	122.518	-528
Allowance for asset impairment			70		4.491				0	
Extraordinary income(+)/expenses(-)		1		-2					22.345	88
Income tax for the period		33	-1.511	-51	-12.131	30	-120	-27.226	-3.387.991	-261
Net profit(+)/Loss(-)	**0**	**77**	**3.595**	**111**	**20.827**	**-135**	78	**40.252**	**4.265.899**	**265**

Company	Hera Energie Srl	Hera Luce Srl	Hera Trading Srl	Insigna Srl	Marche Multiservizi SpA	Medea SpA	MMS Ecologica Srl	Naturambiente Srl	Rila Gas AD	Romagna Compost Srl
ASSETS										
Non-current assets	1.242	9.631	17.658	4.142	124.069	14.489	617757	793.337	54.448	8.685
Working capital	8.126	29.909	398.380	11.120	75.388	5.336	5410113	6.866.077	1.445	2.384
Total assets	**9.368**	**39.540**	**416.038**	**15.262**	**199.457**	**19.825**	**6.027.870**	**7.659.414**	**55.893**	**11.070**
LIABILITIES										
Share capital	926	1.000	22.600	10	13.484	4.500	95000	50.000	16.817	3.560
Reserves	2.385	5.090	4.166	419	17.440	-40	199340	1.771	-1	562
Net profit(+)/Loss(-)	1.079	431	7.871	-311	11.560	512	164728	4.541	-4.882	391
Provisions		19.161	123	0	38.479	868	3842144	528.801	0	
Post-employment benefits	14	721	377	17	8.461	157	259269	391.868	0	61
Debt	4.964	13.137	380.901	15.127	110.033	13.828	1467389	6.682.433	43.959	6.496
Total liabilities	**9.368**	**39.540**	**416.038**	**15.262**	**199.457**	**19.825**	6027870	**7.659.414**	**55.893**	**11.070**
INCOME STATEMENT										
Value of production	11.424	35.241	1.434.782	9.229	116.023	8.379	2728852	3.223.683	3.694	5.462
Production costs	-9.822	-34.493	-1.419.546	-9.288	-105.111	-7.233	-2476325	-3.185.232	-5.759	-4.771
Financial expense / (Income)	46	80	-1.053	-232	767	-261	8356	-23.380	-2.817	-94
Allowance for asset impairment				0	0		0	0	0	
Extraordinary income(+)/expenses(-)	-14	-6		0	6.093		87	27.950	0	8
Income tax for the period	-555	-391	-6.312	-20	-6.212	-373	-96242	-38.480	0	-213
Net profit(+)/Loss(-)	**1.079**	**431**	**7.871**	**-311**	**11.560**	**512**	164728	**4.541**	**-4.882**	**391**

Company	Sigas d.o.o	Sinergia Srl	Sinergie SpA	Sviluppo Ambiente Toscana Srl	Trieste Onoranze Funebri Srl	Tri-Generazione Srl	Uniflotte Srl
ASSETS							
Non-current assets	961	2.424	67.215	1.324	33	6.252	64.424
Working capital	279	5.970	45.698	357	635	864	11.996
Total assets	**1.240**	**8.394**	**112.913**	**1.681**	**668**	**7.116**	**76.420**
LIABILITIES							
Share capital	2.259	580	11.168	10	50	100	2.254
Reserves	-984	4.674	32.200	421	166	2	3.061
Net profit(+)/Loss(-)	-123	783	2.606	-201	-43	-11	2.229
Provisions	0		0		0	27	20
Post-employment benefits	0	325	1.790		58	3	3.056
Debt	88	2.032	65.149	1.451	437	6.995	65.800
Total liabilities	**1.240**	**8.394**	**112.913**	**1.681**	**668**	**7.116**	**76.420**
INCOME STATEMENT							
Value of production	142	8.567	51.049		1.307	1.987	42.898
Production costs	-240	-7.451	-45.369	-131	-1.367	-1.800	-37.152
Financial expense / (Income)	-25	17	-1.269	-70	1	-179	-2.233
Allowance for asset impairment	0		0		0	0	
Extraordinary income(+)/expenses(-)	0	13	-331		0	0	
Income tax for the period	0	-363	-1.474		16	-19	-1.284
Net profit(+)/Loss(-)	**-123**	**783**	**2.606**	**-201**	**-43**	**-11**	**2.229**

Key operating and financial data of Joint Ventures pursuant to article 2429, last paragraph, of the Italian Civil Code.

Company	Elettrogorizia SpA	Enomondo Srl	EstEnergy SpA
ASSETS			
Non-current assets	17.708	44.064	2.558
Working capital	1.070	13.400	86.680
Total assets	**18.778**	**57.464**	**89.238**
LIABILITIES			
Share capital	5.600	14.000	1.718
Reserves	659	9.096	9.926
Net profit(+)/Loss(-)	-118	2.280	4.961
Provisions	1.368	96	162
Post-employment benefits	102	36	195
Debt	11.167	34.236	72.276
Total liabilities	**18.778**	**59.744**	**89.238**
INCOME STATEMENT			
Value of production	2.929	19.827	153.742
Production costs	-2.633	-14.931	-142.242
Financial expense / (Income)	-291	-1.186	-2.436
Allowance for asset impairment		138	
Extraordinary income(+)/expenses(-)			
Income tax for the period	-123	-1.568	-4.103
Net profit(+)/Loss(-)	**-118**	**2.280**	**4.961**

Key operating and financial data of Associated Companies pursuant to article 2429, last paragraph, of the Italian Civil Code.

Company	Aimag SpA	Ghirlandina Solare Srl	Q.Thermo Srl	Set SpA	So.sel SpA	Sgr Servizi SpA	Tamarete Energia Srl
ASSETS							
Non-current assets	195.477	2.612	3.075	180.819	3.612	3.498	87.900
Working capital	68.319	408	431	19.380	7.287	74.074	11.503
Total assets	**263.796**	**3.020**	**3.506**	**200.199**	**10.899**	**77.572**	**99.403**
LIABILITIES							
Share capital	78.028	60	10	120	240	5.982	3.600
Reserves	44.921	64	3.216	73.362	2.354	22.987	1.069
Net profit(+)/Loss(-)	9.933	-22	-56	-326	274	7.536	215
Provisions	26.262	24		2	20	27	657
Post-employment benefits	3.656			214	2.515	660	
Debt	100.996	2.850	336	126.827	5.496	40.380	93.862
Total liabilities	**263.796**	**2.976**	**3.506**	**200.199**	**10.899**	**77.572**	**99.403**
INCOME STATEMENT							
Value of production	89.206	457		66.931	13.337	158.340	16.616
Production costs	-76.968	-312	-70	-62.792	-12.854	-145.000	-12.107
Financial expense / (Income)	1.322	-85		-3.655	50	139	-4.300
Allowance for asset impairment					50		
Extraordinary income(+)/expenses(-)	1.316			-599	18	31	
Income tax for the period	-4.943	-36	14	-211	-327	-5.974	6
Net profit(+)/Loss(-)	**9.933**	**24**	**-56**	**-326**	**274**	**7.536**	**215**

2.06 Table Pursuant to Article 149 duodecies of the Consob Issuers Regulation

€/000	2014
Services provided to certify the Financial Statements	907.791
Provision of other services for the issue of an attestation (unbundling)	242.517
Other services rendered	457.941
	1.608.249

2.06 TABLE PURSUANT TO ARTICLE 149 DUODECIES OF THE ISSUERS REGULATION

€/000	2014
Services provided to certify the Financial Statements	907.791
Provision of other services for the issue of an attestation (unbundling)	242.517
Other services rendered	457.941
	1.608.249

2.07 ATTESTATION PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE NO. 58/98

1 - I sottoscritti Stefano Venier, 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 consolidato nel corso dell'esercizio 2014.

2 - Si attesta, inoltre, che:

2.1 - il bilancio consolidato:

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 sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

L'Amministratore Delegato
Stefano Venier

Il Dirigente Preposto alla redazione
dei documenti contabili societari
Luca Moroni

Bologna, 24 marzo 2015

2.08 REPORTS BY THE INDEPENDENT AUDITING FIRM AND BOARD OF STATUTORY AUDITORS

2.08.01 Independent Auditing Firm

pwc

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
HERA SpA

1 We have audited the consolidated financial statements of HERA SpA and its subsidiaries (jointly the "HERA Group") as of and for the year ended 31 December 2014 which comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The directors of HERA SpA are responsible for the preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by Consob, the Italian Commission for listed Companies and the Stock Exchange. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present, for comparative purposes, the data of the prior year. As disclosed in the explanatory notes, the directors restated certain comparative amounts of the prior year's consolidated financial statements, which we audited and on which we reported on 1 April 2014. We have examined the restatement methods of the comparative information and the related disclosures for the purpose of our audit of the consolidated financial statements as of and for the year ended 31 December 2014.

3 In our opinion, the consolidated financial statements of the HERA Group as of and for the year ended 31 December 2014 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, the result of operations and the cash flows of the HERA Group for the period then ended.

4 The directors of HERA SpA are responsible for the preparation of a report on operations in compliance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate

PricewaterhouseCoopers SpA

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governance and ownership structure, solely with reference to the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), of article 123-bis of Legislative Decree n° 58/98 presented in the specific section of the aforementioned report are consistent with the consolidated financial statements of HERA SpA as of 31 December 2014.

Bologna, 3 April 2015

PricewaterhouseCoopers SpA

Signed by

Edoardo Orlandoni
(Partner)

This report has been translated from the original, which was issued in accordance with Italian legislation, solely for the convenience of international readers. We have not examined the translation of the financial statements referred to this report.

2 of 2

2.08.02 Board of Statutory Auditors

Report by the Board of Auditors on the Consolidated Financial Statements of the Company Hera Spa (art. 41 of Legislative Decree 127/1991)

To the Shareholders' Meeting of the Company Hera Spa,

The Board of Statutory Auditors, in office at the date of this report, was appointed by the Shareholders' Meeting on 23 April 2014, in compliance with the applicable legislative, regulatory and by-law provisions, and the composition of the Board respects the criterion of gender representation provided for by article 148 of Legislative Decree 58/98.
The consolidated financial statements of the company Hera Spa as at 31 December 2014, which are placed at your disposal as information, were delivered to us according to the law and comply with the provisions that govern their drafting methods and were prepared in application of Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of the IAS/IFRS International Accounting Standards approved by the European Commission, supplemented by the relevant interpretations (Standard Interpretations Committee - SIC and International Financial Reporting Interpretation Committee - IFRIC) issued by the International Accounting Standard Board (IASB), as well as the provisions enacted in implementing art. 9 of Legislative Decree no. 38/2005

The consolidated financial statements of the company Hera Spa have been submitted to legal auditing by the Independent Auditing Firm PriceWaterhouseCoopers Spa, which released its report on 3 April 2015, attached to the financial statements. The Board of Auditors points out that it results from the report of the Independent Auditing Firm that the financial statements under review were prepared in observance of the IAS/IFRS International Accounting Standards approved by the European Union, were clearly drafted and represent in a correct and truthful way the assets and liabilities, the financial position, the economic results and the cash flows of the Hera Group for the financial year ended 31 December 2014.

The consolidated financial statements present, for the purpose of comparison, the corresponding information found in the consolidated financial statements of the preceding year. As illustrated in the explanatory notes, the directors have specified some comparative data pertaining to the preceding year.
Our examination of the consolidated financial statements was conducted in compliance with the indications found in the applicable legislative regulations, taking into account the recommendations issued by the Italian Board of Professional Accountants and Auditors.

The Board of Directors has illustrated the consolidated business activities of the Group and the summary of the global profit and loss trends in its consolidation report.

The Independent Auditing Firm, with which the Board of Auditors was in contact, confirmed that it ascertained the regularity and agreement of the statement of financial position and income statement deriving from consolidation with the accounting results of the company and with the information sent by the subsidiary companies included in the consolidation, and to have also ascertained that there is full correlation between the contents of the consolidated financial statements and the information and clarifications that can be drawn from the explanatory notes and Directors' Report.

As for what falls within our province, we can state the following:

- *The consolidated financial statements of the Hera Group include the financial statements as at 31 December 2014 of the parent company Hera Spa and those of its subsidiaries.*
- *In drafting the present consolidated financial statements, the same principles and criteria applied in the preceding financial year were followed, taking into account the new accounting principles.*

- *All of the information contained in the consolidated financial statements and in the relevant accompanying documents refer to calendar year 2014.*
- *As far as the evaluation criteria are concerned, they comply with the statutory rules and are however fully explained in the explanatory notes.*

The consolidated financial statements close with a profit of EUR 182,407 thousand and group shareholders' equity amounting to EUR 2,459,001 thousand.

The Shareholders' Meeting must take the consolidated financial statements and its accompanying documents into account only for information purposes as they form a document not subject to approval.

However, in our opinion these financial statements correctly express the statement of financial position and income statement of the Group for the financial period ended 31 December 2014, in conformity with the rules that govern the drawing up of consolidated financial statements.

Bologna, 3 April 2015

Board of Auditors

Chairman, Board of Auditors	*Sergio Santi*
Standing auditor	*Antonio Gaiani*
Standing auditor	*Marianna Girolomini*

CHAPTER 4

REMUNERATION REPORT

REPORT ON REMUNERATION

Introduction

Section I

Section II

Introduction

INTRODUCTION

This document was drafted in compliance with the regulations of Article 6 of the Code of Self Discipline for listed companies issued by Borsa Italiana Spa, as well as with Article 123-ter of Legislative Decree 58/1998 (Testo Unico della Finanza, TUF), which requires listed companies to make available to the public at least 21 days before the date of the shareholders' meeting held to approve the financial statement, a Remuneration Report prepared on the basis of the regulations laid out in article 84-quater and Annex 3A, Schedule 7-bis of the Regulation implementing the TUF adopted by Consob through resolution no. 11971 of 14 May 1999 (the "Issuer's Regulation"). . .

In compliance with the provisions of article 84-quater, paragraph 4 of the Issuers' Regulation, this report also provides evidence of the investments held, either directly or through subsidiaries, trust companies or individual nominees, by the members of the Board of Directors, the members of the Board of Statutory Auditors, the General Managers or spouses not legally separated and the minor children of such persons.

SECTION I

1 Introduction

The first section of this report outlines the principles and basic characteristics of the remuneration policy as applied to the top figures of the Hera Group. It should be noted that the Group manager holding strategic responsibilities is the General Manager of Operations.

The fundamental principle which underpins the Group's culture and directs its choices is its commitment to combining economic and social value with the ultimate goal of satisfying the legitimate expectations of all stakeholders. Hera seeks to be a business that withstands the test of time and to improve society and the environment for future generations to come.

The sense of responsibility that is the hallmark of its corporate culture and mission translates into an approach to remuneration that is similarly responsible. The remuneration policy was conceived as a factor that contributes to improving corporate performance and the creation of value in the medium to long-term.

With a view to responsible reward and in keeping with the recommendations contained in Article 6 of the Borsa Italian SpA Code of Conduct, the Board of Directors, with the support of the Remuneration Committee, has therefore defined the remuneration policy for 2014.

Pursuant to paragraph 6 of article 123-ter of the TUF, the meeting is called on to decide on this Section I of the Remuneration Report.

2 Scope of application

In compliance with the provisions of Annex 3A for the implementation of the TUF adopted by Consob through Resolution no. 11971 of 14 May 1999 ("Issuers' Regulation"), the remuneration policy described in this document applies to the members of the administrative bodies and to the General Manager.

The table below lists the members, currently in office, of the Board of Directors and the Board of Statutory Auditors of Hera Spa, appointed at the Shareholders' Meeting of 23 April 2014, as well as the General Manager.

BOARD OF DIRECTORS	
Name and surname	**Office held**
Tomaso Tommasi di Vignano	Chairman
Stefano Venier	CEO
Giovanni Basile	Vice Chairman (independent)
Mara Bernardini	Director (independent)
Forte Clò	Director (independent)
Giorgia Gagliardi	Director (independent)
Massimo Giusti	Director (independent)
Riccardo Illy	Director (independent)
Stefano Manara	Director (independent)
Luca Mandrioli	Director (independent)
Danilo Manfredi	Director (independent)
Cesare Pillon	Director
Tiziana Primori	Director (independent)
Bruno Tani	Director (independent)
BOARD OF STATUTORY AUDITORS	
Name and surname	**Office held**
Sergio Santi	Chairman
Antonio Gaiani	Standing Auditor
Marianna Girolomini	Standing Auditor
Valeria Bortolotti	Alternate Auditor
Violetta Frasnedi	Alternate Auditor
MANAGERS WITH STRATEGIC RESPONSIBILITIES	
Name and surname	**Office held**
Roberto Barilli	Hera Spa General Manager of Operations

3 Governance Model

3.01 Remuneration policy definition and approval process

The Shareholders' Meeting decides the value of the fees for the Board of Directors.
The remuneration policy for Executive Directors is proposed to the Board of Directors by the Remuneration Committee. The Board of Directors then approves any type of supplementary remuneration.
The Chairman proposes policies for Group directors to the Remuneration Committee, which expresses its opinion and presents the policies to the Board of Directors.
This process is supported, as far as the technical aspects are concerned, by the Group Director of Human Resources and Organisation, who takes care of the implementation of these policies.

3.02 Role, composition and responsibilities of the Remuneration Committee

The Remuneration Committee has the task of formulating proposals to the Board of Directors for the remuneration of the Chairman, Vice Chairman, CEO and the General Manager, as well as based on the suggestions put forward by the CEO, for the adoption of general remuneration criteria for managers.
The Committee also regularly evaluates the adequateness, overall consistency and concrete application of the general policy adopted for the remuneration of Executive Directors and the General Manager.
In carrying out its duties, the Remuneration Committee can access the necessary information and company functions for performing its tasks.
This Committee, initially set up at the meeting of the Board of Directors on 4 November 2002 and most recently renewed, in its latest format, on 28 April 2014, comprises the following non-executive, independent directors: Giovanni Basile acting as Chairman, Mara Bernardini, Luca Mandrioli and Cesare Pillon. Note that at least one of the members of the Committee has experience in accounting and finance, deemed suitable by the Board of Directors at the time of appointment. The Chairman of the Board of Directors and the Group CEO may attend the Committee meetings upon express invitation of the Chairman of the Committee.
The Remuneration Committee met 3 times during 2014, and all meetings were attended by the Chairman, the CEO and the General Manager of Human Resources and Organisation of Hera S.p.A, while 2 meetings were attended by Hera Spa General Manager of Corporate Social Responsibility. The meetings of the Remuneration Committee lasted, on average, of one hour and thirty minutes. .

During the meetings held in the 2014 financial year, all regularly recorded in the minutes, the following subjects were discussed:

- Remuneration report for the 2013 financial year
- Final reporting of 2013 Balanced Scorecard system
- Contract pursuant to Article 2389 of the Italian Civil Code. Executive Directors
- Variable compensation for the Chairman and the CEO;
- Vice-Chairman payment;
- 2015 Balanced Scorecard system for Group Directors, Executives and Managers.

4 Hera group remuneration policy

4.01 Aims and Fundamental Principles

The Company defines and applies a General Policy on Remuneration designed to attract, motivate and retain resources which possess the professional qualities needed to effectively pursue the Group's objectives.

The Policy is defined in such a way as to align the interests of management with those of shareholders, with the main goal being the creation of sustainable value in the medium to long-term, through the consolidation of the link between reward and performance, both of individuals and the Group.

Within this context of responsible rewards, the guiding principles adopted for defining the remuneration policy for the top management are:

- constant reference to the external market, for the reference sector as well, in order to check the consistency of the company's remuneration scheme, with the dual purpose of retaining directors and keeping costs down;
- focus on internal consistency between the level of remuneration offered and the complexity of the role performed;
- the use and constant updating of the methodology for evaluating offices, with the objective of guaranteeing standardised remuneration comparisons and analyses that are consistent with the development of the Group's organisational framework over time.

4.02 Correlation between remuneration, risk profile and company performance

The Hera Group has defined an integrated risk management and internal control system in relation to the financial information process pursuant to the provisions of Article 123-bis, paragraph 2, letter b) of the TUF.

This system is aimed at identifying, evaluating, managing and monitoring the main risks that could compromise the achievement of the objectives of dependability, accuracy, reliability and timeliness of financial information. The Hera System takes its inspiration from the internationally recognised CoSO Framework reference model, for the analysis, implementation and evaluation of the risk management and internal control system.

In relation to the industry to which it belongs, the risk profile of the Hera Group occupies an intermediate position, between operators that concentrate more on regulated activities and operators involved in the more risky business of production activities. Overall, the risk profile is very conservative.

The remuneration currently offered is directed at preventing management from behaving in a way that would expose the company to excessive risks or the non-sustainability of the Group's results in the medium to long-term, in line with the risk profile undertaken.

Precisely in order to emphasise consistency with the risk profile, the current remuneration policy includes:

- a (variable remuneration) annual incentive plan based on a balanced scorecard system, with the objective of balancing the various perspectives of company stakeholders (reference shareholders, the market, institutional investors, customers, employees, the territory, etc.) with regard to the creation of value, sustainable performance and dividend development and policy;
- in line with this risk profile, the maximum bonus that can be awarded is 30% of gross annual fixed remuneration for the General Manager and 36% of gross annual fixed remuneration for Executive Directors, taking into account individual performance and the multiplier based on company results;

- once again in line with the company's risk profile, if corporate results exceed the target, the maximum bonus possible will be increased by 20%.

4.03 Balancing remuneration elements

The fundamental components of remuneration for Hera Group Directors are:

- Fixed remuneration
- short-term variable remuneration
- non-monetary benefits

Consistent with its highly conservative risk profile, Hera has chosen not to proceed with granting highly volatile financial instruments, such as, for example, option rights, or other similar instruments. For the relative stability of business results and ex-post risks, the Company is not currently planning to include a long-term variable component.

The performance targets based on which the variable remuneration components are assigned are put to the Board of Directors by the Remuneration Committee. In the proposal, the Committee differentiates between short-term indicators and performance sustainability indicators and provides details concerning the correlation between variation in results and variation in remuneration.

The structure of the remuneration package envisaged for the various offices is defined with a view to balancing the fixed and variable components, taking the specific risk profile of the company into account.

5 Remuneration of Directors and the General Manager

5.01 Non-executive Directors

The following different types of directors can be found within the Board of Directors:

- Executive Directors holding specific offices to whom specific powers are delegated;
- non-executive Directors (hereinafter referred to as "Non-executive Directors").

The current breakdown of the Hera Spa Board of Directors is as follows:

- Executive Directors: the Chairman of the Board of Directors Tomaso Tommasi di Vignano and the CEO Stefano Venier;
- Non-executive Directors: the Vice Chairman of the Board of Directors Giovanni Basile, and Directors Mara Bernardini, Forte Clò, Giorgia Gagliardi, Massimo Giusti, Riccardo Illy, Stefano Manara, Luca Mandrioli, Danilo Manfredi, Cesare Pillon, Tiziana Primori, and Bruno Tani.

With regard to Non-executive Directors, following their appointment, the Shareholders' Meeting on 23 April 2014 established that they would receive a gross annual payment of Euro40,000, in addition to reimbursement of living expenses sustained while carrying out their office.

The Board of Directors, with regard to the offices held by Directors in Group companies, as well as in the HERA Group committees (Executive Committee, Remuneration Committee, Control and Risks Committee and Related Parties Transactions Committee) decided to award these Directors a total sum of Euro20,000 gross per year.

The same Board of Directors decided, on 14 May 2014, to award the Vice Chairman a fixed annual sum of Euro 85,000 for the duration of his office (a reduced sum in relation to the previous compensation of Euro 100,000), which includes the indemnity due as a director and any other fees for offices held in Group companies.

Note that, in line with best practices and the instructions in the Corporate Governance Code, there are no provisions for a variable component in the payment of Non-executive Directors.

In line with best practices, they also receive D&O Liability insurance coverage against civil responsibility towards third parties as well as insurance coverage for professional and extra-professional accidental injury and death.

5.02 Executive Directors and General Manager

On 14 May 2014, the Board of Directors resolved:

- with regard to the office of Chairman, the confirmation, for 2014, of fixed compensation equal to Euro350,000 gross;
- with regard to the office of CEO, the confirmation, for 2014, of fixed compensation equal to Euro350,000 gross;

The aforementioned compensations also include all services/offices held in the Hera Group's subsidiary and associate companies.

The Chairman, CEO and General Manager come under the scope of the remuneration policies defined for the top management of the company, whose methodology is based, as stated previously, on the weighting methods for the positions, market comparisons and an incentive scheme based on the Balanced Scorecard system.

With reference to the weight of the variable component in relation to the fixed component, the following figures are of note:

- On 14 May 2014, for the 2014 financial year the Board of Directors confirmed a bonus of 30% of the fixed compensation for the Chairman and the CEO for achieving established targets (100%), a bonus the level of which had already been reduced for the 2012 financial year reported in 2013 and the 2013 financial year reported in 2014;
- the Hera Spa Board of Directors decided, for the 2013 financial year, to award the General Manager of Operations and the General Manager of Development & Market a variable payment equal to 25% of the total gross fixed compensation slated for reaching 100% of the targets.

In relation to non-monetary benefits, in addition to the insurance policies outlined previously in point 5.01, the company car is available for use.

6 Remuneration components

Currently, the typical remuneration components in Hera are:

6.01 Fixed remuneration

The fixed component of remuneration is usually determined by the professional specialisation and the organisational role along with related responsibilities. It is therefore a reflection of technical, professional and managerial skills.

Remuneration levels are decided based on a weighting system for positions and comparisons with the market. On the whole, the remuneration level is in the medium band for the market (first quartile/median). These market references, combined with performance evaluation, form the basis of individual remuneration reviews.

6.02 Short-term variable remuneration - The Balanced Scorecard system (BSC)

Recipients

The scope of the Balanced Scorecard system extends to include all Hera S.p.A. and Group subsidiary company Directors and Executives. The scope includes 45 Directors and 89 Executives. A similar evaluation form is planned for the Chairman and the CEO.

Incentive and objective definition process

The short-term incentive system includes an individual Balanced Scorecard (BSC) for each of the recipients. Each BSC includes a series of objectives belonging to three evaluation areas:

- objective-oriented projects, defined according to the Group's Strategic Map;
- economic objectives of the individual Budget Units, evaluated through economic-financial type indicators;
- discretionary evaluation, based on the extent of the adoption of the nine types of behaviour set out in the leadership model adopted by the Group.

Each area is divided into a series of pre-set objectives, each with a specific performance indicator. The relative weight of each area under the scope of the individual BSC is different for Directors and Executives, and corresponds to the total of the weight of the individual objectives belonging to the same area.

Performance measurement

A target is defined for each objective. The amount of the reward to be paid to each recipient is determined according to whether the set targets are actually reached (result) and the specific weight of the individual objective.

The result of the evaluation carried out using the aforementioned individual Balanced Scorecard system is weighted through a company results profile, which takes into account the performance recorded by the Group with reference, for 2014, to four parameters:

- EBITDA
- Net Profit
- Net Financial Position (PFN)
- Customer Satisfaction Index (ICS)

The target bonus to be paid to each individual is defined according to the performance profile achieved by the company. The range of the target bonus is between 40% and 120% depending on the degree of achievement of the targets in the year in question.

The maximum bonus that the Chairman and the CEO can receive is 36% of fixed remuneration, which breaks down as follows:

30% for on-target results X company results multiplier equal to 1.2, to be applied if and when the company's targeted economic-financial results are exceeded, to the degree foreseen for each single indicator

The maximum bonus that the General Manager can receive is 30% of fixed remuneration, which breaks down as follows:

25% for on-target results X company results multiplier equal to 1.2, to be applied if and when the company's targeted economic-financial results are exceeded, to the degree foreseen for each single indicator

The maximum bonus, expressed in percentage terms of gross annual fixed remuneration of the director, varies according to the results of the incentive system and the office held by the manager, in a range between 20% and 26% of the individual gross annual remuneration.

The table below illustrates the mechanism for measuring accrued bonuses:

A	Gross Annual Remuneration (RAL)
B	Bonus Target (% RAL)
C	Individual objectives achieved (% Bonus Target)
D	Weighing coefficient (corporate performance)
E	% Bonus paid out = B x C x D (%)
€	Value of the Bonus paid out = A x E

With regard to transactions of strategic importance of an exceptional nature, with significant effects on the results of the company, the Board of Directors, following the proposal of the Remuneration Committee, can award discretionary bonuses to executive directors and management with strategic responsibilities.

7 Compensation for cases of resignation, lay-off or termination of the employment relationship

For Executive Directors, in case of removal from office(except for cases of just cause), he or she will be paid an amount, as compensation for damages, comprehensive of any other claim, equal to the sum he or she would have received as remuneration, pursuant to art. 2389 of the Civil Code, beginning the date the termination takes effect until the end of the mandate as originally scheduled.

In case the Director is removed from office and/or renounces the mandate conferred by the Board of Directors (except for cases of just cause, such as demonstrated health problems or serious familial issues), he or she is required to pay the company an amount, as compensation for damages, equal to the sum he or she would have received as remuneration, pursuant to art. 2389 of the Civil Code, beginning the date the termination takes effect until the end of the mandate as originally scheduled.

SECTION II

1 Introduction

This second section of the report outlines the items that make up the remuneration of members of the administrative and control bodies, as well as General Manager, with the aim of highlighting the consistency with the General Policy described in Section I.
With reference to the policies for directors' remuneration, it should be noted that, with respect to the positions held by the directors (excluding the Chairman, Chief Executive Officer and Vice Chairman) in the Group companies, in the Remuneration and Risks and Controls Committees well as the Executive Committee, the directors involved are awarded a total salary of Euro 20,000 gross per year to be added to the remuneration established by the Shareholders'' Meeting of Euro 40,000.
The value of the bonus received in 2014 by each figure is also indicated, in relation to the degree of achievement of the targets set in the previous year.

2 Description of the compensation paid to Directors and General Managers

This section contains the details of payments made during 2014, with reference, as far as the variable part is concerned, to the accrual criterion.

The following aspects are highlighted:

Chairman
The fixed compensation for Mr. Tomaso Tommasi di Vignano is composed exclusively of wages associated with his relationship as director. The aforementioned compensations also include all services and offices held in the Group's subsidiary and associate companies. Note that during 2014 he received a bonus with regard to the results of the previous year, equal to Euro111,300, following the achievement of an overall performance index of 106%.

CEO
Mr. Maurizio Chiarini served as CEO until 23 April 2014, the date the entire administrative body of the company was renewed. The fixed compensation paid to him is composed exclusively of wages associated with his relationship as director and also includes all services/offices held in the Hera Group's subsidiary and associate companies. Note that during 2014 he received a bonus with regard to the results of the previous year, equal to Euro111,300, following the achievement of an overall performance index of 106%.
On 23 April 2014, Mr. Stefano Venier was appointed member of the Board of Directors of the company; later, on 28 April 2014, the Board of Directors appointed him as Chief Executive Officer, with associated authority. With the same effective date, the fixed compensation paid to Mr. Stefano Venier is composed exclusively of gross annual remuneration as a Group executive and also includes all services/offices held in the Hera Group's subsidiary and associate companies.

Vice Chairman

Mr. Giorgio Razzoli served as Vice Chairman until 23 April 2014, the date the entire administrative body of the company was renewed, receiving a compensation for this office equal to 33,333 which corresponds to the pro-quota of the gross annual remuneration of 100,000, established at the time as compensation for this office.

On 23 April 2014, Mr. Giovanni Basile was appointed member of the Board of Directors of the company; later, on 28 April 2014, the Board of Directors appointed him as Vice Chairman. With the same effective date, the fixed compensation paid to Mr. Basile for this office is Euro 57,375 which corresponds to the pro-quota of the gross annual remuneration of 85,000, established as compensation for this office.

Non-executive Directors

Until 23 April 2014, the date the entire administrative body of the company was renewed, Mara Bernardini, Filippo Brandolini, Luigi Castagna, Pier Giuseppe Dolcini, Roberto Sacchetti, Bruno Tani, Rossella Saoncella, Mauro Roda, Luca Mandrioli, Fabio Giuliani, Enrico Giovannetti, Marco Cammelli, Giancarlo Tonelli, Daniele Montroni and Stefano Manara served as non-executive Directors and received fixed payment for this office as well as a further payment for their involvement in Committees or in Boards of Directors of subsidiaries or associated companies, as set out in the Group remuneration policy.

Subsequently, on 23 April 2014, following the renewal of the entire administrative body and their appointment to the office of non-Executive Directors, Mara Bernardini, Forte Clò, Giorgia Gagliardi, Massimo Giusti, Riccardo Illy, Stefano Manara, Luca Mandrioli, Danilo Manfredi, Cesare Pillon, Tiziana Primori e Bruno Tani received, beginning 1 May 2014, fixed payment for the office of Directors and a further payment for their involvement in Committees or in Boards of Directors of subsidiaries or associated companies, as set out in the Group remuneration policy.

General Managers

The General Manager of Operations, Mr. Roberto Barilli, received compensation of Euro338,615 in the form of gross annual remuneration. Note that during 2014 he received a bonus with regard to the results of the previous year, equal to Euro85,907, following the achievement of an individual performance index of 96.3% and a Group performance index of 106%.

The General Manager of Development and Market, an office he held until 23 April 2014, Mr. Stefano Venier received compensation of Euro110,142 in the form of gross annual remuneration. Note that during 2014 he received a bonus with regard to the results of the previous year, equal to Euro89,220, following the achievement of an individual performance index of 100% and a Group performance index of 106%. He furthermore received a non-recurring allowance of Euro40,000 gross.

Statutory Auditors

The members of the Board of Statutory Auditors received fixed compensation for the office of Auditor determined by the Shareholders' Meeting.

Compensation received in Group companies

Remuneration for the Executive Directors, Directors, General Manager and Managers for positions held within Group company structures and/or committees, are redirected in their entirety to Hera SpA. The total redirected to the Parent Company for the year 2014 was approximately 845,223 Euros.

The cost of the Board of Directors of Hera Spa for the year 2014 was Euro 780,069, net of remuneration amounting to Euro 845,223 (for a gross total amount of Euro 1,625,292) received by Hera for the participation of directors / managers in administrative bodies of its affiliates, as compared to a 2013 cost of Euro 1,174,956, net of remuneration amounting to Euro 782,302 received by Hera (for a gross total amount of Euro 1,957,258). Therefore in the year 2014 there was a significant reduction in costs due to the decrease of the number of Hera Spa Directors from 20 to 14 . 20 to 14, the reduction in the compensation paid to them, as well as the presence of the directors and managers of the Group in the administrative bodies of Hera Spa affiliate companies.

Bologna, 24 March 2015

The Chairmain of the Board of Directors:

(Tomaso Tommasi di Vignano)

TABLE 1: Compensation paid to members of administrative and control bodies, General Managers and other management with strategic responsibilities.
Administrative body

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Tomaso Tommasi di Vignano	*Chairman*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				350,000		111,300		6,630	1,897	469,827		
(II) Compensation from subsidiaries and associated companies												
(III) Total				350,000		111,300		6,630	1,897	469,827		
Notes												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Stefano Venier	*CEO*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				236,250				12,512		248,762		
(II) Compensation from subsidiaries and associated companies												
(III) Total				236,250				12,512		248,762		
Notes												
Stefano Venier	*General Manager of Development & Market*	01.01.2014 – 23.04.2014										
I) Compensation in the company preparing the financial statements				110,142		129,220		6,256	3,393	248,991		
(II) Compensation from subsidiaries and associated companies												
(III) Total				110,142		129,220		6,256	3,393	248,991		
Notes												
Total				**346,392**		**129,220**		**18,768**	**3,393**	**497,753**		

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giovanni Basile	*Vice Chairman*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				57,375				2,333		59,708		
(II) Compensation from subsidiaries and associated companies												
(III) Total				57,375				2,333		59,708		
Notes												

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Mara Bernardini	*Director*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				43,333	13,333			1,040		57,706		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				51,666	13,333			1,040		66,039		
Notes				II) for offices held in Group companies (the period 01.01.2014 – 24.04.2014)	I) as a member of the Remuneration Committee (period of 28.04.2014 – 31.12.2014)							

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Forte Clò	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667				1,165		27,832		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				40,000				1,165		41,165		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giorgia Gagliardi	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667				564		27,231		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				40,000				564		40,564		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Massimo Giusti	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667	13,333			693		40,693		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,667	13,333			693		40,693		
Notes					I) as a member of the Control and Risk Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Riccardo Illy	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667	13,333			1,318		41,318		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,667	13,333			1,318		41,318		
Notes					I) as a member of the Executive Committee							

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Danilo Manfredi	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667	13,333			608		40,608		
(II) Compensation from subsidiaries and associated companies												
(III) Total				26,667	13,333			608		40,608		
Notes					I) as a member of the Control and Risk Committee							

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Tiziana Primori	*Director*	24.04.2014 – 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				26,667				764		27,431		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				40,000				764		40,764		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Luca Mandrioli	*Director*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				43,333	21,667			1,008		66,008		
(II) Compensation from subsidiaries and associated companies												
(III) Total				43,333	21,667			1,008		66,008		
Notes					I) Euro8,333, for the 01.01.2014 – 23.04.2014 period, as a member of the Internal Control Committee, and Euro13,334, for the 28.04.2014 – 31.12.2014 period, as a member of the Remuneration Committee.							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Cesare Pillon	*Director*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				43,333	13,333			5,707	2,670	65,043		
(II) Compensation from subsidiaries and associated companies (CEO of AcegasApsAmga S.p.A.)				200,000		51,012		8,478		259,490		
(III) Total				243,333	13,333	51,012		14,185	2,670	324,533		
Notes					I) as a member of the Remuneration Committee (period of 28.04.2014 – 31.12.2014)							

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Bruno Tani	*Director*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				43,333	8,333			1,906		53,572		
(II) Compensation from subsidiaries and associated companies				13,333						13,333		
(III) Total				56,666	8,333			1,906		66,905		
Notes				II) for offices held in Group companies (the period 01.05.2014 – 31.12.2014)	I) as a member of the Remuneration Committee (period of 01.01.2014 – 24.04.2014)							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Stefano Manara	*Director*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				43,333	21,667			1,008		66,008		
(II) Compensation from subsidiaries and associated companies												
(III) Total				43,333	21,667			1,008		66,008		
Note					I)Euro8,333, for the 01.01.2014 – 23.04.2014 period, as a member of the Remuneration Committee, and Euro13,334, for the 28.04.2014 – 31.12.2014 period, as a member of the Control and Risks Committee.							

Directors no longer in office

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Maurizio Chiarini	*CEO*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				116,667		111,300		2,160	926	231,053		
(II) Compensation from subsidiaries and associated companies												
(III) Total				116,667		111,300		2,160	926	231,053		
Notes												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giorgio Razzoli	*Vice Chairman*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				33,333				1,782		35,115		
(II) Compensation from subsidiaries and associated companies												
(III) Total				33,333				1,782		35,115		
Notes												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Filippo Brandolini	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				1,444	348	18,459		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				1,444	348	26,792		
Notes				II) for offices held in Group companies								

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Luigi Castagna	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				883		17,550		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				883		25,883		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Pier Giuseppe Dolcini	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				1,690		18,357		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				1,690		26,690		
Notes				II) for offices held in Group companies								

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Roberto Sacchetti	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				1,653	339	18,659		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				1,653	339	26,992		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Rossella Saoncella	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667	8,333			398		25,398		
(II) Compensation from subsidiaries and associated companies												
(III) Total				16,667	8,333			398		25,398		
Notes					I) as a member of the Control and Risk Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Mauro Roda	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				668		17,335		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				668		25,668		
Notes				II) for offices held in Group companies								

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Fabio Giuliani	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667	8.333			504		25,504		
(II) Compensation from subsidiaries and associated companies												
(III) Total				16,667	8,333			504		25,504		
Notes					I) as a member of the Control and Risk Committee							

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Enrico Giovannetti	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				682		17,349		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				682		25,682		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Marco Cammelli	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667	8,333			1,236		26,236		
(II) Compensation from subsidiaries and associated companies												
(III) Total				16,667	8,333			1,236		26,236		
Notes					I) as a member of the Remuneration Committee							

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giancarlo Tonelli	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667				437		17,104		
(II) Compensation from subsidiaries and associated companies				8,333						8,333		
(III) Total				25,000				437		25,437		
Notes				II) for offices held in Group companies								

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Giovanni Perissinotto	*Director*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				16,667	8,333			661		25,661		
(II) Compensation from subsidiaries and associated companies												
(III) Total				16,667	8,333			661		25,661		
Notes					I) as a member of the Executive Committee							

Control body

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Sergio Santi	*Chairman of the Board of Statutory Auditors*	01.01.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				120,000				3,321		123,321		
(II) Compensation from subsidiaries and associated companies				134,799						134,799		
(III) Total				254,799				3,321		258,120		
Notes												

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Marianna Girolomini	*Standing Auditor*	24.04.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				53,333				673		54,006		
(II) Compensation from subsidiaries and associated companies				13,207						13.207		
(III) Total				66,540				673		67,213		
Notes												

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Antonio Gaiani	*Standing Auditor*	24.04.2014 - 31.12.2014	Annual Financial Report approval as of 31.12.2016									
I) Compensation in the company preparing the financial statements				53,333				719		54,052		
(II) Compensation from subsidiaries and associated companies				13,359						13,359		
(III) Total				66,692				719		67,411		
Notes												

Members of the Board of Statutory Auditors non longer in office

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Elis Dall'Olio	*Standing Auditor*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				26,667				712		27,379		
(II) Compensation from subsidiaries and associated companies				25,039						25,039		
(III) Total				51,706				712		52,418		
Notes												

Name and surname	**Office**	**Period during which office was held**	**Expiry of term of office**	**Fixed compensation**	**Compensation for participation on committees**	**Variable non-equity compensation**		**Non-monetary benefits**	**Other compensation**	**Total**	**Fair Value of equity compensation**	**Retirement or employment termination indemnity**
						Bonuses and other incentives	**Profit sharing**					
Antonio Venturini	*Standing Auditor*	01.01.2014 - 24.04.2014	Annual Financial Report approval as of 31.12.2013									
I) Compensation in the company preparing the financial statements				26,667				381		27,048		
(II) Compensation from subsidiaries and associated companies				154,293						154,293		
(III) Total				180,960				381		181,341		
Notes												

General Managers

Name and surname	Office	Period during which office was held	Expiry of term of office	Fixed compensation	Compensation for participation on committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair Value of equity compensation	Retirement or employment termination indemnity
						Bonuses and other incentives	Profit sharing					
Roberto Barilli	*General Manager of Operations*	01.01.2014 - 31.12.2014										
I) Compensation in the company preparing the financial statements				338,615		85,907		18,093	3,581	446,196		
(II) Compensation from subsidiaries and associated companies												
(III) Total				338,615		85,907		18,093	3,581	446,196		
Notes												

Table 3B: Monetary incentive plans for members of the administrative body, General Managers and other management with strategic responsibilities.

Surname and Name	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
Tommasi di Vignano Tomaso	Chairman		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment Period	No longer to be paid	Payable / Paid	Still deferred	
Payments in the company preparing the financial statements		Balanced Scorecard system (related approval date)	111,300						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			111,300						

Surname and Name	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
Chiarini Maurizio	CEO		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment Period	No longer to be paid	Payable / Paid	Still deferred	
Payments in the company preparing the financial statements		Balanced Scorecard system (related approval date)	111,300						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			111,300						

Surname and Name	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
Barilli Roberto	General Manager of Operations		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment Period	No longer to be paid	Payable / Paid	Still deferred	
Payments in the company preparing the financial statements		Balanced Scorecard system (related approval date)	85,907						
		Plan B (related approval date)							
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			85,907						

Surname and Name	Office	Plan	Bonus for the year			Bonus for previous years			Other Bonuses
Venier Stefano	General Manager of Development & Market		(A)	(B)	(C)	(A)	(B)	(C)	
			Payable / Paid	Deferred	Deferment Period	No longer to be paid	Payable / Paid	Still deferred	
Payments in the company preparing the financial statements		*Balanced Scorecard system (related approval date)*	89,220						
		Plan B (related approval date)	UT 40,000						
		Plan C (related approval date)							
Payments from subsidiaries and associated companies		Plan A (related approval date)							
		Plan B (related approval date)							
Total			129,220						

Surname and Name	Offices in Hera Spa	Affiliate	N. shares held at the end of the preceding financial year	N. shares purchased	N. shares sold	N. shares held at the end of the current financial year
Tomaso Tommasi di Vignano (1)	Chairman	Hera Spa	31,764	-	-	31,764
Stefano Venier	CEO	Hera Spa	-	-	-	-
Giovanni Basile	Vice Chairman	Hera Spa	-	-	-	-
Mara Bernardini	Director	Hera Spa	18,424	-	-	18,424
Forte Clò	Director	Hera Spa	-	-	-	-
Giorgia Gagliardi	Director	Hera Spa	-	-	-	-
Massimo Giusti	Director	Hera Spa	-	-	-	-
Riccardo Illy	Director	Hera Spa	-	-	-	-
Luca Mandrioli	Director	Hera Spa	-	-	-	-
Danilo Manfredi	Director	Hera Spa	-	-	-	-
Cesare Pillon	Director	Hera Spa	-	-	-	-
Tiziana Primori	Director	Hera Spa	-	-	-	-
Bruno Tani	Director	Hera Spa	116,470	22,500	-	138,970
Stefano Manara	Director	Hera Spa	-	-	-	-
Maurizio Chiarini (in office until 24/04/2014)	CEO	Hera Spa	41,505 (4)	-	-	41,505 (3)(4)
Giorgio Razzoli (in office until 24/04/2014)	Vice Chairman	Hera Spa	-	-	-	-
Filippo Brandolini (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Marco Cammelli (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Luigi Castagna (in office until 24/04/2014)	Director	Hera Spa	79,411 (2)	-	-	79,411 (2)(3)

Pier Giuseppe Dolcini (in office until 24/04/2014)	Director	Hera Spa	2.750	-	-	2.750 (3)
Surname and Name	**Offices in Hera Spa**	**Affiliate**	**N. shares held at the end of the preceding financial year**	**N. shares purchased**	**N. shares sold**	**N. shares held at the end of the current financial year**
Enrico Giovannetti (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Fabio Giuliani (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Mauro Roda (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Roberto Sacchetti (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Rossella Saoncella (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Giancarlo Tonelli (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Giovanni Perissinotto (in office until 24/04/2014)	Director	Hera Spa	-	-	-	-
Sergio Santi	Chairman of the Board of Statutory Auditors	Hera Spa	28,100	1,652	-	29,752 (5)
Antonio Gaiani	Member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Marianna Girolomini	Member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Elis Dall'Olio (in office until 24/04/2014)	Member of the Board of Statutory Auditors	Hera Spa	9,000	-	-	9,000 (3)
Antonio Venturini (in office until 24/04/2014)	Member of the Board of Statutory Auditors	Hera Spa	-	-	-	-
Roberto Barilli	General Manager of Operations	Hera Spa	-	-	-	-

(1) indirect possession through spouse (2) of the 79,411 shares held, 2,064 are held by the spouse (3) shares held as of the date the individual left office (4) of the 41,505 shares held, 15,882 are held by the spouse 5) of the 29,752 shares held, 1,652 are held through subsidiaries, trust companies or third parties.

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