Consolidated quarterly report as at 30 September 2014

GRUPPO HERA

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Mission

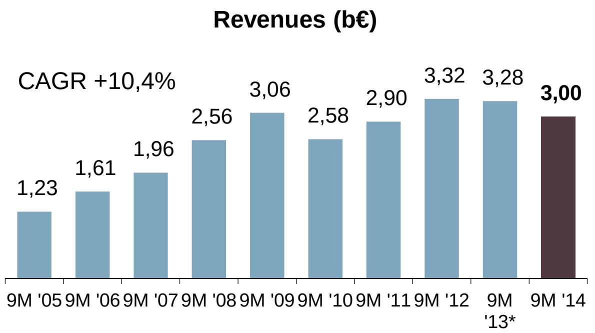
"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

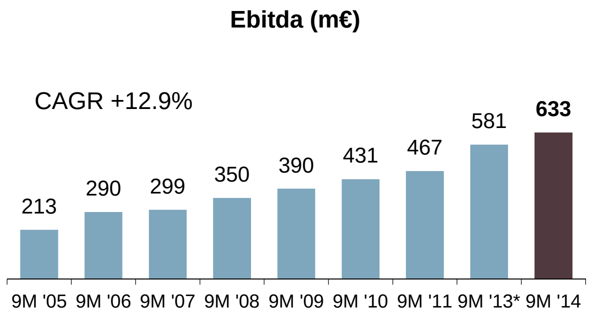
"For Hera to be the best means to represent a reason for pride and trust for*: customers, who receive, thanks to Hera's constant responsiveness to their needs, quality services that satisfy their expectations.* ***The women and men who work at Hera,*** *whose skills, engagement and passion are the foundation 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".*

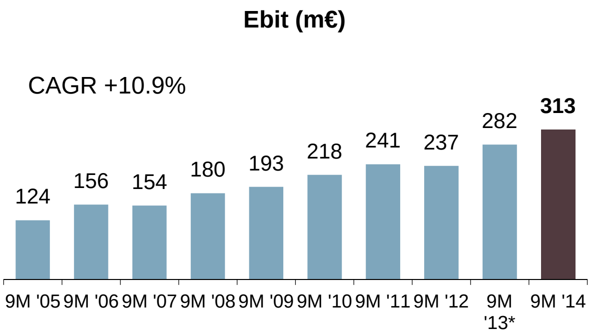
Administration and control bodies

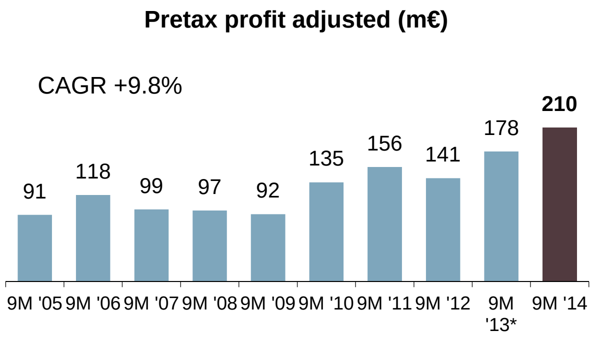
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giovanni Basile
CEO	Stefano Venier
Director	Mara Bernardini
Director	Forte Clò
Director	Giorgia Gagliardi
Director	Massimo Giusti
Director	Riccardo Illy
Director	Stefano Manara
Director	Danilo Manfredi
Director	Tiziana Primori
Director	Luca Mandrioli
Director	Bruno Tani
Director	Cesare Pillon
Board of statutory auditors	
Chairman	Sergio Santi
Standing auditor	Antonio Gaiani
Standing auditor	Marianna Girolomini
Control and risk committees	
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 Chairman	Giovanni Basile
Member	Stefano Venier
Member	Riccardo Illy
Ethics committee	
Chairman	Massimo Giusti
Member	Filippo Bocchi
Member	Mario Viviani
Independent auditors	
	PricewaterhouseCoopers

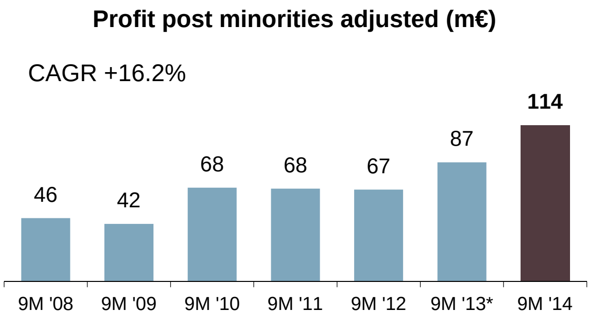
Key financial data

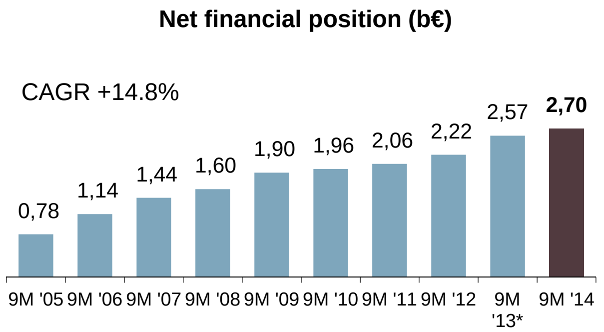












** 2013 data adjusted in compliance with IFRS11 regulation*

The Hera Group's expansion and sector consolidation

Hera's strategy of progressive geographic expansion, achieved by consolidating multi-utility companies operating in areas adjacent to its main sphere of reference, gradually led the Group to cover 70% of customers in Emilia Romagna and to establish its presence in both the Marche region and, since 2012, in North-Eastern Italy, thus incrementing its opportunities for sector consolidation. With the operation involving Acegas Aps, Hera's reference area has in fact expanded into the adjacent Veneto and Friuli regions, which are marked by a high degree of fragmentation among local operators. Between the end of 2013 and the beginning of the current financial year, Hera's strategy of consolidation led to two further operations of territorial expansion, allowing the Group to increase its presence in the provinces of Gorizia and Udine.

In Gorizia, the rationalization of certain joint ventures between Acegas Aps and Eni saw the former sell to the latter 30% of the energy sales business held in Est Più, obtaining in exchange 70% of ENI's equity interest in the gas and electricity distribution sector (resulting in the full control of the companies Isontina Reti Gas and Est Reti Elettriche). The transaction involved the payment of a cash balance of €8 million.

The Group's territorial expansion continued in Udine with an agreement with the local multi-utility company Amga Udine, which was followed by the merger by incorporation of this company within the Hera Group, effective as at 1 July 2014, as resolved by the Shareholders' Meetings of the respective companies. Following the merger, Amga's activities in gas distribution were incorporated into the company AcegasAps (which, following the transferral, changed its company name to AcegasApsAmga), while its activities in energy sales and heat management were incorporated into the company Hera Comm Srl.

The agreements signed include provisions according to which these activities will maintain their legal autonomy, company name and legal head office in Udine until 31 December 2016. The Hera Group and the Amga Group share many common features: business sectors, territorial proximity, ownership structure and history of development. The integration between the two groups will allow an optimal use of their respective industrial structures in the gas, electricity, public lighting, plant management and cogeneration sectors, as regards both scale structures and control of the supply chain, thanks among other things to the transferral to Amga of the technological platforms and know-how developed by the Hera Group.
The Group, following integration with Amga, will be able to count on a total of roughly 1.7 million delivery points for gas distribution, of which almost 500 thousand in the Friuli Venezia Giulia and Veneto regions. The gas and electricity client base will include over 2 million customers, while the lighting points managed will reach roughly 490 thousand, of which 85 thousand in the Friuli Venezia Giulia and Veneto regions.

Factors of both geographical proximity and complementarity along the sales chain will allow significant synergies to be created, for a value of roughly €45 million, which will be further increased by optimizing operations in Bulgaria.

Along with the creation of synergies from combined operations, sector consolidation in the new geographical areas of the North-East remains one of the Group's strategic priorities, with interesting future prospects due to the nature of the sector, which is still highly fragmented.

Strategic approach and business plan

Hera's strategic objective is the creation of value for all its stakeholders over the medium and long term, by competing in liberalized markets and acting in regulated markets. The Group's purpose is to manage basic public utility services in an increasingly efficient manner, as shown by the consistent rise of its results since its establishment. This was made possible by the "open" organizational model it adopted, which allowed it to grow in size.
The Group's strategic imperative is to preserve its customer base by paying great attention to service quality and an integrated offering of a complete set of basic utility services from its multi-business portfolio. Furthermore, growth strategies have been aimed at maintaining a balance among the various activities, in order to achieve a diversified exposure to macro-economic trends and greater stability for the Group's consolidated results.
Over its 12-year history, the Group' activities have been constantly driven by five priorities:

- Growth via business combinations with multi-utility companies operating in geographical areas adjoining those where the company has operations;
- The extraction of synergies from business combinations;
- The creation of a solid industrial platform in terms of plants and distribution networks;
- The development of the customer base in the liberalized sectors, where more complementary and complete services can be offered;
- Constant attention to financial and operating performance and operational risk.

To ensure higher operational efficiency and a greater exploitation of scale economies, after the merger/business combination, each company has been integrated into the original model based on an industrial holding company.
The strategy of focusing on core activities led to a rationalization of the portfolio, a consequent disposal of minor businesses and a corporate overhaul, in line with the Group's industrial management rationale and with the intent of maintaining low risk exposure.
In the liberalized sectors – gas and energy sales, waste treatment and disposal – growth was pursued both via acquisitions and organically, thanks to the combined offering of energy products (dual fuel) with customers existing within the Group.
In the waste disposal business, in which Hera is the market leader in Italy, the objective is to extract the utmost value from the significant plant system created. The sector continues to lag behind nationwide, in terms of infrastructures, and Hera represents a standard of excellence.

With the results of the first half of 2014, the EBITDA's five-year growth target set in the previous business plan was 75% achieved, thanks to effective action in extracting synergies and operational efficiencies and the rapid execution of external expansion transactions. On 1 October 2014, the Hera Group unveiled the updated version of its five-year operational plan (2014-2018), in line with the practices pursued since the Company was listed. The 2014-2018 operational plan is based on the strategic guidelines that the Company has been following since it was established, though with an approach that takes into account the new reference scenario. Future growth expectations are founded on the assumption that the efficiency processes implemented will continue; that the AcegasApsAmga integration will be completed; that the Company will grow further through acquisitions, in line with the modus operandi undertaken since it was established; and, finally, that the expansion strategy adopted for liberalized markets will continue to be pursued. Growth targets are driven by expected positive cash flows, capable of funding a sustainable dividend pay-out policy (€0.09 per share for each year of the plan) and, in the meantime, to improve the Group's financial strength.

Business sectors

Hera is the leading domestic operator in the environment sector by quantity of waste collected and treated. Waste collection, regulated by concession arrangements, has expanded over the years through subsequent company mergers, and now covers the entire geographical reference area. Hera's urban waste collection system is based on recycling most (about 53%) waste material (glass, paper, plastic, metals, and biomasses) and the conversion of the remainder into energy, through waste-to-energy plants and biogas extraction processes.

This efficient system has notably contributed to decreasing the amount of waste disposed of in landfills, thus reducing soil and environmental pollution, both directly and indirectly. Waste treatment and disposal activities have also benefited from the significant expansion and upgrading of the plant system. Today, this plant system is able to meet the demand for treatment and recovery of any kind of waste, and represents one of the Group's areas of excellence on a national scale. With a generation of over 1.0 TWh, the Group has become one of the leading operators engaged in the recovery of electricity from waste.

Hera has been operating since its establishment in the management of the Integrated Water Cycle, from network distribution of drinkable water to collection and purification of waste water, performing these services on an exclusive basis in seven provinces of Emilia Romagna, the north of Marche and the Triveneto region, on the basis of long-term concession arrangements (average, 2023).
Following the mergers completed over time, the organic growth of the activities and the investments made, the Group has become the second largest national operator and the best manager in terms of network efficiency. The water network, as well as all of the Group's networks, is currently operated from a single remote control location, ensuring greater efficiency and lower operating costs.
The entire control system – from the analysis before distribution to the collection and purification of waste water – showed significant progress, ensuring substantial service quality and maximum safety for customers.
Lastly, it is worthy of note that the Regulator – AEEGSI – set a tariff system for the 2014-2015 period that put an end to regulatory uncertainty and provides greater guarantees to continue to upgrade plants and develop operating activities.

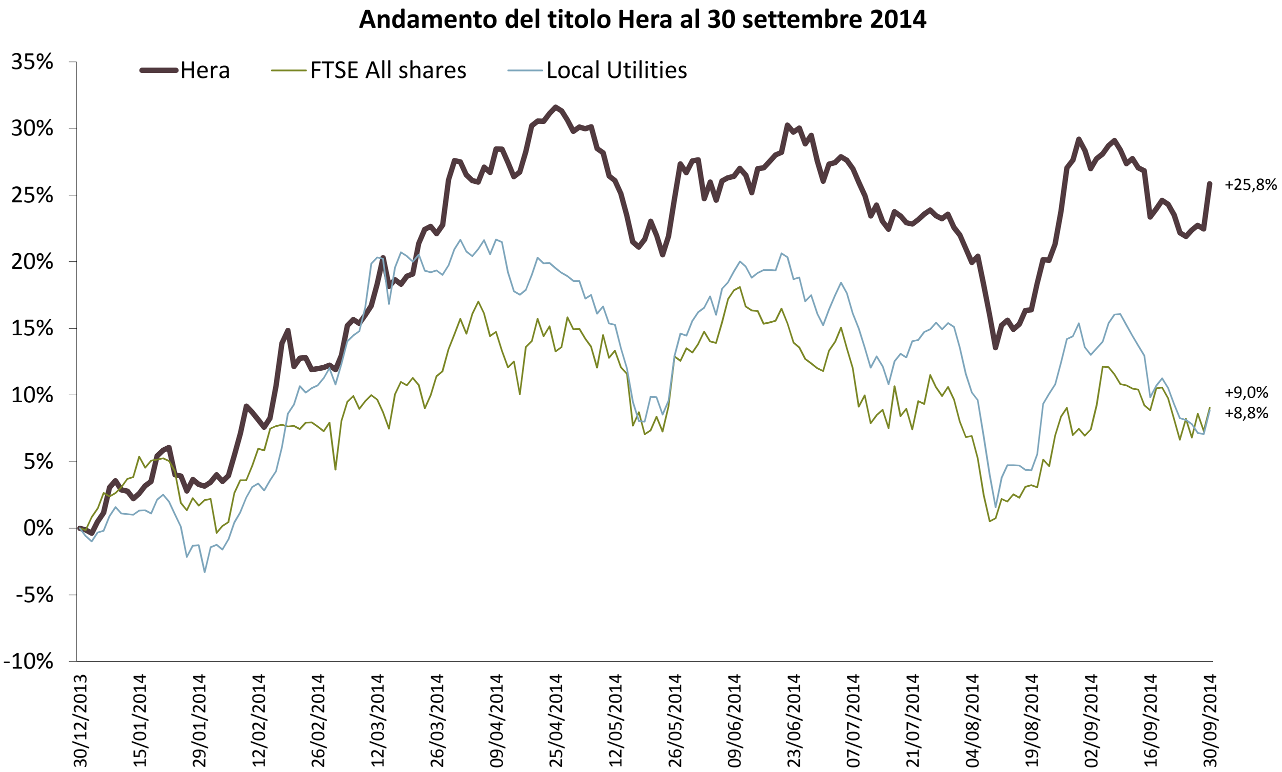
The Group has an almost complete coverage of the area in which it operates in the gas sector as well. This includes services in distribution and in methane gas sales and trading, as well as district heating management. Today, Hera is one of the main "local" utilities and the fourth at the national level in terms of volumes sold. Despite the liberalization of the sales market, the Group has more than doubled its original customer base in ten years, and Hera now ranks third in the Italian market.

The distribution network, developed through direct investments and the acquisition of companies, provides extensive coverage in the reference market, with over 1.7 million delivery points.

The unstable situation of energy markets has led the Group to follow prudent and flexible procurement policies, diversifying sources and pursuing maximum flexibility through annual agreements. These supply portfolio arrangements have sheltered Hera from the risk derived from “pre-determinate” material purchase commitments many years in advance, and allowed it, in recent years, to benefit from the increasing availability of methane gas in the country.
The volume of sales relating to district heating has also nearly doubled over the last 10 years. This way of supplying heat is more efficient and has lower impact on the environment than independent home heating systems. The district heating network has been developed in various urban areas across the territory, some of which are near the large waste-to-energy and co-generation plants built in the last 10 years, thereby exploiting heat sources that would otherwise not be used.
Hera’s “dual fuel" commercial strategy has allowed the electricity market to be developed at a sustained rate of growth, both through activities of cross-selling to existing customers and through expansion into new markets. This strategy has made it possible to conserve existing customers in the gas sector, as shown above, achieving important domestic market shares with annual sales of roughly 10 TWh.
Commercial development in the electricity sector has been accompanied by a parallel cautious entry into the electricity generation. Hera continues to be an operator with a relatively limited footprint in generation activities; the greater part of end customer electricity demand is in fact mainly covered by a widely diversified portfolio of bilateral supply contracts and through purchases on the power exchange.
Electricity distribution has seen major developments since Hera’s establishment; the merger with the Modena multi-utility Meta Spa in 2005 and the acquisition of Enel’s electrical network in the province of Modena contributed to expanding its grid, which is completely equipped with electronic meters and managed remotely by a control centre on the cutting edge of technology. The contribution resulting from the Acegas Aps combination and the acquisition of Est Reti Elettriche are important, especially for the growth potential and the synergies that can be achieved by an integrated entity of the size of the new Group.

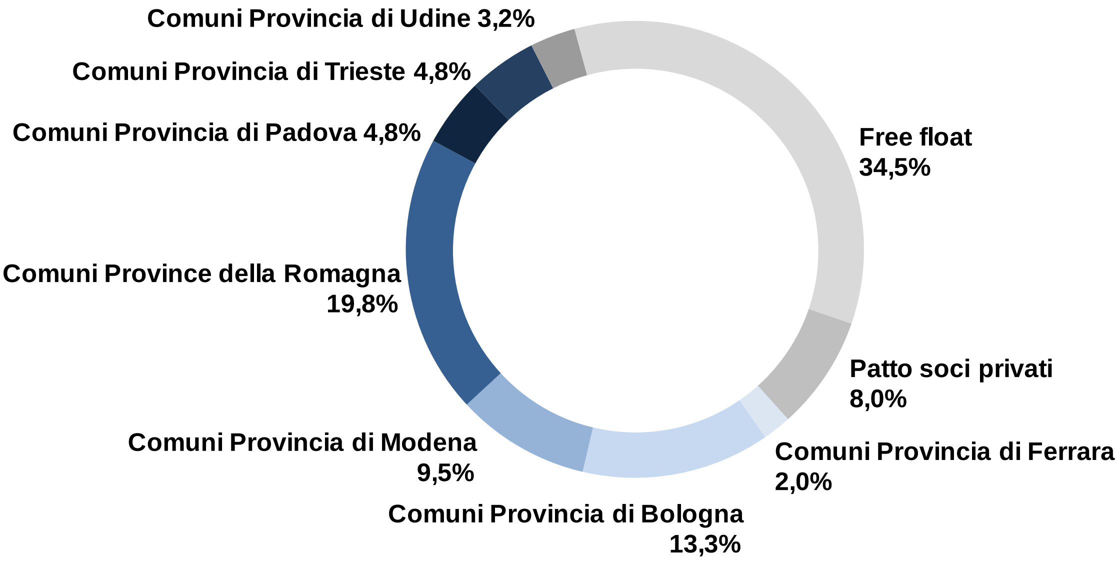
Share performance and investor relations

Over the first nine months of 2014 the stock performed as shown in the graph below, recording + 25.8%, namely from € 1.647 in late 2013 to € 2.07 on 30 September 2014; the result excels the stock market average (+9.0 %). Hera's stock performance also showed higher stability (lower volatility) in the Italian local utility list, which attained 8.8% in 2014.



Even though the economy in general does not show positive recovery signs, the equity market delivered highly positive performance thanks to capital inflows from emerging countries. Milan was the best performing market in Europe, second only to Athens, in conjunction with the significant narrowing of the spread between Italian ten-year government bonds and German bunds, witnessing a lower risk perception for Italy. Traded volumes rose on average. As to Hera shares, daily volumes exceeded the average of 2.3 million shares, for a total of €4.6 million per day.

At 30 September 2014, public-sector shareholders included over 200 Municipalities, holding about 57.5% of Hera's share capital, represented by 1,489,538,745 shares. On 1 July 2014, following the merger of Amga Udine, 68,196,128 ordinary shares were issued.



Since 2006, Hera has adopted a plan to repurchase its own shares, which provides for maximum 15 million shares for a total € 60 million. This plan is instrumental in creating integration opportunities for small companies, as well as to normalizing anomalous price fluctuation with respect to prices of the main national comparables.
The 23 April 2014 Shareholders' Meeting renewed the purchase plan for an additional 18 months, with a total of a maximum of € 80 million and 40 million total shares. On September 30, 2014 Hera held approximately 15.8 million shares in its portfolio.

In the past 12 years, shareholder returns have been either constant or growing even in the hardest times of the macroeconomic crunch of the past few years. Shareholders also received a 9 euro cent dividend per stock in 2014, in line with the business plan provisions.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
DPS (€)	0.04	0.05	0.06	0.07	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.09

During the first quarter of 2014, analyst reporting increased due to the new Goldman Sachs, Banca IMI and Mediobanca coverage, in addition to Banca Akros, Equita, Fidentiis, ICBPI, Intermonte, Alpha Value and Kepler-Cheuvreux. Hera's coverage is still among the widest in the local-utility industry, with only Buy / Outperform evaluations and no Hold / Neutral advice or negative feedback. The stock average target price in 12-18 months, as expressed by the analysts' assessments, equals approximately 2.5 euro per share. Goldman Sachs started coverage by adding it to its “Conviction buy list”, including the shares most recommended to investors.

Hera shares are included in several “SRI” indices: in fact, it has been part of the Kempen SNS Smaller Europe SRI Index for years. In 2008 it was added in the ethical index “ECPI Ethical Index €uro”. In 2009 it was included in the “ECPI Ethical Index EMU”, which is made up of the 150 companies with sustainability features consistent with the “ECPI SRI” and listed in the European Union.

The primary means of communication with the Group's shareholders and stakeholders is the institutional website **www.gruppohera.it**. During the decade, the section dedicated to shareholders/financial intermediaries (Investor Relations) has undergone constant improvement. For the fourth consecutive year, Hera’s on-line financial communication took the podium in the Webranking national rankings, compiled by KWD and covering the major domestic listed companies: in 2013, besides being recognized as the best communication tool in the Italian utilities, the Group website won the third place, ranking ahead of many large-sized Italian companies.

Since it was founded in 2002, Hera has paid special attention to maintaining direct relations with the investors, through the organization of road shows aimed to present the stock in Italy and abroad (Great Britain, France, Switzerland, the Netherlands, Germany, Austria, Scandinavia, Portugal, Spain, Belgium, Luxembourg and the United States). In the first 9 months of 2014 Hera arranged several meetings with European and American investors, with 2 roadshows (for the annual results and the presentation of the operational plan), thus keeping a number of contacts in line with the previous years. Reporting timeliness and transparency in communication were also maintained in the year to date, as a response to the growing stakeholder interest in this time of remarkable ferment in the multi-utility field and to the Government’s urge for more effective industry consolidation efforts.

CHAPTER 1

Directors’ report

1.01 Introduction

EBITDA for the nine months ended 30 September 2014 showed progress, at it grew at a rate faster than that for the first half of the year, thanks to organic growth, the synergies extracted from the merger of AcegasApsAmga, the merger of Amga Udine as of 1 July 2014 and the expansion of the electricity and special waste treatment markets.

Urban waste collection activities reflected essentially stable household consumer levels while the volumes of waste coming from the liberalized market (special waste) were up sharply (up 20%) due to the Group's marketing policies, which are aimed at market share expansion by leveraging the wide plant base that drives its leadership in the industry. Waste management system streamlining has continued in the period under review: sorted collection exceeded about 53% of urban collection while treatments in all types of plants managed have increased and the production of electrical energy from waste was again 0.71 TWh. The results we attained have more than offset the effects of the temporary maintenance shutdown of a waste-to-energy plant, the reduction of electricity prices as well as the absence of non-recurring items that had supported the results of the first nine months of the previous year.

In the first nine months of 2014, customer numbers have continued to grow in the **electricity** sale activities (up 73 thousand), thanks also to the merger of the Amga Udine Group, confirming Hera's commercial strength on an increasingly competitive retail market. Such growth was able to mitigate the moderate the drop in national consumption (around 3%) and the price decrease, largely due to the economic crisis and to a particularly mild winter climate.
Our client base expansion also includes the *protection* sector growth, as the Group has been appointed with bids in new territories, which have significantly added to the improved results in the third quarter. Such commercial developments, combined with the reduced coverage of the thermo-electric generation activities - which still fail to show signs of recovery - have allowed a partial offset of the gas sale downturn, which - as in the first quarter - suffered from the mild winter weather.

The activities managed under concession, i.e. energy distribution, waste disposal and integrated water services - accounting for 56% of the Group EBITDA - have played a part in the profit growth in the first half of 2014, resulting from the pursuit of efficiency, from our investments as well as from rate adjustments approved by the Authorities. Equally noteworthy is the recent approval of the yearly water tariffs by the AEEGSI Authority and other regulatory changes that have helped sustain the Group's regulated sector performances.

In the first nine months of 2014, EBITDA showed further progress, along the uninterrupted growth path that the Group has been following since it was established. This result is even more remarkable in the light of the considerable mild winter, of the ongoing crisis in Italy and the deconsolidation of the results of the joint ventures, determined by the application of IFRS 11 as of 1 January 2014. During the period under review, the size reached by the Group and a balanced mix of the different operations under management have proved quite effective in keeping the volatility of results low with respect to negative external effects.

Net profits show a significant increase compared to the same period of the previous year, adjusted for extraordinary income resulting from the merger with Acegas Aps. This progress was driven also by optimal financial management, also through a liability management transaction which made it possible for the Group to issue the first Italian green bond, as well as by optimal tax management.

From a cash flow standpoint, the period under review showed positive inflows (before extraordinary items and dividend distribution), in line with the previous year. Cash flows covered capital expenditure, which was higher than in the comparable year-earlier period, and the temporary increase in working capital brought about mainly by extraordinary and/or seasonal events. Borrowings improved, compared to the first half, despite the merger of Amga Udine. The results show an increase, even without considering the contribution of external growth, and underscore the effectiveness of the portfolio diversification strategy in the core business which made it possible to offset the impact of a particularly mild winter on energy with the positive developments in regulated activities and waste treatment. The Group continues to pursue its path of growth, in an effort to achieve the targets set in the recently disclosed operational plan.

1.02 Corporate events, subsequent events and outlook

The first nine months of 2014 saw the Group continue to rationalize its structure, with the disposal/liquidation of 4 companies, the purchase of additional shares in 3 investees, the purchase of 2 new equity investments, the creation of 1 company, 2 mergers that caused 3 companies to cease to exist and 1 spin-off.
As early as 2013, the Group's rationalization activities resulted in the disposal/wind-up of 12 companies, the strike of 7 companies off the Companies Register, add-on investments in 10 investee companies, the incorporation of 1 new company, the strategic reallocation of 1 equity investment within the Group and 4 mergers where the 4 absorbed companies ceased to exist.
The principal M&A transactions are described below:

FlameEnergy Trading Gmbh
Effective 1 January 2014, the company, which was 50%-held by Hera Trading Srl, underwent voluntary dissolution.

Hera Spa - AMGA – Azienda Multiservizi Spa
Starting in the second half of 2013, Hera Spa and Amga – Azienda Multiservizi Spa began a process to determine a timetable and a procedure to merge AMGA with and into Hera, to harness to the utmost the respective industrial structures in the gas, electric energy, public lighting, plant management and cogeneration sectors and ancillary activities.
The merger of AMGA with and into Hera was completed, taking effect 1 July 2014 for legal, accounting and tax purposes.

Hera Spa – Hera Comm Srl
Effective 1 July 2014, pursuant to the effects of the merger of Amga-Azienda Multiservizi Spa with and into HERA Spa, the latter transferred AMGA's equity interests in AMGA Energia & Servizi Srl and AMGA Calore & Impianti Srl to Hera Comm Srl which, as a result, saw its share capital increase by €400,000.00.

Hera Spa – AcegasApsAmga Spa
Effective 1 July 2014, pursuant to the effects of the merger of di Amga-Azienda Multiservizi Spa with and into HERA Spa, the latter transferred AMGA's assets engaged in the management and development of public utility services, its equity investments in Black Sea Technology Company Group, Black Sea Company for Gas Compressed Ltd and other minor companies to Acegas-APS Spa (which changed its name to AcegasApsAmga Spa), whose share capital rose by €1,599,997.32 as a result.

Fucino Gas Srl
Hera Comm 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 by Hera Comm, on one side, and the Municipality of Luco dei Marsi, on the other.
Fucino Gas Srl is expected to merge into Hera Comm Srl by the end of 2014.

Acegas APS Service Srl
On 23 December 2013, effective 1 January 2014, Acegas APS Service Srl, a company engaged in public lighting, completed the partial proportionate spin-off of its public lighting assets located in the city of Padua in favour of Acegas APS Spa.

Emilia Sistemi e Impianti Luce Scarl (già Aristea Sinergie Illuminazione 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 Acegas APS 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.

Herasocrem Srl in liquidation

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

SIL – Società Italiana Lining Srl / CST Srl – Acegas APS 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.

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.

Isontina Reti Gas Spa e Est Reti Elettriche Spa – Acegas APS AMGA 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 entered into agreements whereby the latter sold its shares to the former. As a result, both companies became wholly-owned subsidiaries of Acegas APS AMGA Spa (formerly Acegas APS 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.

Reti Gas F.V.G. Srl

On 23 July 2014, the shareholder body of Reti Gas F.V.G. Srl, a wholly-owned subsidiary of AcegasApsAmga Spa engaged in gas distribution, approved the voluntary dissolution of the company.

Sinergia Srl

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

Sotris 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.

Sotris Spa is expected to be merged with and into Herambiente Spa by the end of 2014.

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 operated in the same sector.

1.03 Hera Group performance for the quarter ended 30 September 2014

Group consolidated highlights

(millions of euros)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% change
Revenues	**2,995.8**		**3,279.7**		**-283.9**	**-8.7%**
EBITDA	**632.7**	**21.1%**	**580.8**	**17.7%**	**+51.9**	**+8.9%**
Operating profit	312.9	10.4%	281.7	8.6%	+31.2	+11.1%
Net profit as adjusted	**124.8**	**4.2%**	**98.0**	**3.0%**	**+26.8**	**+27.3%**
Net profit	122.4	4.1%	141.7	4.3%	-19.3	-13.6%

1.03.01 Operating performance

For the first nine months of 2014, the Group's performance metrics are all up, except net profit. This because performance in 2013 had been positively affected by positive non-recurring items, of which more later.
The Hera Group's strategy, as outlined also in the latest operational plan, approved on 1 October 2014, is borne out in full also by the 2014 results. The progressive growth of the Group's results is pursued also through the time-tested multi-business strategy, which makes it possible to develop effective synergies among the main areas of activity and through external growth to significant geographical areas.

The first nine month of 2014 saw 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 takes on the new name of 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 interest in BSTC, a company engaged in the sale and distribution of gas in Bulgaria, following the above merger and transferred in AcegasApsAmga Spa.
- 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, 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 as of 1 July 2014 – a company engaged in the waste disposal business, with the objective to provide companies with a global waste management service in all productive sectors.

The income statement for the first nine months of 2013 was adjusted by applying IFRS 11 for consistency with the income statement for the third quarter of 2014. This standard, which took effect as of 1 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 S.p.a., Est reti elettriche S.p.A., Estpiù S.p.A., Isontina reti gas S.p.A., Esil scarl (ex Aristea) and Enomondo S.r.L.

In addition, the results for the first nine months were recast on a pro forma basis to reflect the amount of other non-operating non-recurring income at 31 December 2013, for €43.7 million, as a result of the business combination with the AcegasAp Group, from the provisional allocation made at 30 September 2013, as permitted by the applicable accounting standards. More details are available in the explanatory 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 accounting principle, 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 €128.0 million and €104.1 million for the first nine months of 2014 and 2013, respectively; capitalized costs were down €29.5 million and €22.0 million in 2014 and 2013, respectively; and greater costs for services, materials and other operating costs for €98.5 million and €82.0 million in 2014 and 2013, respectively.

The table below shows the results for the nine months ended 30 September 2014 and 2013, which reflect the above adjustments.

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	2,995.8	0.0%	3,279.7	0.0%	-283.9	-8.7%
Other operating revenues	221.0	7.4%	173.1	5.3%	+47.9	+27.7%
Raw materials	(1,365.5)	-45.6%	(1,733.1)	-52.8%	-367.6	-21.2%
Services costs	(819.7)	-27.4%	(756.8)	-23.1%	+62.9	+8.3%
Other operating costs	(40.8)	-1.4%	(38.1)	-1.2%	+2.7	+7.1%
Personnel costs	(369.9)	-12.3%	(355.7)	-10.8%	+14.2	+4.0%
Capitalised costs	11.9	0.4%	11.6	0.4%	+0.3	+2.6%
EBITDA	**632.7**	**21.1%**	**580.8**	**17.7%**	**+51.9**	**+8.9%**
Depr. amort. and alloc.	(319.8)	-10.7%	(299.1)	-9.1%	+20.7	+6.9%
Operating profit	**312.9**	**10.4%**	**281.7**	**8.6%**	**+31.2**	**+11.1%**
Financial operations	(102.7)	-3.4%	(104.2)	-3.2%	-1.5	-1.4%
Pre-tax profit as adjusted	**210.2**	**7.0%**	**177.5**	**5.4%**	**+32.7**	**+18.4%**
Taxes	(85.4)	-2.9%	(79.5)	-2.4%	+5.9	+7.4%
Net profit as adjusted	**124.8**	**4.2%**	**98.0**	**3.0%**	**+26.8**	**+27.3%**
Non-recurring financial charges	(2.5)	-0.1%	-	0.0%	+2.5	+100.0%
Other non operating revenues	-	0.0%	43.7	1.3%	-43.7	-100.0%
Net profit for the period	**122.4**	**4.1%**	**141.7**	**4.3%**	**-19.3**	**-13.6%**
Attributable to:						
Shareholders of the Parent Company	**111.3**	**3.7%**	**130.5**	**4.0%**	**-19.2**	**-14.7%**
Non-controlling interests	11.0	0.4%	11.2	0.3%	-0.1	-1.3%

EBITDA rose from €580.8 million for the first nine months of 2013 to €632.7 million for the comparable period of 2014, reflecting an increase of €51.9 million, or 8.9%. Operating profit went from €281.7 million to €312.9 million. Adjusted pre-tax profit grew by 18.4%, from €177.5 million to €210.2 million while adjusted net profit was up 27.3%, going from €98.0 million at 30 September 2013 to €124.8 million for the nine months ended 30 September 2014. Compared to the year-earlier nine-month period, net profit for the period under review was down €19.3 million, due to other non-operating revenues accounted for in 2013 and non-recurring financial activities recognized in 2014.

Revenue dropped by €283.9 million, or 8.7%, from €3,279.7 million for the nine months ended 30 September 2013 to €2,995.8 million for the period under review. The main causes are: (i) lower volumes sold, due to the particularly mild climate in 2014, for roughly €150 million in services in gas sales, and district heating; (ii) a decrease in revenues from electricity and gas sales owing to the reduction in the price of raw materials, for roughly €80 million; and (iii) lower volumes of electricity sold, due to the fall in overall demand (down 3%); (iv) lower trading activities for about €110 million. These negative effects were partly offset by the higher revenues from the increase in waste disposed of and the higher revenues from regulated activities and the full consolidation of the businesses in Gorizia and Udine. For further details, see the analysis of the single business areas.

Other operating revenues grew by €47.9 million, due to the higher other revenues resulting from the application of IFRIC 12 and the greater contribution derived from white certificates, following resolution 13/2014/R/efr of the Authority for electricity, gas and water (AEEGSI).

Costs of raw and other materials fell by €367.6 million, compared to the first nine months of 2013. This was due, as with revenues, to the lower volumes of gas sales and remote heating (for roughly €125 million) due to the aforementioned mild temperatures in 2014, and the lower purchasing costs for gas and electricity(for roughly €80 million), and to the lower volumes of electricity sold and other minor trading activities.

Other operating costs (service costs up €62.9 million and other operating expenses up €2.7 million) grew overall by €65.6 million (up 8.3%). This difference was due to: (i) greater IFRIC12 costs, for €14.7 million, (ii) a reclassification, in 2014, to service costs of electricity transmission costs, for a total of €11.0 million, from raw material costs in 2013; (iii) greater waste disposal costs for the increase in volumes treated; (iv) changes in the scope of consolidation.

Personnel costs rose by 4.0% (up €14.2 million), from €355.7 million at 30 September 2013 to €369.9 million at 30 September 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 Hera Group, accounting for €2.8 million.

Capitalized costs were in line with the same period of the previous year.

The consolidated EBITDA for the nine months ended 30 September 2014 amounted to €632.7 million, up €51.9 million, or 8.9%, from €580.8 million a year ago, thanks to all the main business segments of the Group: the gas business rose by €9.5 million, the electricity business was up €22.4 million, the water business increased by €19.3 million and the environment business chalked up a €2.3 million rise. More details are available in the sections on the individual business segments.
Amortization, depreciation and provisions rose overall by €20.7 million (up 6.9%), from €299.1 million in the first nine months of 2013 to €319.8 million for the corresponding period in 2014.

The change in depreciation (up €22.6 million) was due mainly to the effect of the new investments and, in the Environment business, to the greater volumes of waste disposal in landfills. Provisions for risk were down €3.3 million, especially due to lower provisions for social security litigation for €2.9 million. The allowance for bad debts rose by €1.4 million, mainly due to sales companies.

Operating profit for the nine months ended 30 September 2014 amounted to €312.9 million, up €31.2 million (up 11.1%), compared to €281.7 million for the same period of 2013, for the reasons described above.

For the nine months ended 30 September 2014, financial expense exceeded financial income by €102.7 million, down €1.5 million from €104.2 million for the corresponding period in 2013 (down 1.3%). Such benefit was due to the lower average cost of debt, compared to the previous year. This positive performance offset the decline in income contributed by the associated companies and the joint ventures, for a total of €3.4 million. Among the latter, Estenergy, a sales company held by Acegas Aps, had a large impact, due to the unusually mild weather at the beginning of 2014.

Based on the above, adjusted pre-tax profit went from €177.5 million at 30 September 2013 to €210.2 million at 30 September 2014, up 18.4%.

Income tax for the period, amounting to €85.4 million, reflects a tax rate of 41.1%, showing significant improvement over the year-earlier data point (44.8%). This improvement was due, as far as the corporate income tax (IRES) is concerned, to the 4% decrease of the so-called Robin Tax (applicable to the Group companies operating in the energy sector) while, with respect to the regional business tax (IRAP) it was due mainly to the effects of law 89/2014, which revised tax rates.

Thus, adjusted net profit rose by €26.8 million, or 27.3%, from €98.0 million at 30 September 2013 to €124.8 million at 30 September 2014.

Earnings per share amounted to €0.078, up on €0.065 per share calculated on adjusted net profit for the first nine months of 2013.

The results for the first nine months of 2014 were impacted by the impairment charges, included under financial expense, for 2.1 million taken on the equity investment in Energia Italiana Spa, representing 15.9%, and other minor losses for a total of €2.5 million.

The acquisition of Acegas Aps in 2013 resulted in the recognition of other non-operating, non-recurring income for €43.7 million in the income statement. This amount was determined by the purchase price allocation procedure implemented by comparing the acquisition price with the fair value of the net assets purchased, as described extensively in the notes to the financial statements.

Therefore, at 30 September 2014 net profit amounted to €122.4 million, down from €€141.7 million at 30 September 2013.

1.03.02 Analysis by business segment

An analysis of the operating results of the segments in which the Group operates is given below: (i) **Gas** segment, which includes the distribution and sales of methane gas and LPG services, remote heating and heat management (ii) **Electricity** segment, which includes the Electricity production, distribution and sales services (iii) **Integrated Water Cycle** segment, which includes the Aqueduct, Purification and Sewerage services (iv) **Environment segment**, which includes the Collection, Treatment and Disposal of waste services (v) **Other Services** segment, which includes the Public Lighting, Telecommunications and other minor services

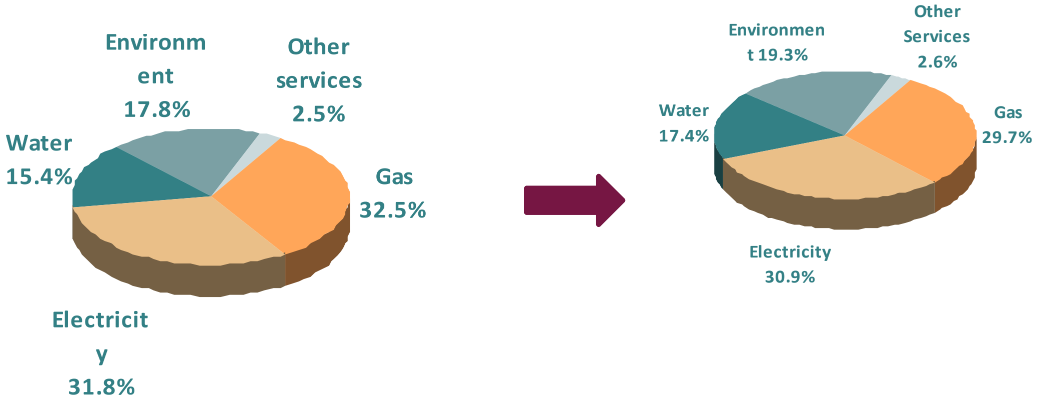
In the light of the above, the composition and development of Revenues and EBITDA over the years is shown in the graphs below:

Breakdown of the Group's business portfolio

30-Sept-'13

REVENUES

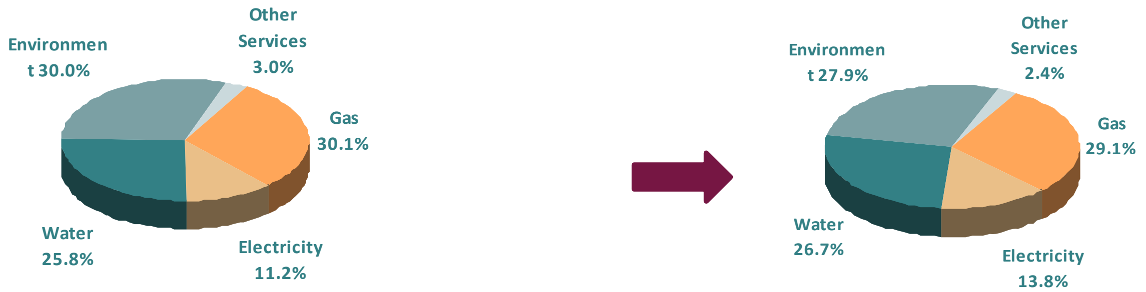
30-Sept-'14



30-Set-'13

30-Set-'14

EBITDA



An analysis of the operating results broken down by segment is shown below. The Group's income statements include corporate headquarter costs and reflect intercompany transactions accounted for at arm's length.

The income statements for the THIRD quarter of 2013 of the various segments were adjusted to reflect the retrospective application of IFRS 11.

Compared to 2013, 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 the third quarter of 2013 and the third quarter of 2014.

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 the above standard are: Methane distribution services, Power distribution services, all Integrated Water Cycle services and public lighting services.

Gas segment

The Gas segment, at 30 September 2014, showed an increase in absolute terms in its contribution to the Group's EBITDA, compared to the corresponding period in the previous financial year:

(mln/€)	30-Sep-14	30-Sep-13	Abs. Change	% Change
Sector EBITDA	**184.1**	**174.6**	**+9.5**	**+5.4%**
Group EBITDA	632.7	580.8	+51.9	+8.9%
Percentage weight	29.1%	30.1%	-1.0 p.p.	

The following table contains the main quantitative indicators managed in the Hera Group's companies, whether fully consolidated or jointly controlled with other operators (Est Energy and Isontina Reti gas only for 2013).

Quantative data	30-Sep-14	30-Sep-13	Abs. Change	% Change
Number of customers (in thousands)	1,312.2	1,221.0	+91.2	+7.5%
Volumes of gas distributed (millions of cubic metres)	1,633.8	1,951.4	-317.6	-16.3%
Volumes of gas sold (millions of cubic metres)	1,683.7	2,237.4	-553.7	-24.7%
- of which trading volumes	*491.2*	*695.6*	*-204.4*	*-29.4%*
Volumes of heat supplied (Gwht)	288.2	360.0	-71.8	-19.9%

Distributed volumes went from 1,951.4 million cubic metres at 30 September 2013 to 1,633.8 million cubic metres in 2014, showing a decrease of 317.6 million cubic metres (down 44%); this result is largely due to the particularly mild weather conditions of the first four months of 2014, and the elevated average temperatures that ensued, the highest in the last thirty years in terms of degree days (down 44% with respect to the average over the last thirty years, and down 26% with respect to 30 April 2013). The decrease in volumes distributed is partially mitigated by the full consolidation of the Gorizia area (up 26.8 million cubic metres, or 1.4%) and the Udine area (up 21.9 million cubic metres, or 1.1%). As a reminder, the lower volumes distributed are an indicator of thermal conditions in the geographic area in which the Group operates; such decrease will be made up under the law and the company will collect "regulated" revenues, regardless of volumes for the period.

Volumes of gas sold went from 2,237.4 million cubic metres in the first nine months of 2013 to 1,683 million cubic metres in the corresponding period of 2014, with a decrease of 553.7 million cubic metres (down 24.7%). This was due to both the above-mentioned mild temperatures and a decrease of 204.4 million cubic metres in trading volumes, due to lower withdrawal levels by gas plants. The decrease was partly offset by the acquisitions of Amga Energia & Servizi, which contributed 23.5 million cubic metres sold in the third quarter of 2014, and BSTC, which contributed 7.7 million cubic metres.

The customer base recorded an increase of 91.2 redelivery points, thanks to the above-mentioned merger of Amga, which contributed 87.2 thousand supply points (up 7.1%), and the Bulgarian subsidiary BSTC (up 8.3 thousand points, or 0.7%). The remaining decrease was low due to the Group's strong marketing effort and customer loyalty activities undertaken to stem competitive pressures and the termination of contracts due to the difficult economic context.

Heat volumes sold went from 360.0 GWht as of 30 September 2013 to 288.2 GWht for the period under review, (down 19.9%); this decrease was due to the abovementioned mild climate, offset only in a small part by an increase of 11,400 customers.

A summary of the operating results for the segment is given below:

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	1,003.3		1,166.2		-162.9	-14.0%
Operating costs	(735.2)	-73.3%	(910.8)	-78.1%	-175.6	-19.3%
Personnel costs	(86.9)	-8.7%	(83.9)	-7.2%	+3.0	+3.6%
Capitalised costs	2.9	0.3%	3.1	0.3%	-0.2	-6.4%
EBITDA	**184.1**	**18.4%**	**174.6**	**15.0%**	**+9.5**	**+5.4%**

Revenues from this segment went from €1,166.2 million for the first nine months of 2013 to €1,003.3 million for the nine months ended 31 September 2014, down €162.9 million, or 14.0%, as a result of lower revenues from sales of methane gas and district heating services to final customers (down about €200 million). This was due to both lower volumes sold (down about €160 million) and the lower price of gas, following AEEGSI's reform which called for a decline of the raw material component, determined by the progressive abandonment of oil-indexed gas prices in favour of trading on spot markets. This decrease was partly offset by the change in the scope of consolidation, with the full consolidation of Udine and Gorizia and the greater revenues from energy efficiency certificates as a result of the above-mentioned AEEGSI resolution.

The lower volumes of methane gas sold are also reflected in the lower operating costs: operating costs in fact decreased by €175.6 million overall, due to the lower volumes sold (€130 million between gas and heat) and the aforementioned lower prices, partially offset by the higher costs for energy savings certificates and the change in the scope of consolidation.

The segment's EBITDA increased by 9.5 million (up 5.4%), from €174.6 million to €184.1 million for the following reasons: (i) lower margins for trading activities due to the lower prices involved in the AEEGSI reform and the loss of value of capacities on the TAG, (ii) lower margins of gas sales and district heating services, due to the lower volumes implied by the above-mentioned weather effect, offset by the (iii) higher margins of energy savings certificates and the (iv) change in the scope of consolidation, with its increases of €6.6 million in gas distribution and €3.5 million in the sales business.

Electric energy segment

In the third quarter of 2014, the Electricity segment showed improvement compared to the third quarter of 2013, both in terms of results as well as in terms of contribution to consolidated EBITDA, as shown in the table below:

(mln/€)	30-Sep-14	30-Sep-13	Abs. Change	% Change
Sector EBITDA	**87.4**	**65.0**	**+22.4**	**+34.5%**
Group EBITDA	632.7	580.8	+51.9	+8.9%
Percentage weight	13.8%	11.2%	+2.6 p.p.	

The following table displays the main quantitative indicators managed in the companies of the Hera Group, whether fully consolidated or jointly controlled with other operators (Est Energy and Est Reti Elettriche only for 2013).

Quantative data	30-Sep-14	30-Sep-13	Abs. Change	% Change
Number of customers (in thousands)	783.4	710.2	+73.2	+10.3%
Volumes sold (Gw/h)	6,809.5	7,108.6	-299.1	-4.2%
Volumes distributed (Gw/h)	2,193.1	2,207.1	-14.0	-0.6%

Volumes of electricity sold went from 7,108.6 GWh to 6,809.5 at 30 September 2014, with a decrease of 4.2%. The fall in volumes sold is in line with the overall drop in national demand (3% at 30 September 2014 compared to 30 September 2013) and was only partially offset by the 143.6 GWh increase determined by the consolidation of Amga Energia & Servizi.

In terms of points of delivery, the Group continued to experience growth, which for the period under review was 10.3%, due to both the increase in the free market and the contribution of Amga Energia & Servizi for 14.3 thousand.

Distributed volumes decreased by 0.6%, due to the full consolidation of the Gorizia activities in AcegasApsAmga, amounting to 31.0 GWH, which offset the loss of 45 Gwh (down 2.0%) determined by the above-mentioned drop in national demand.

The table below analyses the main results of the area:

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	1,043.8		1,140.6		-96.8	-8.5%
Operating costs	(929.5)	-89.0%	(1,055.7)	-92.6%	-126.2	-12.0%
Personnel costs	(31.9)	-3.1%	(24.5)	-2.1%	+7.4	+30.2%
Capitalised costs	5.0	0.5%	4.6	0.4%	+0.4	+8.8%
EBITDA	**87.4**	**8.4%**	**65.0**	**5.7%**	**+22.4**	**+34.5%**

Revenues went from €1,140.6 million in the first nine months of 2013 to 1,043.8 million in the corresponding period in 2014, with a decrease of 8.5%, due to the lower revenue from trading activities, the decline in volumes sold and the drop in the price of energy (PUN), equal to -20.0% with respect to the previous year (down €150 million). This decrease was partly offset by the changes in the scope of consolidation – which reflects the inclusion of the provinces of Gorizia and Udine – and greater revenues from electricity distribution services.

Operating costs fell by €126.2 million (down 12.0%), more than offsetting the lower revenues from sales to final customers ad trading, despite the change in the scope of consolidation and the increase in costs due to IFRIC 12.

The segment's EBITDA grew by €22.4 million (up 34.5%), from €65.0 million to €87.4 million , thanks to higher margins on sales activities, particularly in the free market and in the last resort service market, to greater revenues from the regulated distribution market.

Integrated water cycle

In the period under review this segment grew on the comparable year earlier period, both in absolute terms and in terms of contribution to the Group's EBITDA.

(mln/€)	30-Sep-14	30-Sep-13	Abs. Change	% Change
Sector EBITDA	**169.0**	**149.7**	**+19.3**	**+12.9%**
Group EBITDA	632.7	580.8	+51.9	+8.9%
Percentage weight	26.7%	25.8%	+0.9 p.p.	

The following is an analysis of the segment's activities:

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	587.6		550.9		+36.7	+6.7%
Operating costs	(312.4)	-53.2%	(297.8)	-54.1%	+14.6	+4.9%
Personnel costs	(107.8)	-18.3%	(105.0)	-19.1%	+2.8	+2.7%
Capitalised costs	1.6	0.3%	1.6	0.3%	+0.0	+0.0%
EBITDA	**169.0**	**28.8%**	**149.7**	**27.2%**	**+19.3**	**+12.9%**

Group revenues increased by €36.7 million (up 6.7%), due to (i) greater revenues from sales (up €18.0 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 calculated on the basis of the transitional tariff method approved by the Authority; (ii) greater revenues resulting from the application of IFRIC 12 for €12.2 million; and (iii) greater revenues from contracts and other subcontracted works. This increase as partly offset by lower revenues from connections and from non-regulated markets.

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 €10.2 million while the remaining €4.4 million rise was due to greater costs for subcontracted work and the purchase of water, partly offset by lower energy consumption costs in plants.

The table below breaks down the volumes handled by this segment in the third quarters of 2014 and 2013, reflecting the volumes attributable to the AcegasAps Group.

Quantative data	30-Sep-14	30-Sep-13	Abs. Change	% Change
Number of customers (in thousands)	1,443.5	1,440.8	+2.7	+0.2%
Volumes sold (millions of cubic metres)				
Aqueduct	224.4	233.7	-9.3	-4.0%
Sewage	184.9	190.5	-5.6	-2.9%
Purification	183.4	188.3	-4.9	-2.6%

The Group's volumes decreased by -9.3 million aqueduct cubic metres, due to the greater rainfall in the first nine months of 2014, with respect to the corresponding period in the previous year, and lower residential and industrial consumption. Note that the lesser volumes administered, in the wake of the above-mentioned resolution, represent an operative indicator for the area in which the Group is active and are subject to equalisation by way of legislation that provides for the recognition of a "regulated" revenue, independently of the period's volumes.

The Gross Operating Margin grew by 19.3 million € (+12,9%), passing from 149.7 to 169.0 million € thanks to the larger revenues recognised by the Authority and highlighted above.

Environment

For the nine months ended 30 September 2014, the environment segment showed an increase in absolute terms but a drop as a share of the total, due to the significant increase of the areas indicated above.

(mln/€)	30-Sep-14	30-Sep-13	Abs. Change	% Change
Sector EBITDA	**176.7**	**174.4**	**+2.3**	**+1.3%**
Group EBITDA	632.7	580.8	+51.9	+8.9%
Percentage weight	27.9%	30.0%	-2.1 p.p.	

The Group offers integrated operations for the entire waste cycle, with an asset base of 77 plants for collection and disposal of urban and special waste, 72 of which are managed by the Group HERAmbiente and 3 by the Group Marche Multiservizi, in addition to the 2 waste-to-energy plants managed by AcegasApsAmga. In addition, July 2014 saw the start of operations of HERAmbiente Servizi Industriali Srl, which was created with the objective of expanding and specializing the Group's business activity in the waste disposal business.
The table below shows an analysis of the management results achieved in the Environment segment:

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	651.1		637.2		+13.9	+2.2%
Operating costs	(346.6)	-53.2%	(338.0)	-53.1%	+8.6	+2.5%
Personnel costs	(129.4)	-19.9%	(126.5)	-19.9%	+2.9	+2.3%
Capitalised costs	1.5	0.2%	1.8	0.3%	-0.3	-17.1%
EBITDA	**176.7**	**27.1%**	**174.4**	**27.4%**	**+2.3**	**+1.3%**

For the period under review, the Group's revenues rose by €13.9 million (up 2.2%) on the comparable year-earlier period, going from €637.2 million to €651.1 million. Such increase was due to the greater volumes disposed of, thanks to the development of the commercial activity in the areas of central and northern Italy – which offset lower energy revenues – and greater revenues from urban hygiene activities to cover the greater services required.

The segment's operating costs increased by €8.6 million, in keeping with the larger amount of waste handled and greater collection and sweeping services provided, as sorted waste collection too hold in the areas served.

At the end of the third semester of 2014, Hera Spa and Marche Multiservizi's overall separate waste collection, in terms of its percentile bearing on the total volumes gathered, reached 54.0%, against 53.0% in the corresponding period in 2013. AcegasApsAmga recorded a separate waste collection at 30 September 2014 equal to 44.3%, against 42.2% in the corresponding period in 2013. In any case, the percentage of separate waste collection recorded by the Hera Group overall increased, being equal to 52.8% in the first semester of 2014, compared to 51.7% in the corresponding period in 2013.

The table below breaks down the volumes handled for the first quarters of 2014 and 2013, which include the volumes of the AcegasAps Group.

Quantitative data (thousand of tonnes)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Urban waste	1,516.6	31.0%	1,503.3	33.0%	+13.3	+0.9%
Market waste	1,605.8	32.8%	1,338.0	29.3%	+267.8	+20.0%
Wasted marketed	**3,122.4**	**63.9%**	**2,841.3**	**62.3%**	**+281.1**	**+9.9%**
Plant by-products	1,767.0	36.1%	1,718.8	37.7%	+48.2	+2.8%
Waste treated by type	**4,889.3**	**100.0%**	**4,560.1**	**100.0%**	**+329.2**	**+7.2%**
Landfill	914.1	18.7%	907.1	19.9%	+7.0	+0.8%
Waste-to-energy plants	1,041.4	21.3%	1,015.4	22.3%	+26.0	+2.6%
Selecting plant and other	340.6	7.0%	279.2	6.1%	+61.4	+22.0%
Composting and stabilisation plants	366.7	7.5%	368.1	8.1%	-1.4	-0.4%
Stabilisation and chemical-physical plants	906.5	18.5%	826.1	18.1%	+80.4	+9.7%
Other plants	1,320.1	27.0%	1,164.3	25.5%	+155.8	+13.4%
Waste treated by plant	**4,889.3**	**100.0%**	**4,560.1**	**100.0%**	**+329.2**	**+7.2%**

Quantitative data analysis shows a 9.9% increase in Group-marketed waste, due to market waste, thanks to the cited marketing effort undertaken. Urban waste handled was slightly up, due to the increase of sorted waste collection. The increase in by-products is due instead to greater leachate production from manufacturing sites and landfills, due to heavier rainfall in the third quarter of 2014.

As regards disposal by plant typology, an increase in waste was seen across all of the chains. The growth in volumes disposed of in the selecting plants is due to the increase of separate waste collection described above.

The Gross Operating Margin grew by 2.3 million € (+1.3%), passing from 174.4 to 176.7 million €, mainly thanks to the increase in waste disposal.

Other Services Segment

At 30 September 2014, the results of the Other Services Segment show a decrease with respect to the previous financial year, passing from a gross operating margin of 17.1 million € to 15.5 million €.

(mln/€)	30-Sep-14	30-Sep-13	Abs. Change	% Change
Sector EBITDA	**15.5**	**17.1**	**-1.6**	**-9.8%**
Group EBITDA	632.7	580.8	+51.9	+8.9%
Percentage weight	2.4%	3.0%	-0.6 p.p.	

The table below shows the main operating figures for this segment.

Income statement (€/mln)	30-Sep-14	% Inc.	30-Sep-13	% Inc.	Abs. Change	% Change
Revenues	87.3		91.0		-3.7	-4.1%
Operating costs	(58.7)	-67.2%	(58.6)	-64.4%	+0.1	+0.2%
Personnel costs	(14.0)	-16.1%	(15.9)	-17.4%	-1.9	-12.0%
Capitalised costs	0.8	1.0%	0.6	0.7%	+0.2	+32.3%
EBITDA	**15.5**	**17.7%**	**17.1**	**18.8%**	**-1.6**	**-9.8%**

Segment revenues fell by €3.7 million mainly due to the sale of the company devoted to cemetery services (down about €8.0 million). This decrease was offset by greater revenues from the public lighting business - determined by the inclusion in the scope of consolidation of the provinces of Gorizia and Udine, and an increase in the business - and from the telecommunication business due to an increase in services.

The €1.6 million decrease in EBITDA was due, for €1.5 million, to the cited sale of the company engaged in cemetery services in Bologna and for the remaining amount to the EBITDA for the same services within the AcegasApsAmga. EBITDA for the public lighting and the telecommunication businesses were in line with the comparable year-earlier amount, despite the increase in revenues.

The table below breaks down quantitative data for the third quarters of 2014 and 2013, as adjusted for the inclusion of the AcegasAps Group.

Quantative data	30-Sep-14	30-Sep-13	Abs. Change	% Change
Public lighting				
Lighting points (thousands)	490.4	422.5	+67.9	+16.1%
Municipalities served	145.0	109.0	+36.0	+33.0%

The quantitative data related to public lighting shows an increase of 67.9 thousand lighting points and an increase of 36 municipalities served. This trend is related to the full consolidation of the areas of Gorizia and Udine, and the acquisition of new contracts both in Hera Luce and in the Sinergie Group.

1.04 Hera Group Investments

The Group's investments for the nine months ended 30 September 2014 amounted to a total of €232.1 million, including €1.2 million in capital grants of which €7.7 million for the New Investment Fund (FoNI), a component foreseen by the tariff method for the Integrated Water Service. The Group's overall investments net of capital grants amounted to €221.9 million.
With respect to the previous financial year, gross investments grew by €36.3 million, from €195.8 to €232.1 million.
In the following table, the investments are listed gross of disposals and capital grants, subdivided by business segment, with capital grants shown as a separate item

Total Investments (millions of euros)	30-Sep-13	30-Sep-14	Abs. Change	% Change
Gas segment	35.5	47.6	+12.1	+34.1%
Electricity segment	14.1	16.9	+2.8	+19.9%
Integrated water cycle	69.8	81.8	+12.0	+17.2%
Environment segment	32.9	29.0	-3.9	-11.9%
Other services	10.4	9.9	-0.5	-4.8%
Corporate headquarters	32.7	46.9	+14.2	+43.4%
Total capital expenditure	**195.4**	**232.1**	**+36.7**	**+18.8%**
Total equity investments	0.4	0.0	-0.4	-100.0%
Totale Investments, gross	**195.8**	**232.1**	**+36.3**	**+18.5%**
Capital grants	2.0	10.2	+8.2	+410.0%
of which for FoNI (New investment Fund)	-	*7.7*	*+7.7*	+100.0%
Total investments, net	**193.8**	**221.9**	**+28.1**	**+14.5%**

The gross investments in the **Gas sector** amount to €47.6 million, reflecting an increase on the €35.5 million for the same period of the previous year.

Gas (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change.	% Change
Networks	30.2	41.9	+11.7	+38.7%
District heating/Heat management	5.3	5.7	+0.4	+7.5%
Total Gas, gross	**35.5**	**47.6**	**+12.1**	**+34.1%**
Capital grants	-0.1	0.0	+0.1	-100.0%
Total Gas, Net	**35.5**	**47.6**	**+12.1**	**+34.1%**

In gas distribution, the increase of +€11.7 million with respect to the 2013 financial year included €3.8 million in works for compliance with Decree 155/08, involving extensive meter substitution and, for the remainder, greater investments in maintenance and new infrastructure, including the replacement of grey cast iron pipelines in the Trieste area.

The effects of the overall economic situation continued to be felt, bringing about a further decrease with respect to the third quarter of 2013 in the request for new interconnections related to this service.

In the district heating and heat management services, investments rose by €0.4 million compared to the previous year. In district heating the main works concerned the central boiler plant of the campus of the University of Forli and the revamping of the boiler plants of Bologna and the Giardino area in Modena while requests for new interconnections continued to drop.

The investments in the **Electricity service** amount to €16.9 million, up €2.8 million on the €14.1 million for the same period of the previous year.

Electricity (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change	% Change
Networks	13.4	15.5	+2.1	+15.7%
Industrial cogeneration	0.7	1.4	+0.7	+100.0%
Total Electric energy, gross	**14.1**	**16.9**	**+2.8**	**+19.9%**
Capital grants	0.1	0.0	-0.1	-100.0%
Total Electric energy, net	**14.1**	**16.9**	**+2.8**	**+19.9%**

The interventions carried out prevalently concern the extraordinary maintenance of plants and distribution networks in the areas surrounding Modena, Imola, Trieste and Gorizia for €7.5 million overall, as well as interconnections for €1.8 million, the latter having increased by +€0.4 million with respect to the same period in the preceding year.
Maintenance interventions rose, mainly involving Cogen in Imola (€1.3 million), while new works included the activities for the new AT-MT station in via Selice, Imola (€0.7 million).
Compared to the third quarter of 2013, activities in industrial cogeneration rose also as a result of Energy Service's operations.

As regards the **Integrated Water Cycle**, investments principally concerned extensions, network and plant decontaminations and enhancements, as well as regulatory compliance mainly regarding purification and sewerage. On the whole, interventions in the Water Cycle amounted to €81.8 million, with respect to €69.8 million in the same period of the preceding financial year.

Integrated water cycle (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change	% Change
Mains water	37.7	42.4	+4.7	+12.5%
Purification	12.8	17.5	+4.7	+36.7%
Sewerage	19.2	21.9	+2.7	+14.1%
Total Integrated water cycle, gross	**69.8**	**81.8**	**+12.0**	**+17.2%**
Capital grants	1.7	10.0	+8.3	+488.2%
of which for FoNI (New investment Fund)	*0.0*	*7.7*	*+7.7*	+100.0%
Total Integrated water cycle, net	**68.1**	**71.8**	**+3.7**	**+5.4%**

Investments were made for €42.4 million in the Aqueduct, €17.5 million in Purification and €14.7 million in Sewerage.

The rise of +€12.0 million with respect to the first nine months of the previous year is due to the greater activities in the aqueduct, mainly for grid upgrades and planned maintenance; in the sewerage system, where upgrades in discharge were carried out in compliance with Legislative Decree n. 152/2006; in purification, in which significant activities were initiated, such as the makeover of the Cesenatico purifier, the upgrade of the Savignano plant, the enlargement of the Ponte Rizzoli di Ozzano purifier and the reconversion of the Marecchiese di Rimini purifier. The latter intervention is part of the wider project for upgrading sewerage and purification facilities in the municipality of Rimini.

In the Water Service as well, the long-term crisis of the real estate sector continued to cause a decrease in the number of requests for new water and sewerage interconnections with respect to the first semester of the preceding year.

Capital grants, which pertain to the whole of the Integrated Water Cycle, are mainly due to the component of the tariff provided for by the tariff method for the New Investments Fund (FoNI).

In the **Environment segment**, interventions in maintenance and enhancement of existing plants across the Group's reference area amounted to €29.0 million.

Environment (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change	% Change
Waste composting/Digesters	5.3	0.9	-4.4	-83.0%
Landfills	7.5	9.5	+2.0	+26.7%
WTE	8.7	6.5	-2.2	-25.3%
Special waste plants	2.5	1.4	-1.1	-44.0%
Market	0.3	0.3	+0.0	+0.0%
Drop-off points and collecting equipment	2.7	5.0	+2.3	+85.2%
Tansshipment, screening and other equipem	5.9	5.4	-0.5	-8.5%
Total environment, gross	**32.9**	**29.0**	**-3.9**	**-11.9%**
Capital grants	0.3	0.0	-0.3	-100.0%
Total environment, net	**32.6**	**29.0**	**-3.6**	**-11.0%**

With respect to the same period of the previous year of 2013 a decrease of -€3.9 million was seen, mainly due to investments in the chain of Composting / Digesters (-€4 million), an effect of the completion of the plants with "dry-fermentation" technology in Rimini and Lugo that took place in 2013; in 2014 these plants will only require maintenance interventions, in addition to the activities in the third quarter 2014 in the S. Agata composting.
The increase in Landfills (+€2.0 million) reflects a reduction in the plants managed by the company Herambiente as an effect of the creation of the 7th sector of the Ravenna landfill and the meteoric basins of the 2.6 km Ravenna site, completed in 2013 and only partially compensated by the works still in progress in 2014 (maintaining Pago, Tre Monti, Feronia and 1C Lugo and initiating the creation of the 8th sector of the Ravenna landfill), as well as the increase due to the interventions aimed at enlarging the Cà Asprete di Tavullia (PU) landfill, carried out by the company Marche Multiservizi (+€2.1 million).
The fall in investments on the WTE chain (-€2.2 million) is prevalently due to the completion of civil and infrastructural works carried out in 2013 in Ferrara and subservient to Akron's new selection plant, as well as minor maintenance investments for the Pozzilli and Fea waste to energy plants, only partially compensated by the initiation in 2014 of works on the new electrical configuration of the Ravenna incinerator and interventions in plant maintenance.
On the Special Waste chain, the decrease in investments with respect to the previous year (-€1.1 million) is due to the completion of the Ravenna Wastewater Dehydration plant and the finalisation of the revamping of the chemical/physical treatment (TCF) plant that came about in 2013, only partially compensated by interventions in plant maintenance in 2014.
As regards transhipment and selection plants (down €0.5 million), attention is called to the completion of works on the Akron Bologna selection plant, as well as the effect of the creation of a transhipment plant in the Cervia area.

Investments in the **Other Services** area amounted to €9.9 million, in comparison with €10.4 million during the same period in the previous year.

Other Services (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change	% Change
TLC	6.8	5.8	-1.0	-14.7%
Public lighting and traffic lights	3.6	4.0	+0.4	+11.1%
Total Other Services, gross	**10.4**	**9.9**	**-0.5**	**-4.8%**
Capital grants	0.0	0.0	+0.0	-
Total Other Services, net	**10.4**	**9.9**	**-0.5**	**-4.8%**

Within the Telecommunications area, note the €5.8 million invested in networks and TLC and IDC (Internet Data Center) services, and €4.0 million in the public lighting service, with an overall decrease of €0.5 million with respect to the previous year.

Headquarters investments concern the property works dedicated to creating new headquarters, as well as investments in information systems and those necessary for maintaining the company's vehicle fleet. "Other investments" include the completion of laboratories and Remote control structures.

Corporate headquarters (millions of euro)	30-Sep-13	30-Sep-14	Abs. Change	% Change
Property	13.4	21.6	+8.2	+61.2%
Information systems	9.6	12.2	+2.6	+27.1%
Fleets	7.3	8.4	+1.1	+15.1%
Other investments	2.4	4.7	+2.3	+95.8%
Total Corporate headquarters	**32.7**	**46.9**	**+14.2**	**+43.4%**
Capital grants	0.0	0.1	+0.1	+100.0%
Total Corporate headquarters, net	**32.7**	**46.7**	**+14.0**	**+42.8%**

Overall, capital expenditure for headquarters grew by with respect to the previous year (+€14.2 million), mainly as an effect of the decrease in property works following the completion of the new company headquarters (+€8,2 million) while interventions on information systems and the renewal of the company's vehicle fleet both rose.

1.05 Analysis of net cash/(net borrowings)

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

millions of euro		30-set-2014	31-dic-2013
a	**Cash and cash equivalents**	**702.5**	**926.9**
b	**Other current financial receivables**	**114.1**	**84.9**
	Current bank debt	(197.3)	(227.6)
	Current portion of bank debt	(303.2)	(110.5)
	Other current financial liabilities	(51.2)	(23.7)
	Finance lease payables due within 12 months	(2.6)	(2.0)
c	**Current financial debt**	**(554.3)**	**(363.8)**
d=a+b+c	**Net current financial debt**	**262.3**	**648.0**
e	**Non-current financial receivables**	**44.4**	**52.6**
	Non-current bank debt and bonds issued	(2,978.0)	(3,243.3)
	Other non-current financial liabilities	(6.9)	(8.5)
	Finance lease payables due beyond 12 months	(22.7)	(15.5)
f	**Non-current financial debt**	**(3,007.6)**	**(3,267.3)**
g=e+f	**Net non-current financial debt**	**(2,963.2)**	**(3,214.7)**
h=d+g	**Net financial debt**	**(2,700.9)**	**(2,566.7)**

** The arrangement includes also non-current financial receivables consisting mainly of interest-bearing loans to associated companies and to the municipality of Padua at arm's length.*

At 30 September 2014 net borrowings amounted to €2,700.9 million, compared to €2,566.7 million at 31 December 2013.

This increase in net borrowings was due mainly to the payment of dividends for €137 million in June and the temporary increase in working capital due to the mechanism to pay excise taxes on gas despite the mild winter of 2014, as well as the increase in receivables arising from gas equalization as a result of the unusually mild winter.

Borrowings are mainly medium/long-term loans which account for 84% of total indebtedness, matching closely the Group's asset structure with its substantial level of fixed assets.

Hera Spa has long-term ratings of "Baa1" with negative outlook from Moody's and "BBB" with stable outlook from Standard & Poor's.

1.06 Human resources

As of 30 September 2014, the Hera Group had 8,428 permanent employees (consolidated companies), with the following breakdown by role:
managers (154), middle managers (485), clerks (4,350) and workers (3,439). This headcount was the result of the following changes: new hires (86), addition of Fucino Gas (2), Isontina Reti Gas (32 TI), Amga Multiservizi SpA (135), BSTC (88), Amga Calore & Impianti (26) and Amga Energia & Servizi (49) to the scope of consolidation, departures (92) and exit from scope of consolidation of the Herasocrem Group (5).

	30-set-14	31-Dec-13 Financial Statements	31-Dec-13 Proforma	Change
Senior managers	154	154	153	1
Middle managers	485	458	453	32
Office workers	4,350	4,211	4,120	230
Manual workers	3,439	3,396	3,381	58
Total	**8,428**	**8,219**	**8,107**	**321**

Details of the effective movements are as follows:

Work force as at 31 December 2013 – Financial Statements	8,219
Change in scope of consolidation due to application of IFRS11(*)	-112
Workforce as of 31 December 2013 – proforma	8,107
Additions for the period	86
Exits for the period	-92
Net flows	-6
Additions due to change in scope of consolidation (Fucino Gas, Isontina Reti Gas, Amga Multiserviz, BSTC, Amga Calore & Impianti, Amga Energia & Servizi)	332
Exits due to change in scope of consolidation (Hera Socrem)	-5
Work force as at 30	**8,428**

(*)Includes Est Energy, Est Più, Aristea, Isontina Reti Gas, Enomondo.

New hires for the period were due mainly to:

- the switch of fixed-term to permanent employment contracts
- addition of professional skills that were not available within the Group

1.07 Subsequent events and outlook

Hera Energie Srl

Hera Energie Srl - a company engaged in the supply of energy services and heat management that is 51%-owned by Hera Comm – will be merged with and into Sinergia Srl, a company operating in the provision of integrated energy services that is 62.77%-owned by Hera Comm, by the end of 2014.
Following the merger, which will produce its legal, accounting and tax effects as of 1 January 2015, the acquiror will change its name to Hera servizi energia Srl.

Carniacque Spa

On 29 October 2014, Hera Spa sold the 34.85% it held in Carniacque Spa, a company operating in the water sector.

Elettrogorizia Spa

On 23 October 2014, AcegasApsAmga Spa, acquired a 17% equity stake, in addition to the 33% that it already held, in Elettrogorizia Spa, a company engaged in the energy sector, for a total 50% equity interest.

Iniziative Ambientali Srl

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

Galsi Spa

Following Sfirs Spa's exercise of the put option on its 11.51% equity interest in Galsi Spa, a company engaged in the construction of the gas pipeline between Algeria and Italy through Sardinia, Hera Trading, which currently has a 10.41% stake in Galsi Spa, will acquire on a pro rata basis an additional 1.36% of the company's shares outstanding, thus raising its equity interest in the company to about 11.77%.

CHAPTER 2

Hera Group Consolidated Financial Statements

2.01 Consolidated financial statements

2.01.01 Consolidated income statements

thousands of euros	30-sept-2014 (9 months)	30-sept-2013 (9 months) as adjusted*	3°Quarter 2014 (3 months)	3°Quarter 2013 (3 months)
Revenues	2,995,833	3,279,732	906,744	927,037
Other operating revenues	221,003	173,076	81,770	65,770
Use of raw materials and consumables	(1,365,540)	(1,733,095)	(377,268)	(457,184)
Services costs	(819,718)	(756,752)	(301,381)	(265,918)
Personnel costs	(369,945)	(355,738)	(118,247)	(111,374)
Amortisation, depreciation,provisions	(319,806)	(299,126)	(111,715)	(102,828)
Other operating costs	(40,826)	(38,052)	(13,876)	(13,164)
Capitalised costs	11,892	11,625	4,088	3,861
Operating profit	**312,893**	**281,670**	**70,115**	**46,200**
Portion of profits (loss) pertaining to joint ventures and associated com|	4,876	8,299	755	501
Financial income	122,170	72,953	29,480	8,536
Financial expense	(232,195)	(185,421)	(66,814)	(49,280)
Total financial operations	**(105,149)**	**(104,169)**	**(36,579)**	**(40,243)**
Other non-recurring non-operating income		43,705		
Pre-tax profit	**207,744**	**221,206**	**33,536**	**5,957**
Taxes for the period	(85,385)	(79,487)	(15,908)	(6,012)
Net profit for the period	**122,359**	**141,719**	**17,628**	**-55**
Attributable to:				
Shareholders of the Parent Company	111,335	130,549	15,078	(3,549)
Non-controlling interests	11,024	11,170	2,550	3,494
Earnings per share				
basic	**0.078**	**0.098**		
diluted	**0.078**	**0.094**		

2.01.02 Consolidated statement of comprehensive income

thousands of euros	*30-sept-2014 (9 months)*	*30-sept-2013 (9 months) as adjusted**
Net profit / (loss) for the period	**122,359**	**141,719**
Items reclassifiable to the income statement		
Change in the fair value of derivatives for the period	2,684	4,302
Tax effect related to the other reclassifiable items of the comprehensive income statement	(741)	(1,249)
Other OCI components companies accounted for with the equity method	(3)	328
Items not reclassifiable to the income statement		
Actuarial gains/(losses) post-employment benefits	(13,461)	1,664
Tax effect related to the other not reclassifiable items of the comprehensive income statement	3,457	(296)
Other OCI components companies accounted for with the equity method		8
Total comprehensive income/(loss) for the period	**114,295**	**146,476**
Attributable to:		
Shareholders of the Parent Company	103,451	134,166
Non-controlling interests	10,844	12,310

2.01.03 Earnings per share

thousands of euros	30-sept-2014 (9 months)	30-sept-2013 (9 months) as adjusted*
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	111,335	130,549
Interest expenses relating to the liability component of convertible bonds		1,824
Adjusted profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (B)	111,335	132,373
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
- basic (C)	1,431,661,124	1,328,769,100
- diluted (D)	1,431,661,124	1,411,444,537
Earnings (loss) per share (euro)		
- basic (A/C)	**0.078**	**0.098**
- diluted (B/D)	**0.078**	**0.094**

2.01.04 Consolidated statement of financial position

thousands of euros	30-Sep-2014	31-Dec-2013 as ajusted *	01-Jan-2013 as ajusted *
ASSETS			
Non-current assets			
Property,plant and equipment	2,074,043	2,104,981	1,922,905
Intangible assets	2,763,822	2,529,962	1,855,966
Property investments	3,764	2,999	0
Goodwill	378,564	378,564	378,391
Non-controlling interests	150,326	170,271	148,367
Financial assets	44,371	52,640	17,557
Deferred tax assets	138,255	149,028	111,133
Financial instruments - derivatives	120,119	37,560	88,568
Total non-current assets	**5,673,264**	**5,426,005**	**4,522,887**
Current assets			
Inventories	116,881	77,512	71,686
Trade receivables	1,285,488	1,357,196	1,307,002
Contract work in progress	14,921	22,830	20,635
Financial assets	114,139	84,851	49,711
Financial instruments - derivatives	8,858	11,385	34,199
Current tax assets	73,727	29,143	30,740
Other current assets	374,475	231,165	204,831
Cash and cash equivalents	702,479	926,933	424,121
Total current assets	**2,690,968**	**2,741,015**	**2,142,925**
Non-current assets held for sale	**0**	**3,300**	**14,154**
TOTAL ASSETS	**8,364,232**	**8,170,320**	**6,679,966**

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thousands of euros	30-Sep-2014	31-Dec-2013 as ajusted *	01-Jan-2013 as ajusted *
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	1,473,276	1,410,357	1,101,201
Reserves	681,945	585,115	517,355
Profit (loss) for the period	111,335	164,934	118,686
Group equity	**2,266,556**	**2,160,406**	**1,737,242**
Non-controlling interests	142,864	145,317	141,380
Total equity	**2,409,420**	**2,305,723**	**1,878,622**
Non-current liabilities			
Borrowings – maturing beyond 12 months	3,075,499	3,267,422	2,428,987
Post-employment benefits	162,010	144,924	112,952
Provisions for risks and charges	330,773	314,871	251,800
Deferrred tax liabilities	102,974	74,500	75,211
Finance lease payments - maturing beyond 12 months	22,744	15,527	13,356
Financial instruments - derivatives	33,163	30,321	32,114
Total non-current liabilities	**3,727,163**	**3,847,565**	**2,914,420**
Current liabilities			
Banks and other borrowings – maturing within 12 months	551,687	361,874	313,088
Finance lease payments - maturing within 12 months	2,588	1,972	3,767
Trade payables	1,056,109	1,167,920	1,164,553
Current tax liabilities	96,997	5,946	17,574
Other current liabilities	511,190	463,999	349,713
Financial instruments - derivatives	9,078	15,321	38,229
Total current liabilities	**2,227,649**	**2,017,032**	**1,886,924**
TOTAL LIABILITIES	**5,954,812**	**5,864,597**	**4,801,344**
TOTAL EQUITY AND LIABILITIES	**8,364,232**	**8,170,320**	**6,679,966**

2.01.05 Consolidated cash flow statement

thousands of euros	30-Sep-2014	30-sept-2013 as adjusted*
Pre-tax profit	**207,744**	**221,206**
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	126,186	119,654
Amortisation and impairment of intangible assets	122,761	106,663
Effect of valuation using the equity method	(4,876)	(8,299)
Allocations to provisions	71,958	72,982
Financial expense / (Income)	110,025	112,468
Bargain purchases	0	(43,705)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(12,732)	(3,869)
Change in provisions for risks and charges	(17,032)	(37,032)
Change in provisions for employee benefits	(4,750)	(3,764)
Total cash flow before changes in net working capital	**599,284**	**536,304**
(Increase) / Decrease in inventories	(26,284)	(9,501)
(Increase) / Decrease in trade receivables	72,852	70,776
Increase / (Decrease) in trade payables	(145,194)	(197,287)
(Increase) / Decrease in other current assets/ liabilities	(89,775)	(8,386)
Change in working capitals	**(188,401)**	**(144,398)**
Dividends collected	10,939	3,541
Interests income and other financial income collected	20,390	15,871
Interests expense and other financial charges paid	(143,643)	(88,509)
Taxes paid	(19,552)	(50,883)
Cash flow from (for) operating activities (a)	**279,017**	**271,926**
Investments in property, plant and development	(68,553)	(75,649)
Investments in intangible fixed assets	(149,744)	(118,665)
Investments in companies and business units net of cash and cash equivalents	(4,063)	8,838
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	4,845	2,128
Divestments of investments	3,455	(280)
(Increase) / Decrease in other investment activities	(14,899)	(5,740)
Cash flow from (for) investing activities (b)	**(228,959)**	**(189,368)**
New issues of long-term bonds	25,346	46,683
Repayments and other net changes in borrowings	(141,670)	58,334
Lease finance payments	(5,736)	(3,368)
Investments in consolidated companies	(3,420)	(5,000)
Dividends paid out to Hera shareholders and non-controlling interests	(137,007)	(130,727)
Change in treasury shares	(11,954)	2,738
Other minor changes	(72)	(215)
Cash flow from (for) financing activities (c)	**(274,513)**	**(31,555)**
Effect of change in exchange rates on cash and cash equivalents	**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(224,455)**	**51,003**
Cash and cash equivalents at the beginning of the year	926,934	424,121
Cash and cash equivalents at the end of the year	702,479	475,124

2.01.06 Consolidated statement of changes in equity

thousands of euros	Share capital	Reserves	Reserves for derivative instruments recognised at fair value	Actuarial gains/(losses) post-employment benefits	Profit for the year	Equity	Non-controlling interests	Total
Balance at 1 January 2013	**1,101,201**	**539,977**	**(5,993)**	**(1,959)**	**118,658**	**1,751,884**	**142,978**	**1,894,862**
Retrospective application of IFRS 19 *revised*				(14,670)	28		(1,598)	
Retrospective application of IFRS 11		(385)	385					
Balance at 1 January 2013 (*as adjusted*)	**1,101,201**	**539,592**	**(5,608)**	**(16,629)**	**118,686**	**1,737,242**	**141,380**	**1,878,622**
Profit for the period (as adjusted)					130,549	**130,549**	11,170	**141,719**
Other components of comprehensive income at 30 September 2013:								
fair value of derivatives, change in the year			2,075			**2,075**	978	**3,053**
Actuarial gains/(losses) post-employment benefits				1,256		**1,256**	112	**1,368**
altre componenti di conto economico complessivo imprese valutate a patrimonio netto		286				**286**	50	**336**
Total comprehensive income for the period		**286**	**2,075**	**1,256**	**130,549**	**134,166**	**12,310**	**146,476**
change in treasury shares	1,361	755				**2,116**		**2,116**
acquisition AcegasAps Group	227,727	51,725				**279,452**	(15)	**279,437**
change in equity interest		(2,153)				**(2,153)**	(2,847)	**(5,000)**
change in scope of consolidation						**0**	863	**863**
other movements		30				**30**	(33)	**(3)**
Allocation of 2012 profit:								
- dividends paid out		(10,430)			(109,382)	**(119,812)**	(10,684)	**(130,496)**
- allocation to other reserves		7,548			(7,548)	**0**		**0**
- undistributed profits to retained earnings		1,756			(1,756)	**0**		**0**
Balance at 30 September 2013 (*as adjusted*)	**1,330,289**	**589,109**	**(3,533)**	**(15,373)**	**130,549**	**2,031,041**	**140,974**	**2,172,015**
Balance at 31 December 2013	**1,410,357**	**607,900**	**(3,280)**	**(19,505)**	**164,934**	**2,160,406**	**145,317**	**2,305,723**
Retrospective application of IFRS 11		(219)	217	2				
Balance at 31 December 2013 (*as adjusted*)	**1,410,357**	**607,681**	**(3,063)**	**(19,503)**	**164,934**	**2,160,406**	**145,317**	**2,305,723**
Profit for the period					111,335	**111,335**	11,024	**122,359**
Other components of comprehensive income at 30 September 2014:								
Change in the fair value of derivatives for the period			1,417			**1,417**	526	**1,943**
Actuarial gains/(losses) post-employment benefits				(9,298)		**(9,298)**	(706)	**(10,004)**
Other OCI components companies accounted for with the equity method		(3)				**(3)**		**(3)**
Total comprehensive income for the period		**(3)**	**1,417**	**(9,298)**	**111,335**	**103,451**	**10,844**	**114,295**
change in treasury shares	(5,277)	(6,676)				**(11,953)**		**(11,953)**
acquisition Amga Group	68,196	73,788				**141,984**	4	**141,988**
change in equity interest		(533)		(17)		**(550)**	(2,870)	**(3,420)**
change in scope of consolidation						**0**	(41)	**(41)**
other movements		(38)				**(38)**	(67)	**(105)**
Allocation of 2013 profit:								
- dividends paid out					(126,744)	**(126,744)**	(10,323)	**(137,067)**
- allocation to other reserves		16,903			(16,903)	**0**		**0**
- undistributed profits to retained earnings		21,287			(21,287)	**0**		**0**
Balance at 30 September 2014	**1,473,276**	**712,409**	**(1,646)**	**(28,818)**	**111,335**	**2,266,556**	**142,864**	**2,409,420**

2.02 Explanatory notes

Accounting policies and significant accounting estimates

The consolidated quarterly report for the three months to 30 September 2014 was prepared in accordance with Article 154-*ter* of Legislative Decree 58/1998 and Article 82 of Consob's Regulation on Issuers. This report has not been audited.

.This interim report was not prepared in accordance with IAS 34 - Interim Financial Reporting. However, the accounting standards adopted for this report are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2013, to which reference is made for further information, in addition to those applicable as of 1 January 2014.

The preparation of this interim report requires estimates and assumptions to be made concerning the value of revenues, costs, assets and liabilities and disclosures relating to contingent assets and liabilities at the reporting date. If, in future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give a true representation of the results of operations.

It should also be noted that some measurement methods, particularly the more complex methods, such as detecting any impairment of non-current assets, are generally applied only during the preparation of the annual financial statements, unless there are indications of impairment which require an immediate impairment test.

Income taxes are recognised based on the best estimate of the weighted average rate for the entire financial year.

The disclosures contained in this interim report are comparable with those for prior periods.

When comparing the individual items in the income statement and the statement of financial position, account should be taken of the change in the scope of consolidation and the reclassification summaries described in those sections.

Financial statements

The financial statements used are the same as those used for the consolidated financial statements at 31 December 2013. Specifically, the income statement is presented in vertical format, with the individual items analysed by nature. This presentation, also used by the company's major competitors, is considered consistent with international practice and is the one that best represents the company's performance.

The statement of financial position shows the distinction between current and non-current assets and liabilities.

As permitted by IAS 1 revised, the statement of comprehensive income is presented separately from the income statement, distinguishing between items that might be recycled subsequently to profit or loss and those that will not be recycled subsequently to profit or loss. The other components of the statement of comprehensive income are shown separately also in the statement of changes in consolidated equity.

The cash flows statement has been prepared using the indirect method, in accordance with IAS 7.

Unless otherwise stated, the financial statements contained in this interim report are all expressed in thousands of Euros.

Scope of consolidation

This interim report includes the financial statements of the Parent Company, Hera Spa, and its subsidiaries.
Control exists when the parent company has the power to influence the subsidiary's variable returns or, when, through exercise of its rights it has the ability to direct the subsidiary's significant activities. Subsidiary companies which are not significant in size and those in which voting rights are subject to severe long-term restrictions are excluded from the scope of line-by-line consolidation and are carried at cost.

Investments in joint ventures (as defined by IFRS 11), which the Group controls jointly with other companies, are accounted for with the equity method. Also companies on which a significant influence is exercised are accounted for with the equity method. Investments held for negligible amounts are recognized at cost.

Companies held for sale are excluded from consolidation and measured at their fair value. However, when fair value cannot be determined accurately, they are recognized at cost.
These investments are recorded as separate items.

Changes in the scope of consolidation in the first nine months of 2014, compared with the situation at 31 December 2013 are shown below:

Subsidiaries

Consolidated companies	*Companies no longer consolidated*	*Notes*
Isontina Reti Gas Spa		Acquisition of control
Fucino Gas Srl		Acquisition of control
Amga Energia & Servizi Srl *****		Acquisition of control
Amga Calore & Impianti Srl *****		Acquisition of control
Black Sea Technology Company Group *****		Acquisition of control
	Herasocrem Srl	Sold

**: Companies belonging to the former Amga Group*

Joint ventures and associated companies

Consolidated companies	Companies no longer consolidated	Notes
	Isontina Reti Gas Spa	Acquisition of control
	FlameEnergy Trading Gmbh	Liquidated

On 24 January 2014 AcegasAps S.p.A. acquired the 50% equity interest held by Eni S.p.A. in Isontina Reti Gas S.p.A., thus becoming the company's sole shareholder.

On 6 February 2014, Hera Comm S.r.l. purchased Fucino Gas S.r.l.

On 18 March 2014 Hera S.p.A. sold its 51% stake in Herasocrem S.r.l. to the minority shareholder Socrembologna S.r.l..

With effective date as at 1 July 2014 control over the Amga Group was acquired through merger of Amga Azienda Multiservizi SpA (controlling holding of the companies Amga Energia & Servizi Srl, Amga Calore & Impianti Srl, Black Sea Technology Company Group) with Hera SpA. Due to this operation, the capital share of Hera Spa rose to €1,489,538,745.

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

Changes in equity investments

O 27 June 2014 Hera Spa bought out non-controlling shareholders in Hera Luce Srl, raising its stake from 89.58% to full ownership.

On 18 July 2014 the non-controlling shareholders of Sinergia Spa sold their shares proportionately to the remaining shareholders, thereby exiting the investment. Consequently, Hera Comm Srl's investment rose from 59% to 62.77%, without any effect on the scope of consolidation.

On 10 September 2014 Herambiente Spa acquired bought out the other shareholders in Sotris Srl, including Hera Spa with its 5%, thereby becoming sole shareholder.

In all of the above transactions, the difference between the amount of the adjustments of non-controlling interests to their fair value and price paid was recognized directly in equity and attributed to the parent company's shareholders.

Other corporate actions

Effective 1 April 2014, SIL Srl e CST Srl, which were wholly owned and fully consolidated, were merged with and into Acegas Aps Spa.

Effective 1 July 2014, the wholly-owned subsidiaries Est Reti Elettriche Spa and Isontina Reti Gas Spa merged with and into AcegasApsAmga Spa.

Summary adjustment

As of 1 January 2014 the Group applies IFRS 11 "Joint Arrangements", introduced by EU Regulation 1254/2012, which replaced IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities–Non-monetary Contributions by Venturers". In the case of joint arrangements, 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 the case of joint ventures, in particular, proportionate consolidation – which was previously contemplated as an alternative to the equity method of accounting – has been abolished. This is the most significant change for the Group, considering that as of 1

January 2014 several joint ventures were consolidated with the proportionate method, i.e. Enomondo S.r.l., Esil Scarl, Est Energy S.p.A. Given that the changes are retrospectively applicable as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the income statement and the cash flow statement as of 30 September 2013 as well as the statement of financial position as of 31 December 2013 were all restated. In the restated financial statements, the joint ventures (Enomondo Srl, Esil Scarl, Est Energy Spa, in addition to Est più Spa, which was removed from the scope of consolidation in 2013, and Est Reti Elettriche Spa e Isontina Reti Gas Spa, control of which was acquired at the end of 2013 and during the first half of 2014, respectively) were therefore excluded from the consolidated balance sheet. Items arising from intercompany transactions were not eliminated but these companies were recognized with the equity method, recording the attributable share of profit or loss under "Share of profits (losses) from joint ventures and associated companies."

In addition, the income statement as of 30 September 2013 was recast on a pro forma basis to reflect the amount of “Other non-operating, non-recurring income” reported at 31 December 2013 to account for the business combination with the AcegasAps Group, which was still under way at 30 September 2013. The effects of the business combination were incorporated also in the cash flow statement. For more details of the process to determine the fair value of the assets and liabilities purchased, reference is made to the consolidated financial statements for the year ended 31 December 2013.

The restated financial statements are shown below.

Adjusted income statement as of 30 September 2013

thousands of euros	30-sept-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 3	30-sept-2013 as adjusted
Revenues	3,374,868	(95,136)		3,279,732
Other operating revenues	173,710	(634)		173,076
Use of raw materials and consumables	(1,799,678)	66,583		(1,733,095)
Services costs	(765,572)	8,820		(756,752)
Personnel costs	(358,946)	3,208		(355,738)
Amortisation, depreciation,provisions	(302,633)	3,507		(299,126)
Other operating costs	(38,846)	794		(38,052)
Capitalised costs	11,625			11,625
Operating profit	**294,528**	**(12,858)**		**281,670**
Portion of profits (loss) pertaining to joint ventures and as	3,147	5,152		8,299
Financial income	73,050	(97)		72,953
Financial expense	(188,364)	2,943		(185,421)
Total financial operations	**(112,167)**	**7,998**		**(104,169)**
Other non-recurring non-operating income	74,806		(31,101)	43,705
Pre-tax profit	**257,167**	**(4,860)**	**(31,101)**	**221,206**
Taxes for the period	(84,347)	4,860		(79,487)
Net profit for the period	**172,820**	**(0)**	**(31,101)**	**141,719**
Attributable to:				
Shareholders of the Parent Company	161,650		(31,101)	130,549
Non-controlling interests	11,170			11,170
Earnings per share				
basic	**0.122**			**0.098**
diluted	**0.116**			**0.094**

Statement of financial position as of 31 December 2013

thousands of euros	30-Sep-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 3	30-sept-2013 as adjusted
ASSETS				
Non-current assets				
Property,plant and equipment	2,124,860	(25,671)		2,099,189
Intangible assets	2,508,646	(20,928)		2,487,718
Property investments	3,026			3,026
Goodwill	378,565			378,565
Non-controlling interests	147,818	33,402		181,220
Financial assets	46,425			46,425
Deferred tax assets	138,967	(3,945)	12,908	147,930
Financial instruments - derivatives	58,596			58,596
Total non-current assets	**5,406,903**	**(17,142)**	**12,908**	**5,402,669**
Current assets				
Inventories	88,750	(342)		88,408
Trade receivables	1,409,420	(41,223)		1,368,197
Contract work in progress	23,551	(57)		23,494
Financial assets	62,527	8,741		71,268
Financial instruments - derivatives	14,738			14,738
Current tax assets	68,263	(1,218)		67,045
Other current assets	330,381	(4,347)		326,034
Cash and cash equivalents	484,917	(9,793)		475,124
Total current assets	**2,482,547**	**(48,239)**		**2,434,308**
Non-current assets held for sale	**5,866**			**5,866**
TOTAL ASSETS	**7,895,316**	**(65,381)**	**12,908**	**7,842,843**

thousands of euros	30-Sep-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 3	30-sept-2013 as adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	1,330,289			1,330,289
Reserves	568,947			568,947
[fuzzy]Profit / (loss) for the period	161,650		(31,101)	130,549
Group equity	**2,060,886**		**(31,101)**	**2,029,785**
Non-controlling interests	140,949			140,949
Total equity	**2,201,835**		**(31,101)**	**2,170,734**
Non-current liabilities				
Borrowings – maturing beyond 12 months	2,648,086	(12,074)		2,636,012
Post-employment benefits	132,848	(866)	4,247	136,229
Provisions for risks and charges	274,721	(271)	39,927	314,377
Deferrred tax liabilities	75,593	(294)	(165)	75,134
Finance lease payments - maturing beyond 12 months	12,851			12,851
Financial instruments - derivatives	23,354	(612)		22,742
Total non-current liabilities	**3,167,453**	**(14,117)**	**44,009**	**3,197,345**
Current liabilities				
Banks and other borrowings – maturing within 12 months	751,637	(23,542)		728,095
Finance lease payments - maturing within 12 months	2,599			2,599
Trade payables	1,119,834	(12,550)		1,107,284
Current tax liabilities	92,735	(4,958)		87,777
Other current liabilities	539,987	(10,214)		529,773
Financial instruments - derivatives	19,236			19,236
Total current liabilities	**2,526,028**	**(51,264)**	**0**	**2,474,764**
TOTAL LIABILITIES	**5,693,481**	**(65,381)**	**44,009**	**5,672,109**
TOTAL EQUITY AND LIABILITIES	**7,895,316**	**(65,381)**	**12,908**	**7,842,843**

Adjusted cash flow statement as of 30 September 2013

thousands of euros	30-set-2013 published	Adjusted as of ifrs 11	proforma ifrs 3	30-set-2013 Reclassified pro forma IFRS 3
Pre-tax profit	**257,166**	**(4,859)**	**(31,101)**	**221,206**
Adjustments to reconcile net profit to the cashflow from operating activities:				
Amortisation and impairment of property, plant and equipment	121,087	(1,433)		119,654
Amortisation and impairment of intangible assets	107,952	(1,289)		106,663
Effect of valuation using the equity method	(3,147)	(5,152)		(8,299)
Allocations to provisions	73,829	(847)		72,982
Financial expense / (Income)	115,314	(2,846)		112,468
Bargain purchases	(74,806)	0	31,101	(43,705)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(3,882)	13		(3,869)
Change in provisions for risks and charges	(37,129)	97		(37,032)
Change in provisions for employee benefits	(3,806)	42		(3,764)
Total cash flow before changes in net working capital	**552,578**	**(16,274)**	**0**	**536,304**
(Increase) / Decrease in inventories	(9,464)	(37)		(9,501)
(Increase) / Decrease in trade receivables	102,065	(31,289)		70,776
Increase / (Decrease) in trade payables	(230,621)	33,334		(197,287)
(Increase) / Decrease in other current assets/ liabilities	(1,993)	(6,393)		(8,386)
Change in working capitals	**(140,013)**	**(4,385)**	**0**	**(144,398)**
Dividends collected	1,918	1,623		3,541
Interests income and other financial income collected	16,006	(135)		15,871
Interests expense and other financial charges paid	(91,248)	2,739		(88,509)
Taxes paid	(52,517)	1,634		(50,883)
Cash flow from (for) operating activities (a)	**286,724**	**(14,798)**	**0**	**271,926**
Investments in property, plant and development	(75,983)	334		(75,649)
Investments in intangible fixed assets	(119,086)	421		(118,665)
[fuzzy]Investments in companies and business units net of cash and cash	13,278	(4,440)		8,838
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	2,128	0		2,128
Divestments of investments	(280)	0		(280)
(Increase) / Decrease in other investment activities	(6,223)	483		(5,740)
Cash flow from (for) investing activities (b)	**(186,166)**	**(3,202)**	**0**	**(189,368)**
New issues of long-term bonds	46,683	0		46,683
Repayments and other net changes in borrowings	48,348	9,986		58,334
Lease finance payments	(3,368)	0		(3,368)
Investments in consolidated companies	(5,000)	0		(5,000)
Dividends paid out to Hera shareholders and non-controlling interests	(129,104)	(1,623)		(130,727)
Change in treasury shares	2,853	(115)		2,738
Other minor changes	(215)	0		(215)
Cash flow from (for) financing activities (c)	**(39,803)**	**8,248**	**0**	**(31,555)**
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	**0**	**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**60,755**	**(9,752)**	**0**	**51,003**
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	484,917	(9,793)		475,124

Other information

These interim financial statements for the nine months ended 30 September 2014 were prepared by the Board of Directors and approved by it in the meeting of 12 November 2014.

2.03 Consolidated net borrowings

millions of euro		30-set-2014	31-dic-2013
a	**Cash and cash equivalents**	**702.5**	**926.9**
b	**Other current financial receivables**	**114.1**	**84.9**
	Current bank debt	(197.3)	(227.6)
	Current portion of bank debt	(303.2)	(110.5)
	Other current financial liabilities	(51.2)	(23.7)
	Finance lease payables due beyond 12 months	(2.6)	(2.0)
c	**Current financial debt**	**(554.3)**	**(363.8)**
d=a+b+c	**Net current financial debt**	**262.3**	**648.0**
e	**Non-current financial receivables**	**44.4**	**52.6**
	Non-current bank debt and bonds issued	(2,978.0)	(3,243.3)
	Other non-current financial liabilities	(6.9)	(8.5)
	Finance lease payables due beyond 12 months	(22.7)	(15.5)
f	**Non-current financial debt**	**(3,007.6)**	**(3,267.3)**
g=e+f	**Net non-current financial debt**	**(2,963.2)**	**(3,214.7)**
h=d+g	**Net financial debt**	**(2,700.9)**	**(2,566.7)**

2.04 Equity investments

Subsidiaries

Name	*Headquarters*	*Share capital*	*Percentage held*		*Total equity interest*
			direct	indirect	
Parent company: Hera Spa	**Bologna**	**1,489,538,745**			
Acantho Spa	Imola (BO)	23,573,079	77.36%		77.36%
AcegasApsAmga Spa	Trieste	285,290,760	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		100.00%	100.00%
Consorzio Akhea Fondo Consortile	Bologna	200,000		59.38%	59.38%
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 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		70.54%	70.54%
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%
Iniziative Ambientali Srl	Padova	110,000		100.00%	100.00%
Insigna Srl	Padova	10,000		100.00%	100.00%
Marche Multiservizi Spa	Pesaro	13,484,242	44.62%		44.62%
Medea Spa	Sassari	4,500,000	100.00%		100.00%
MMS Ecologica Srl	Pesaro	95,000		44.62%	44.62%
Naturambiente Srl	Pesaro	50,000		44.62%	44.62%
Rila Gas AD	Sofia (Bulgaria)	32.891.000 lev		100.00%	100.00%
Romagna Compost Srl	Cesena	3,560,002		45.00%	45.00%
SiGas d.o.o	Pozega (Serbia)	52.260.057,70 RSD		95.78%	95.78%
Sinergia Srl	Forlì	579,600	62.77%		62.77%
Sinergie Spa	Padova	11,168,284		100.00%	100.00%
Sotris Spa	Ravenna	2,340,000		75.00%	75.00%
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%

Joint ventures

Name	*Headquarters*	*Share capital*	*Percentage held*		*Total equity interest*
			diretta	indiretta	
E.S.I.L Scarl	Bologna	10,000		50.00%	50.00%
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
Estenergy Spa	Trieste	1,718,096		51.00%	51.00%

Associated companies

Name	*Headquarters*	*Share capital*	*Percentage held*		*Total equity interest*
			diretta	indiretta	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
Elettrogorizia Spa	Trieste	5,600,000		33.00%	33.00%
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%

* the company's share capital consists of €67,577,681 in ordinary shares and €10,450,000 in related shares

HERA S.p.A.
Holding Energia Risorse Ambiente
Sede legale: *Viale Carlo Berti Pichat 2/4 40127 Bologna*
tel. 051.287.111 fax 051.287.525
www.gruppohera.it