CONSOLIDATE HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE

Contents

Contents

2 Abbreviated Consolidated Financial Statements as at 30 June 2014

Mission

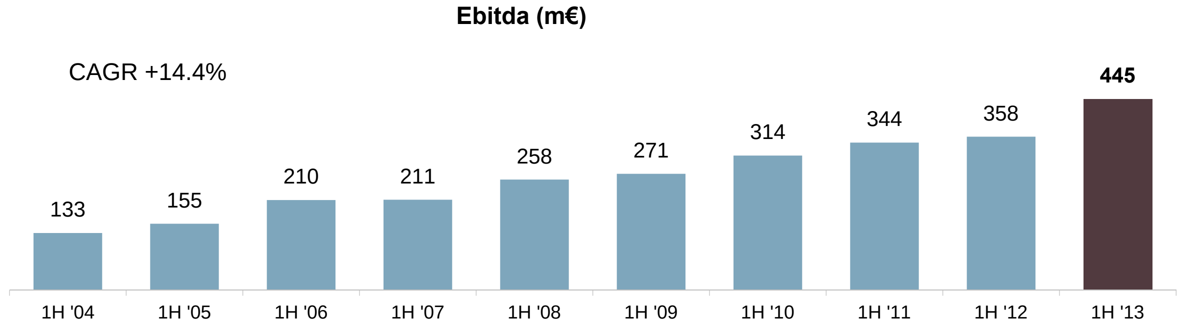
"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

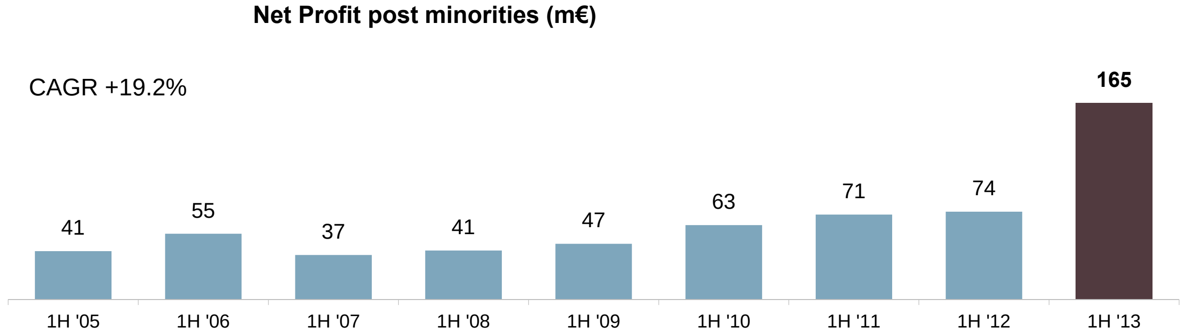
"For Hera to be the best means to represent a reason for pride and trust for*: customers, who receive, thanks to Hera's constant responsiveness to their needs, quality services that satisfy their expectations.* ***The women and men who work at Hera,*** *whose skills, engagement and passion are the foundation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

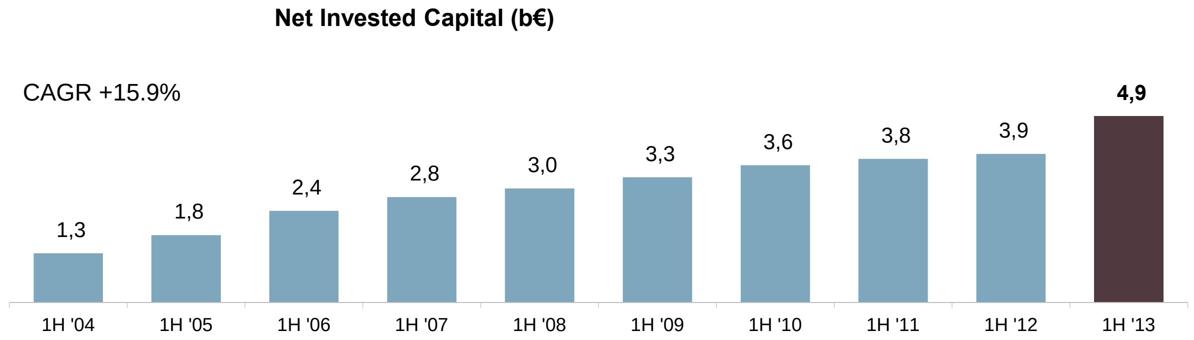
Administration and control bodies

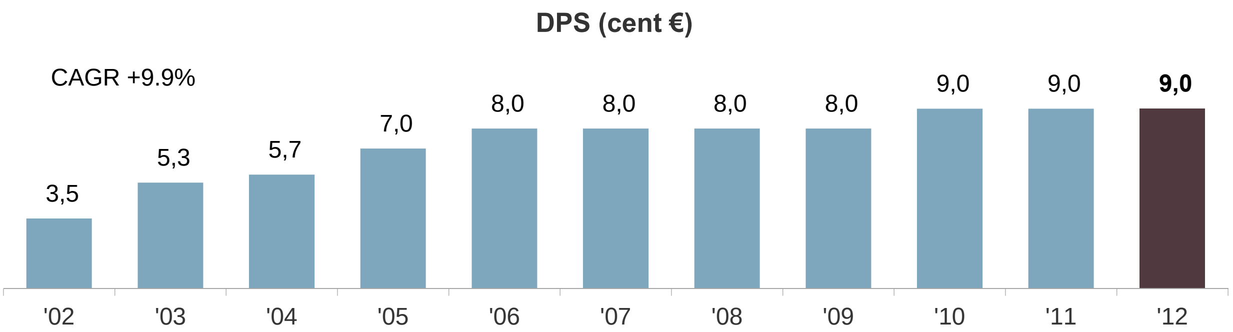
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giovanni Basile
CEO	Stefano Venier
Director	Mara Bernardini
Director	Forte Clò
Director	Giorgia Gagliardi
Director	Massimo Giusti
Director	Riccardo Illy
Director	Stefano Manara
Director	Danilo Manfredi
Director	Tiziana Primori
Director	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*

^ Figure adjusted with extraordinary income, due to the merger with Acegas Aps

The Hera Group's expansion

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, after the steps taken to rationalize a number of Acegas Aps – ENI joint ventures, 30% of the energy sales business held by Acegas Aps in the company Est Più was transferred to ENI, 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). A financial balance payment of €8 million was also involved in the transaction.

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.

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 the integration with Amga, will be able to count on a total of roughly 1.7 million supply points for gas distribution, of which almost 500 thousand in the Friuli Venezia Giulia and Veneto regions. The gas and electricity customer pool will include over 2 million clients, while the lighting points managed will reach roughly 380 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 €4 million, which will be further increased by optimizing operations in Bulgaria.
Along with the creation of synergies from consolidated activities, the process of 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 still presents a high degree of fragmentation.

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 it was established. This was made possible by the "open" organizational model adopted, which allowed it to grow in size, thanks to its ability to improve efficiency by extracting synergies from business combinations.
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 low degree of volatility of the Group's results.
In its first 11 years, 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 the operational risk.

To ensure higher operational efficiency and a greater exploitation of economies of scale, 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 to maintain a 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 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.

These underlying strategies, as adapted to the new scenario, are the backbone of the 2013-2017 business plan. Expectations for future growth rest primarily on the continuation of efficiency improvement processes, the completion of the Acegas Aps merger, predictable further expansion by way of external growth lines that have already been identified and set under way, and, lastly, continuity of the Group's expansion strategies in liberalized markets. With the performance for 2013 as a whole, the five-year EBITDA growth target was 58% achieved while cash flows reached, twelve months earlier, levels expected for next year.

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, eventually covering all of the areas from Modena to Pesaro-Urbino, to Padua, to Trieste. Hera's urban waste collection system is based on recycling most (approximately 52%) 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 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.
All the environmental 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.
The Regulator – AEEGSI – set a tariff system for the 2014-2015 period that put an end to regulatory uncertainty and provides more 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 now Hera ranks third in the Italian market.
The distribution network, developed through direct investments and the acquisition of companies, provides extensive coverage in the market of reference, with over 1.1 million delivery points.

The unstable situation of energy markets has led the Group to follow prudent and flexible procurement policies, diversifying internal 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 defend existing customers in the gas sector, as shown above, achieving important domestic market shares with annual sales of roughly 10 TW.

Commercial development in the electricity sector has been accompanied by a parallel cautious entry into 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.

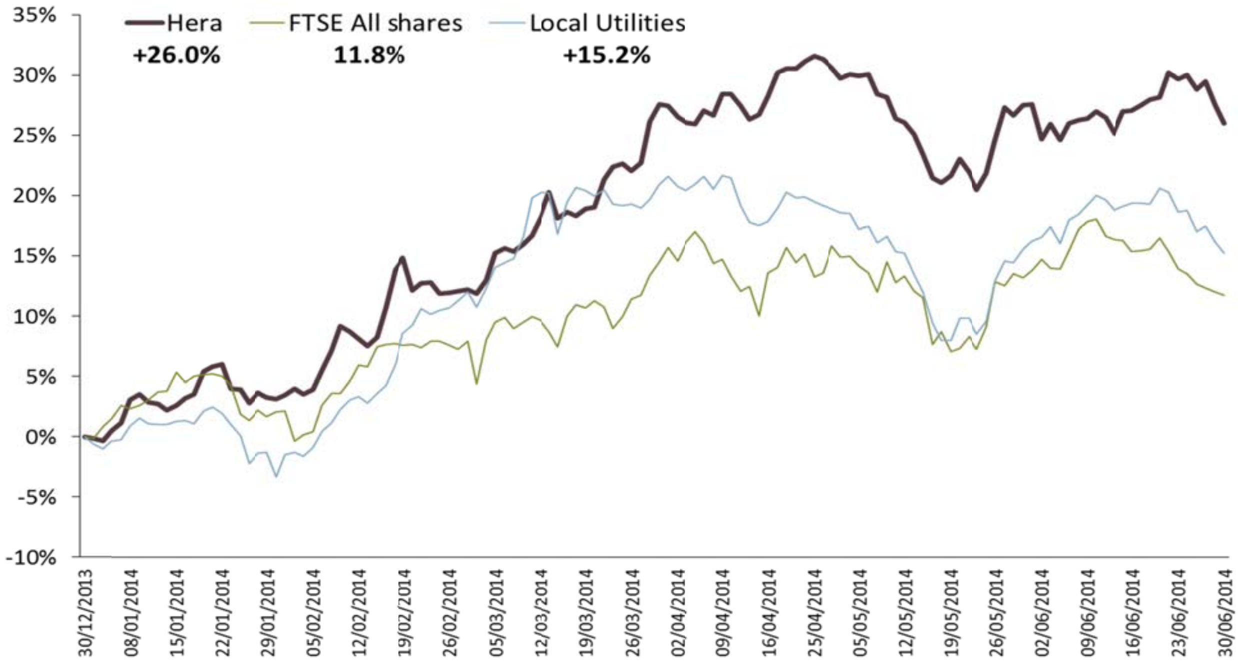
Electricity distribution has seen major development since Hera’s establishment; the merger with the Modena multi-utility Meta Spa in 2005 and the acquisition of Enel’s electrical network in the province of Modena contributed to expanding its grid, which is completely equipped with electronic meters and 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, in particular for the development potential and the synergies that can be achieved by an integrated entity of the size of the new Group.

Share performance and investor relations

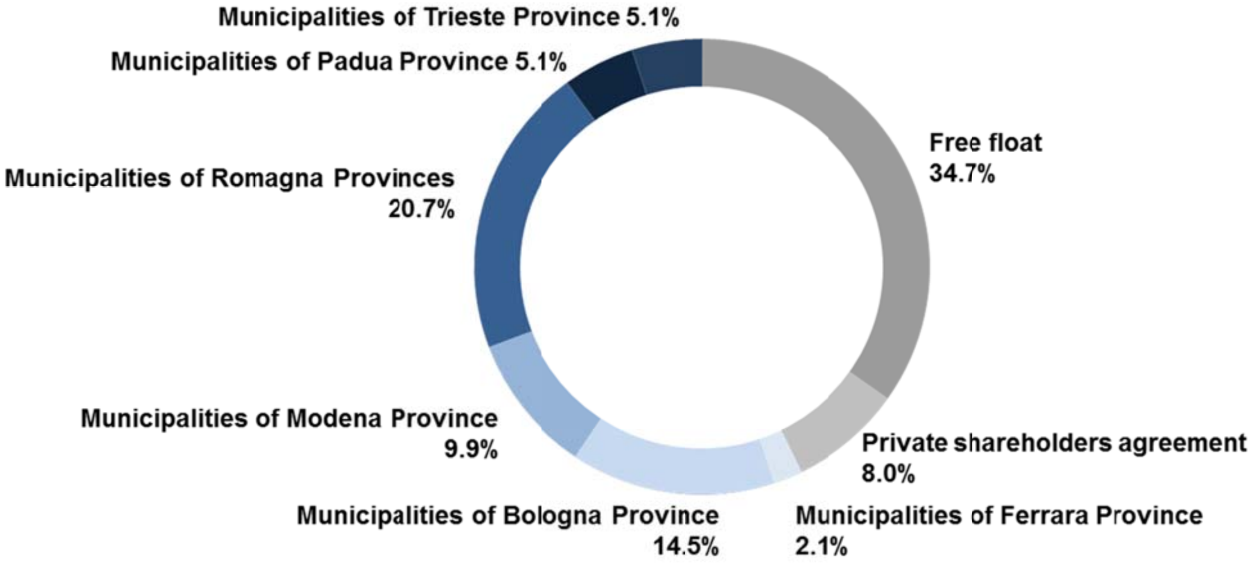
Over the first six months of 2014 the stock performed as shown in the graph below, recording +26.0%, namely from € 1.647 in late 2013 to € 2.076 on 30 June 2014; the result excels the stock market average (+11.8 %). The Hera stock performance also showed higher stability (lower volatility) in the Italian local utility list, which attained 15.2% in 2014.

Performance of Hera share as at 30th June 2014



Although the macro-economic scene only yields a few cautious positive signs of recovery, the stock market performe Hera FTSE all stocks Local services l from emerging countries. The Italian Stock Exchange had the highest upturn in Europe - ranking only after Greece - with a strong ten-year Treasury bonds to German bund spread reduction, signalling a lower perceived risk on the Italian system. Trade volumes have increased on average. As for the Hera stocks, they have exceeded the 2.5 million shares daily average, with a movement equalling over 5 million Euros per day.

On 30 June 2014, public shareholders equal about 200 municipalities holding 57.3% of the ordinary shares in Hera's share capital, which amounts to €1,421,342,617. On July 1 2014, the merger through incorporation of AMGA Udine came into effect, resulting in n. 68.196.128 actions issued, which have raised the share capital to €1,489,538,745.



Since 2006, Hera has adopted a plan to repurchase its own shares, which provides for maximum 15 million shares for a total € 60 million amount. This plan is instrumental to 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 buy back plan for an additional 18 months, with a total € 80 million maximum amount and 40 million total shares. On June 30, 2014 Hera held approximately 11.6 million shares in its portfolio.
In the past 11 years, shareholder returns have been either constant or growing even in the hardest times of the macroeconomic crunch of the past few years. Shareholders 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 around 2.36 euro per share. Goldman Sachs started coverage by adding it to its "Conviction buy list", including the shares most recommended to investors.
The Hera stock is included in multiple "SRI" indexes: for years, in fact, the stock has been part of the "Kempen SNS Smaller Europe SRI Index". In 2008 it was also included in the "ECPI Ethical Index €uro" ethical index. In 2009 it was included in the "ECPI Ethical Index EMU", made up of 150 companies whose sustainable features are consistent with the "ECPI SRI" methodology and that are listed on the economic and monetary EU market.
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 larger-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 half of 2014 Hera arranged several meetings with European and American investors, thus keeping a number of contacts in line with the previous years. Reporting timeliness and transparency in communication were also maintained in the first half of the year 2014, as a response to the growing stakeholder interest in this time of remarkable ferment in the multi-utility field and to the Government urging a more effective industry consolidation.

CAPITOLO 1

Directors’ reports

1.01 Management Report Introduction

This 6-monthly report shows a progressing EBITDA whose rate exceeds the rate recorded in the first three months, resulting from the role played by the structural growth, from the synergies created with the AcegasAps merger (from 1st July 2014, its registered name is AcegasApsAmga), from the energy supply mergers in the Gorizia province, as well as from an expansion of the electric and special waste treatment markets.

Urban waste collection activities have slightly increased their volumes in the first half of the period, compared to the same period last year, reflecting essentially stable household consumer levels. Volumes from the free special waste market continue to show a remarkable upturn, in line with the first three months and resulting from the Group's marketing policies, which are aimed at market share expansion by leveraging on the wide plant assets that found its leadership in the industry. The waste management system streamlining has continued in the semester under scrutiny: separate collection has excelled 53% of urban collection, treatments in all types of plants managed have increased and the production of electrical energy from waste still equals around 0.5 TWh. The results we attained have more than compensated the temporary maintenance shutdown of a waste-to-energy plant, the reduction of electricity prices as well as the abolition of certain non-recurring items that had supported the results concerning the first six months last year.

In the first six months of 2014, customer numbers have continued to grow in the **electricity** sale activities (+48 thousand customers), confirming the Group's commercial strength on an increasingly competitive *retail* market. Such growth was able to moderate the domestic consumption drop effect (around 3%) and the price decrease, largely due to the ongoing macro-economic crunch 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 second 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 half, the final EBITDA attests to a positive development and confirms the uninterrupted growth pathway set forth since the Group was established. Such result can be further appreciated in the light of the considerable mild winter effect and of result parting owing to the *Joint Ventures* (IFRS 11), which was enforced on 1 January 2014. During the first half, the size reached by the Group and a balanced *mix* of the different assets under management have fully proven the permanence of low result instability risks relating to negative external effects.

The net profit shows 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 also supported by an optimization of financial costs and taxes.

From a financial standpoint, despite a provisional net working capital increase, a positive operative cash flow emerges from this fiscal period, due the gas excise tax payment system. Cash generation covered the slightly increasing investments - compared to the same period in the previous year - and the temporary increase in working capital, which is mainly related to extraordinary and / or seasonal factors.

the merger of AMGA Udine into the Group has also come into effect on July 1st, in line with the business plan expectations. This transaction will contribute to improving results in the second half of the year. In the light of such results and of the desired improvement in the macroeconomic scene - the first positive indicators are already in sight - the Group continues to grow and to be committed to achieving the further growth targets set in the business plan.

1.02 Hera Group performance as at 30 June 2014

Summary of consolidated results of Hera group:

(millions of euros)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. change	% change
Revenues	**2,352.7**		**2,089.1**		**-263.6**	**-11.2%**
EBITDA	**431.8**	**18.4%**	**450.9**	**21.6%**	**+19.1**	**+4.4%**
Operating profit	235.5	10.0%	242.8	11.6%	+7.3	+3.1%
Net profit adjusted	**98.1**	**4.2%**	**106.8**	**5.1%**	**+8.7**	**+8.9%**
Net profit	141.8	6.0%	104.7	5.0%	-37.1	-26.2%

1.02.01 Economic and financial results

In the first semester of 2014, as was the case in the first trimester, the Group's results continued to show progressive growth on account of its time-proven multi-business strategy, in which the positive performance of its main business sectors not only compensated for the negative trend of its other businesses but also contributed to an overall increase in results.

All economic indicators show growth, with the exception of net profits, with respect to which the 2013 financial year included extraordinary positive non-recurring entries, which will be illustrated below.

Furthermore, the first six months of 2014, in comparison with the corresponding period of the previous year, witnessed the following company operations:

- The complete acquisition of shareholding in Isontina Reti Gas and Est Reti Elettriche, both companies operating in the Gas Distribution and Electricity Distribution sectors in the province of Gorizia.

- The disposal, at 1 August 2013, of shareholding in the company Hera Servizi Cimiteriali, maintaining however the consolidated results pertaining to the 2013 financial year.

The statement of income for the first six months of the 2013 financial year has been restated, applying IFRS 11 to allow for comparison with the statement of income for the first six months of 2014. This standard, effective as at 1 January 2014, calls for the equity method to be used in consolidating interests in joint venture that until 31 December 2013 were consolidated with the proportional method. The jointly controlled companies in question are: Estenergy Spa, Est Reti Elettriche Spa, Estpiù Spa, Isontina Reti Gas Spa, Esil Scarl (ex Aristea) and Enomondo Srl.

Furthermore, pro-forma versions of the economic results of the first semester of 2013 were drafted in order to reflect the precise value of "other non-recurring non-operating revenues", defined as at 31 December 2013 in relation to the merger with the AcegasAps Group, equal to €43.7 million, with respect to the provisional allocation carried out at 30 June 2013 as allowed by the accountancy principles in question. For further information, see the explanatory notes.

As already indicated in previous annual reports, the Consolidated Income Statement reflects the application of an interpretation of the accountancy principle IFRIC 12 "Service Concession Agreements" which modified

the accounting methods used by enterprises that operate in sectors regulated by specific concession agreements. The effect of the application of this accounting principle, which did not affect the results, is the representation in the statement of income of the capital expenditure on network assets held under concession. An increase was therefore seen in other operating revenues for €78.4 million in the first semester of 2014, and of €61.1 million in 2013, a decline in capitalised costs for €19.6 million in 2014 and €13.5 million in 2013 and a rise in operating costs for services, materials and other operating expenses for €58.8 million in 2014 and €47.7 million in 2013.
The following table shows the economic results for the first semesters of 2014 and 2013, which reflect the adjustments indicated above.

Income Statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	change Ass.	change %
Revenue	2,352.7	0.0%	2,089.1	0.0%	-263.6	-11.2%
Other operating revenues	107.3	4.6%	139.2	6.7%	+31.9	+29.7%
Commodities and materials	(1,275.9)	-54.2%	(988.3)	-47.3%	-287.6	-22.5%
Service costs	(490.8)	-20.9%	(518.3)	-24.8%	+27.5	+5.6%
Other operating costs	(24.9)	-1.1%	(26.9)	-1.3%	+2.0	+8.0%
Personnel costs	(244.4)	-10.4%	(251.7)	-12.0%	+7.3	+3.0%
Capitalised costs	7.8	0.3%	7.8	0.4%	+0.0	+0.0%
EBITDA	**431.8**	**18.4%**	**450.9**	**21.6%**	**+19.1**	**+4.4%**
Depreciation, amortisation and provisions	(196.3)	-8.3%	(208.1)	-10.0%	+11.8	+6.0%
Operating profit (EBIT)	**235.5**	**10.0%**	**242.8**	**11.6%**	**+7.3**	**+3.1%**
Financial operations	(63.9)	-2.7%	(66.5)	-3.2%	+2.6	+4.1%
Pre-tax profit adjusted	**171.5**	**7.3%**	**176.3**	**8.4%**	**+4.8**	**+2.8%**
Taxes	(73.5)	-3.1%	(69.5)	-3.3%	-4.0	-5.4%
Net profit adjusted	**98.1**	**4.2%**	**106.8**	**5.1%**	**+8.7**	**+8.9%**
non recurring financial assets	-	0.0%	(2.1)	-0.1%	+2.1	+100.0%
Other non operating revenues	43.7	1.9%	-	0.0%	-43.7	-100.0%
Net profit for the period	**141.8**	**6.0%**	**104.7**	**5.0%**	**-37.1**	**-26.2%**
Attributable to:						
Shareholders of the Parent Company	**134.1**	**5.7%**	**96.3**	**4.6%**	**-37.8**	**-28.2%**
Non-controlling interests	7.7	0.3%	8.5	0.4%	+0.8	+10.4%

The EBITDA increased from €431.8 million in the first semester of 2013 to €450.9 in the corresponding period in 2014, with a growth of +19.1, equal to +4.4%; operating profits passed from €235.5 to €242.8 million; adjusted pre-tax profits increased by 2.8%, rising from €171.5 to €176.3 million; adjusted net profits went from €98.1 million at 30 June 2013 to €106.8 (+8.9%) in the corresponding period in 2014. Net profits for the semester, compared to the corresponding period in 2013, decreased by €37.1 million on account of the presence of other non-operating revenues in 2013 and non-recurring financial operations in 2014.

Revenues decreased by €263.6 million, -11.2%, passing from €2,352.7 million at 30 June 2013 to €2,089.1 million in the corresponding period in 2014. The main causes are: (i) lesser volumes sold, due to the particularly mild climate in 2014, for roughly €170 million in services in gas sales, remote heating and heat management; (ii) a decrease in revenues for electricity and gas sales owing to the reduction in the price of raw materials, for roughly €90 million; and (iii) lesser volumes of electricity sold, due to the fall in overall demand (-3%); these negative effects are partially compensated by the higher revenues derived from the increase in waste disposed of and the higher revenues for regulated activities. For further details, see the analysis of the single business areas.

Other operating revenues grew by €31.9 million, due to the greater contribution derived from white certificates, following resolution 13/2014/R/efr of the Authority for electricity, gas and water, and the higher other revenues involved in the application of the IFRIC 12 principle.

The main causes of the decrease in Costs for raw materials and other materials, equal to €287.6 million with respect to the first semester of 2013, are the lesser volumes of gas sales and remote heating (for roughly €177 million) due to the aforementioned mild temperatures in 2014, and the lower purchasing costs for electricity, linked to both the lesser volumes sold and the lower price (for roughly €107 million).

Other operating costs (Costs for services up by €27.5 million and Other operating expenses up by €2.0 million) saw an overall growth of €29.5 million (+5.7%); this difference was caused by: (i) greater IFRIC12 costs, for €10.5 million; (ii) an accountancy reclassification for €7.2 million as to the costs involved in electricity transmission, that in 2014 were counted among the costs for services while in 2013 they were registered in the costs for raw materials; and (iii) greater disposal costs for the increase in volumes treated.

Personnel costs rose by 3.0%, passing from €244.4 million at 30 June 2013 to €251.7 million at 30 June 2014. This increase is due to the salary raises provided for by the national labour agreement (CCNL; 2.9%).

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

The consolidated EBITDA at 30 June 2014 went from €431.8 to €450.9 million, with an increase of €19.1 million (+4.4%). See the chapters dedicated to the single business areas for further details.

Amortizations and Provisions increased by €11.8 million overall (+6.0%), going from €196.3 million in the first semester of 2013 to €208.1 million in the corresponding period in 2014. This variation is due to higher amortizations for new investments and the larger quantity of market waste delivered to landfills (+€9.6 million), as well as higher provisions allocated to the provision for doubtful accounts (+€2.2 million).
Also note the adjustment of the rates, beginning in the third trimester of 2013, associated with of a number of assets related to gas concessions (+€4.1 million), compensated by lesser provisions allocated to the risk fund for disputes with social security institutions (-€2.9 million) and other risk funds (-€1.3 million).

Operating Profits for the first semester of 2014 amounted to €242.8 million, with an increase of €7.3 million (+3.1%), compared to €235.5 million in the corresponding period in 2013, for the reasons described above.

The result of financial management at 30 June 2014 amounts to €66.5 million, with an increase of €2.6 million compared to €63.9 million in the same period in the previous year (+4.1%).

This increase is mainly due to the lesser profits brought by both associated companies and joint venture companies, for a total of €3.7 million. Among the latter, the most considerable effects came from Estenergy Spa, a sales company held by AcegasAps that suffered from the abnormal thermal conditions of the beginning of 2014. Note, on the other hand, the positive results created by financial management, that contributed with a better result in terms of financial charges, for €1.1 million, due to the lower cost of average debt compared to the previous year.

In light of the above, adjusted pre-tax profit went from €171.5 million at 30 June 2013 to €176.3 million in 2014, rising by 2.8%.

Taxes pertaining to the semester, that amounted to €69.5 million, were defined by a tax rate for pre-tax profits of 39.9%, a noticeable improvement compared to the previous financial year (42.8%). The reasons for this improvement, as regards IRES, lie in the 4% decrease of the so-called “Robin Hood Tax” (applicable to the Group’s companies that operate in the energy sector); as regards IRAP, they are mostly due to the effects of law 89/2014, that modified tax rates.

Adjusted net profits therefore rose by €8.7 million, +8.9%, going from €98.1 million at 30 June 2013 to €106.8 million at 30 June 2014.

Profits per share amount to 6.8 euro/cents, once again in line with the amount calculated in the balance for the first six months of 2013.

The semester results were affected, among non-recurring financial operations, by capital losses for roughly €2.1 million due to the devaluation of residual charges for the interest in Energia Italiana Spa, that amounted to 15.9%.

The acquisition of AcegasAps Spa in the 2013 financial year required an accounting difference of €43.7 million to be recorded in the statement of income , among “other non-operating non-recurring revenues”. This amount was defined during “purchase price allocation”, comparing the purchase value with the net assets and liabilities acquired, expressed at “fair value”, as amply described in the explanatory notes of the present financial report.

Net profits at 30 June 2014 therefore amounted to €104.7 million, decreasing with respect to the €141.8 million recorded at 30 June 2013.

Analysis of the Group's financial structure

The table below shows changes in the Group's net invested capital and sources of financing for the periods ended 30 June 2014 and 31 December 2013:

Invested capital and sources of financing (millions of euros)	31-dic-2013	% Inc	30-giu-2014	% Inc	Abs. Change	% change
Net non-current assets	5,327.4	109.3%	5,335.0	59.3%	7.6	0.1%
Net working capital	79.3	1.6%	206.7	4.1%	127.4	160.7%
(Provisions)	(534.3)	-11.0%	(551.6)	-11.1%	(17.3)	3.2%
Net invested capital	**4,872.4**	**100.0%**	**4,990.1**	**100.0%**	**117.7**	**2.4%**
Equity	2,305.7	47.3%	2,259.6	45.3%	(46.1)	-2.0%
Long-term borrowing	3,214.7	66.0%	2,929.2	58.7%	(285.5)	-8.9%
Net (cash)/ short term borrowings	(648.0)	-13.3%	(198.7)	-4.0%	449.3	-69.3%
Net borrowings	2,566.7	52.7%	2,730.5	54.7%	163.8	6.4%
Total sources of financing	**4,872.4**	**100.0%**	**4,990.1**	**100.0%**	**117.7**	**2.4%**

In 2014 net invested capital rose by 2.4%, passing from €4,872.4 to €4,990.1 million, mainly as an effect of the increase in Net working capital. The latter, in fact, witnessed an increase equal to €127.4 million mostly due to the unfavourable temporary variation caused by the mechanism of excise payment on gas, in spite of the mild winter temperatures in 2014.

The rise in net invested capital was principally financed by an increase in the amount of debt. The solidity of the debt structure should however be underlined, made up as it is mainly of medium- and long-term debts, that cover roughly 88% of the total borrowings, balancing the Group's asset structure which is marked by a high level of capital assets.

Reconciliation

The table below reconciles the Parent Company's financial position with the abbreviated consolidated financial position at 30 June 2014.

Reconciliation between separate and consolidated financial statements

	Net profit	Equity
Balances separate financial statement	114,818	2,061,581
Dividends recorded in the year	(86,243)	
Valutation with equity method of investments measured at cost	(4,439)	30,004
Carrying ammount of consolidated companies		(863,959)
Equity and profit for the year of consolidated companies	73,818	896,601
Allocation of differences to assets of consolidated companies and related amortisation and depreciation:		
- Goodwill arising on consolidation		53,190
- Intangible assets	(282)	4,167
- Property, plant and equipment	(164)	516
- Other assets / liabilities	63	(34,778)
Other adjustments due to elimination of intercompanies transactions	(1,314)	(30,015)
Total	**96,257**	**2,117,307**
Attribution to non-controlling interets	8,474	142,302
Balances as per the consolidated statement of financial position	**104,731**	**2,259,609**

Analysis of net cash (net borrowings)

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

millions of euros		30-giu-2014	31-dic-2013
a	**Cash**	**580.3**	**926.9**
b	**Other current financial receivables**	**76.3**	**84.9**
	Current bank debt	(150.9)	(227.6)
	Current portion of bank debt	(300.6)	(110.5)
	Other current financial liabilities	(4.6)	(23.7)
	Finance lease payables due within 12 months	(1.8)	(2.0)
c	**Current financial debt**	**(457.9)**	**(363.8)**
d=a+b+c	**Net current financial debt**	**198.7**	**648.0**
e	**Non-current financial receivables**	**42.2**	**52.6**
	Non-current bank debt and bonds issued	(2,949.1)	(3,243.3)
	Other non-current financial liabilities	(7.2)	(8.5)
	Finance lease payables due after 12 months	(15.1)	(15.5)
f	**Non-current financial debt**	**(2,971.4)**	**(3,267.3)**
g=e+f	**Net non-current financial debt**	**(2,929.2)**	**(3,214.7)**
h=d+g	**Net financial debt**	**(2,730.5)**	**(2,566.7)**

** The table also includes non-current financial receivables, mainly made up of profitable financing towards joint companies and the municipality of Padua, regulated at market rates.*

At 30 June 2014 net borrowings amounted to €2,730.5 million, compared to €2,566.7 million at 31 December 2013.

The increase in net borrowings is mainly due to the dividend payment carried out in June 2014, equal to €137 million, and the temporary increase of the CCN as an effect of the mechanism of excise payment on gas, in spite of the mild winter temperatures in 2014.

Medium- and long-term borrowings account for 88% of total indebtedness, financing the extensive amount of the Group's non-current assets.

Borrowings continue to be prevalently constituted by medium- to long-term debts, that cover roughly 88% of total borrowings and balance the Group's asset structure, which is marked by a high level of capital assets.

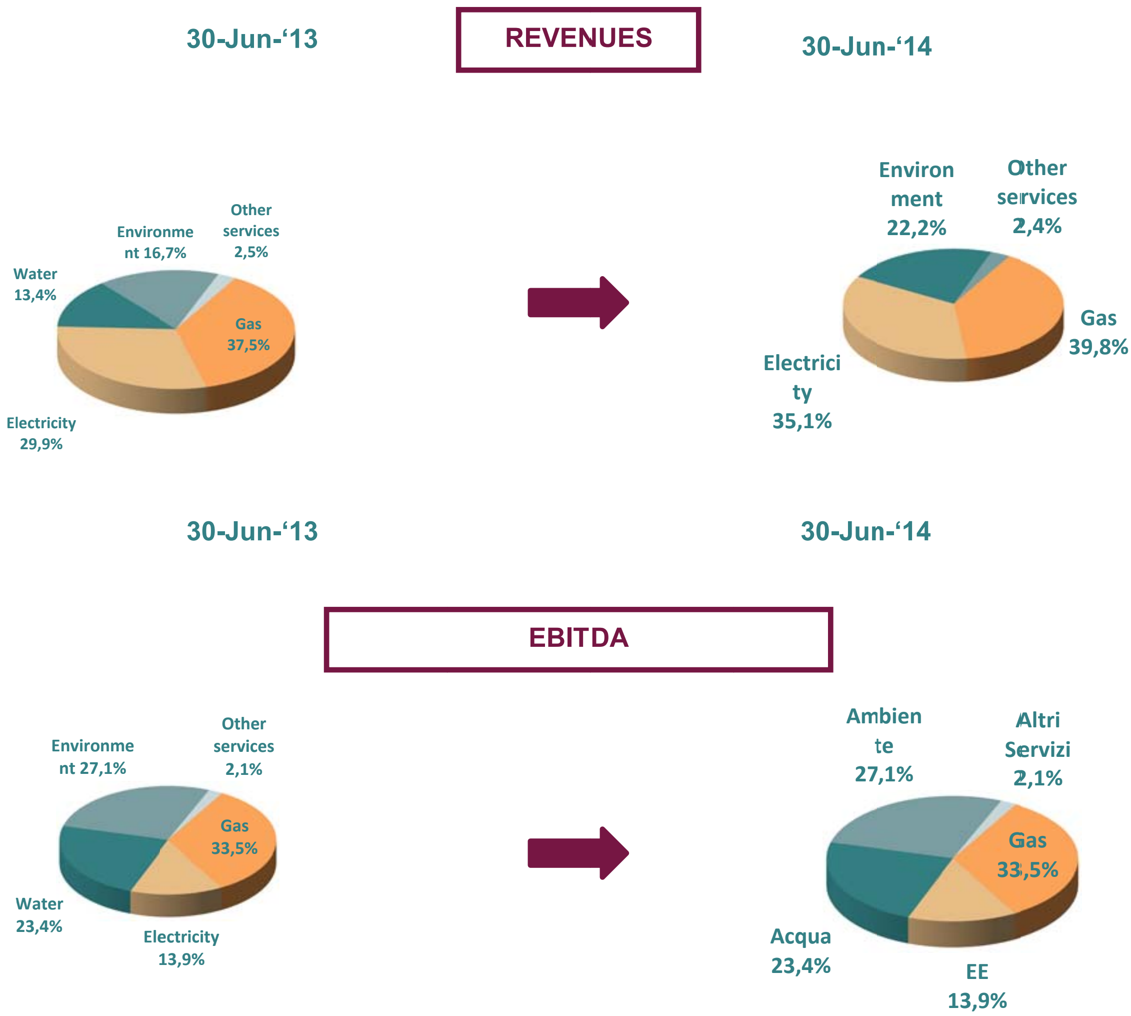
Hera Spa has a "Baa1" long-term rating with a negative outlook by Moody's and a "BBB" rating with a stable outlook by Standard & Poor's.

1.02.02 Analysis by business segment

An analysis of the operating results achieved in each of the business segments in which the Group is active is given below: (i) the Gas segment, which includes services in distribution and sales of methane gas and LPG, remote heating and heat management; (ii) the Electricity segment, which includes services in electricity production, distribution and sales; (iii) the Integrated Water Cycle segment, which includes aqueduct, purification and sewerage services; (iv) the Environment segment, which includes services in waste collection, treatment and disposal; (v) the Other Services segment, which includes public lighting, telecommunications and other minor services.

In the light of the above, the composition and development over time of the Group's revenue and EBITDA is shown in the following graphs:

Components of the business portfolio



An analysis of the operating results broken down by segment is given in the following paragraphs. The Group's revenue accounts include both structural costs and trading among the business areas themselves, at market price value.

The revenue accounts for the first semester of 2013 have also been modified, adopting a retroactive application of the IFRS 11 principle.

With respect to the 2013 financial year, the criterion with which structural costs are attributed to each business segment has been modified, using a model that considers the effects of internal organisation revisions and the contribution of the single companies to the results of the business segments; in order to provide a homogeneous comparison, this variation has been applied to both the first semester of 2013 and the first semester of 2014.

The following analysis by business area includes an evaluation of higher revenues and costs with no impact on the Gross Operating Margin, pertaining to the application of IFRIC 12, as shown in the Group's Consolidated Financial Statement. The segments affected by the application of the above principle are: Methane gas distribution services, Electricity distribution services, all of the services of the Integrated Water Cycle, and public lighting services.

Gas

The Gas segment, at 30 June 2014, shows a decrease with respect to the corresponding period in the previous financial year in absolute terms of its contribution to the Group's EBITDA:

(mln/€)	30-Jun-13	30-Jun-14	Abs. Change	% change
Sector EBITDA	**167.4**	**151.1**	**-16.3**	**-9.7%**
Group EBITDA	431.8	450.9	+19.1	+4.4%
Percentage weight	38.8%	33.5%	-5.3 p.p.	

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

Quantative data	30-Jun-13	30-Jun-14	Abs. Change	% change
Number of customers (in thousands)	1,225.1	1,217.1	-8.0	-0.7%
Volumes of gas distributed (millions of cubic metres)	1,727.2	1,375.7	-351.5	-20.4%
Volumes of gas sold (millions of cubic metres)	1,800.6	1,379.2	-421.4	-23.4%
- of which trading volumes	*431.9*	*377.4*	*-54.5*	*-12.6%*
Volumes of heat supplied (Gwht)	327.0	259.4	-67.6	-20.7%

The volumes distributed passed from 1.727.2 million cubic metres at 30 June 2013 to 1.375.7 in 2014, showing a decrease of 351.5 million m^3 (-20.4%); this result is largely due to the particularly mild climatic 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 (-44% with respect to the average over the last thirty years, and -26% with respect to 30 April 2013). The decrease in volumes distributed is partially compensated by the complete consolidation of Isontina Reti Gas, whose contribution is 35.8 million m^3, +2.1% with respect to the previous year. Bear in mind that the lesser volumes distributed constitute a thermal indicator for the areas in which the Group operates and are thus subject to equalisation as an effect of the legislation that calls for "regulated" revenues to be recognised, independently of the period's volumes.

Volumes of gas sold passed from 1.800.6 million cubic metres in the first six months of 2013 to 1.379.2 in the corresponding period of 2014, with a decrease of 421.4 million m^3 (-23.4%). This is an effect of both the above-mentioned mild temperatures and a 54.5 million m^3 decrease in Trading volumes, following the lesser amount of withdrawals from gas plants. There was a modest decrease in customer pool (-0.7%), that highlights the Group's strong commercial actions and customer loyalty management, countering competition and the termination of contracts caused by the adverse economic context. For further information, see the chapter in question.

The volumes of heat supplied passed from 327.0 GWht at 30 June 2013 to 259.4 at 30 June 2014 (-20.7%); this decrease is to be understood in relation to the mild climatic conditions mentioned above, and was only minimally compensated for by an increase in the customer pool, equal to 11.3 thousand clients.

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

Income statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. Change	% Var.
Revenues	955.0		785.6		-169.4	-17.7%
Operating costs	(728.5)	-76.3%	(574.8)	-73.2%	-153.7	-21.1%
Personnel costs	(61.3)	-6.4%	(61.8)	-7.9%	+0.5	+0.8%
Capitalised costs	2.2	0.2%	2.1	0.3%	-0.1	-4.6%
EBITDA	**167.4**	**17.5%**	**151.1**	**19.2%**	**-16.3**	**-9.7%**

Revenues for the segment, that passed from 955.0 million in the first semester of 2013 to 785.6 million Euro, decreased by 169.4 million Euro (-17.7%); the main causes are:

- lesser revenue for operations in methane gas sales to final customers (for roughly -185 million €), due to both the lesser amount of volumes sold (roughly -155 million €) and the lower cost of raw materials, caused in part by the reform carried out by the Italian Authority for Electricity, Gas and Water, that provided for a decrease in the raw material component, following the progressive abandonment of oil-indexed gas prices in favour of trading on spot markets;
- lesser revenue from remote heating services, due to a decrease in volumes sold (-6 million Euro);
- greater revenue for Energy Savings Certificates, following the AEEGSI resolution that redefined the unit price of the certificates;
- greater revenue due to the full takeover of Isontina Reti Gas.

The lesser volumes of methane gas sold are also reflected in the more contained operating costs: operating costs in fact decreased by 153.7 million € overall, due to the lesser volumes sold (roughly 135 million € between gas and heat) and the aforementioned lower prices, partially compensated by the higher costs for energy savings certificates.

The segment's Gross Operating Margin decreased by 16.3 million € (-9.7%), passing from 167.4 to 151.1 million € for the following reasons: (i) lesser 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) lesser margins of gas sales and remote heating services, due to the lesser volumes implied by the above-mentioned climatic conditions, compensated by the (iii) higher margins of Energy Savings Certificates and the (iv) full takeover of Isontina Reti Gas.

Electricity

The Electricity segment, at the end of the first semester of 2014, shows an improvement with respect to the corresponding period in 2013, both in terms of results and contribution to the consolidated margin, as can be seen in the following table:

(€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Sector EBITDA	**46.0**	**62.7**	**+16.7**	**+36.4%**
Group EBITDA	431.8	450.9	+19.1	+4.4%
Percentage weight	10.6%	13.9%	+3.3 p.p.	

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

Quantative data	30-Jun-13	30-Jun-14	Abs. change	% change
Number of customers (in thousands)	691.8	750.0	+58.2	+8.4%
Volumes sold (Gw/h)	4,673.7	4,464.4	-209.3	-4.5%
Volumes distributed (Gw/h)	1,445.3	1,454.6	+9.3	+0.6%

Volumes of Electricity sold went from 4,673.7 GWh to 4,464.4 at 30 June 2014, with a decrease of 4.5%, subdivided in -3.1% for the company Hera Comm, in line with the overall drop in national demand (-3.0%), and -1.4% for Est Energy, obtained by refocusing its customer portfolio. In terms of supply points, continual growth was seen across the Group, equal to 8.4%, with respect to which the company Hera Comm showed +12.0% driven by the family market, while in the area of Acegas, on account of the company Est Energy, a decrease of 7.9% appeared for the reasons previously described. For more information, see the chapter in question.

Volumes distributed rose by 0.6%: the contribution derived from the full consolidation of Est Reti Elettriche is equal to 40.6 Gwh, which compensates for the decrease found across the Group's perimeter, due do the drop in demand.

The following table contains an analysis of the main results in the segment:

Income statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. change	% Var.
Revenues	762.0		693.5		-68.5	-9.0%
Operating costs	(702.9)	-92.2%	(613.2)	-88.4%	-89.7	-12.8%
Personnel costs	(15.9)	-2.1%	(20.7)	-3.0%	+4.8	+30.2%
Capitalised costs	2.8	0.4%	3.0	0.4%	+0.2	+7.1%
EBITDA	**46.0**	**6.0%**	**62.7**	**9.0%**	**+16.7**	**+36.4%**

Revenues passed from 762.0 million € in the first semester of 2013 to 693.5 million € in the corresponding period in 2014, with a decrease of 9.0% which is related to the lesser revenue for trading activities, the above-mentioned lesser volumes sold and the drop in the price of energy (PUN), equal to -18.0% with respect to the previous year; this decrease was mitigated by greater regulated revenues for services in electricity distribution, greater revenues related to the dispatching service market and the full consolidation of the company Est Reti Elettriche.

The operating costs decreased by 89.7 million € (-12.8%), more than compensating for the lesser revenues for activities in sales to final customers and trading.

The Gross Operating Margin grew by 16.7 million € (+36.4%), passing from 46.0 to 62.7 million € thanks to increased margins for sales activities, in particular on the free market and in safeguarded categories, higher revenues in regulated distribution services and the contribution of Est Reti Elettriche.

Integrated Water Cycle

The Integrated Water Cycle segment, at the end of the first semester of 2014, shows growth with respect to the corresponding period of the previous year, both as an absolute value and as a contribution to the Group's gross operating margin:

(€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% Change
Sector EBITDA	**86.8**	**105.3**	**+18.5**	**+21.3%**
Group EBITDA	431.8	450.9	+19.1	+4.4%
Percentage weight	20.1%	23.4%	+3.3 p.p.	

The following table provides an analysis of the management results achieved in the segment:

Income statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. Change	% change
Revenues	340.3		372.0		+31.7	+9.3%
Operating costs	(185.2)	-54.4%	(194.9)	-52.4%	+9.7	+5.2%
Personnel costs	(69.5)	-20.4%	(72.9)	-19.6%	+3.4	+4.9%
Capitalised costs	1.2	0.4%	1.0	0.3%	-0.2	-16.8%
EBITDA	**86.8**	**25.5%**	**105.3**	**28.3%**	**+18.5**	**+21.3%**

The Group's revenues grew by 31.7 million € (+9,3%), as an effect of (i) greater administration revenues (+17.7 million €) due to the application of the rules of the new national tariff method defined by AEEGSI (AEEGSI resolution n. 643/2013), including the compensation for 2012 on the basis of the transitory tariff method resolved by the same Authority, (ii) greater revenue from the application of the IFRIC 12 principle, for +11.8 million € and (iii) greater revenue for commissions and other works for third parties.

Operating costs increased by +9.7 million € (+5.2%) with respect to the corresponding period of the previous year, due to the greater costs derived from the aforementioned IFRIC 12 principle, for 9.5 million €; net of this amount, the costs are in line overall, with lesser costs for energy consumption in compensated plants and for concession fees, compensated by greater costs for water as a raw material and commissions for third parties.

The following table shows the main quantitative indicators for the first semester of 2014 and the first semester of 2013, adjusted to take the full integration of the AcegasAps Group into account:

Quantative data	30-Jun-13	30-Jun-14	Abs. Change	% change
Number of customers (in thousands)	1,442.2	1,443.1	+0.9	+0.1%
Volumes sold (millions of cubic metres)				
Aqueduct	146.7	145.3	-1.4	-1.0%
Sewage	118.8	119.0	+0.2	+0.2%
Purification	118.0	118.0	+0.0	+0.0%

The Group's volumes decreased by -1.4 million aqueduct cubic metres, due to the greater rainfall in the first semester of 2014 with respect to the corresponding period in the previous year. 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 18.5 million € (+21,3%), passing from 86.8 to 105.5 million € thanks to the larger revenues recognised by the Authority and highlighted above.

Environment

The Environment Sector, at 30 June 2014, showed an increase in absolute terms, but a decrease in terms of its percentage weight, due to the significant increase seen in the sectors examined previously.

(€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Sector EBITDA	**119.6**	**122.4**	**+2.8**	**+2.4%**
Group EBITDA	431.8	450.9	+19.1	+4.4%
Percentage weight	27.7%	27.1%	-0.6 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 AcegasAps.

The table below shows an analysis of the management results achieved in the Environment segment:

Income statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. Change	% change
Revenues	423.9		440.0		+16.1	+3.8%
Operating costs	(219.7)	-51.8%	(231.5)	-52.6%	+11.8	+5.4%
Personnel costs	(85.9)	-20.3%	(87.2)	-19.8%	+1.3	+1.5%
Capitalised costs	1.2	0.3%	1.1	0.3%	-0.1	-8.3%
EBITDA	**119.6**	**28.2%**	**122.4**	**27.8%**	**+2.8**	**+2.3%**

The Group's revenues at 30 June 2014 show an increase of 16.1 million € (+3.8%) with respect to the corresponding period of the previous year, passing from 423.9 to 440.0 million €. This increase can be traced to the larger volumes disposed of thanks to the extension of commercial activity towards other areas of Central-Northern Italy, that compensate for the decrease in energy revenues, and to the higher revenues in urban hygiene due to the increase in services requested.

The segment's operating costs increased by 11.8 million €, in line with the increase in waste treated and the greater services in collection and sweeping provided.

At the end of the first 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 54.6%, against 53.7% in the corresponding period in 2013. AcegasAps recorded a separate waste collection at 30 June 2014 equal to 43.9%, 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 53.3% in the first semester of 2014, compared to 52.3% in the corresponding period in 2013.

The following table shows the main quantitative indicators for the first semester of 2014 and the first semester of 2013, adjusted to account for the full integration of the AcegasAps Group:

Quantitative data (thousand of tonnes)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. Change	% change
Urban waste	989.7	31.3%	989.2	29.5%	-0.5	-0.1%
Market waste	894.0	28.3%	1,118.0	33.3%	+224.0	+25.1%
Wasted marketed	**1,883.6**	**59.6%**	**2,107.3**	**62.8%**	**+223.7**	**+11.9%**
Plant by-products	1,276.6	40.4%	1,250.0	37.2%	-26.6	-2.1%
Waste treated by type	**3,160.3**	**100.0%**	**3,357.3**	**100.0%**	**+197.0**	**+6.2%**
Landfill	574.5	18.2%	651.1	19.4%	+76.6	+13.3%
Waste-to-energy plants	705.6	22.3%	711.4	21.2%	+5.8	+0.8%
Selecting plant and other	183.8	5.8%	220.7	6.6%	+36.9	+20.1%
Composting and stabilisation plants	229.6	7.3%	245.7	7.3%	+16.1	+7.0%
Stabilisation and chemical-physical plants	603.2	19.1%	639.0	19.0%	+35.8	+5.9%
Other plants	863.6	27.3%	889.4	26.5%	+25.8	+3.0%
Waste treated by plant	**3,160.3**	**100.0%**	**3,357.3**	**100.0%**	**+197.0**	**+6.2%**

An analysis of this quantitative data shows an increase of 11.9% in waste marketed by the Group thanks to market waste, by way of the above-mentioned greater commercial coverage. Urban waste is in line with this, with a varying mixture of separate and non-separate waste. The decrease in by-products is mainly due to a lesser production of leachates in production sites and landfills.

As regards disposal by plant typology, an increase in waste was seen across all of the chains, particularly in the landfills on account of the rise in market waste, while the composting plants benefited from the full operation of the new biodigestion plants. 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 2.8 million € (+2.3%), passing from 119.6 to 122.4 million €, mainly thanks to the increase in waste disposal.

Other Services

At 30 June 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 12.1 million € to 9.4 million €.

(€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Sector EBITDA	**12.1**	**9.4**	**-2.7**	**-22.2%**
Group EBITDA	431.8	450.9	+19.1	+4.4%
Percentage weight	2.8%	2.1%	-0.7 p.p.	

The following table summarises the main economic indicators for the segment:

Income statement (€/mln)	30-Jun-13	% Inc.	30-Jun-14	% Inc.	Abs. Change	% change
Revenues	64.1		56.4		-7.7	-12.0%
Operating costs	(40.8)	-63.6%	(38.5)	-68.2%	-2.3	-5.6%
Personnel costs	(11.7)	-18.3%	(9.1)	-16.2%	-2.6	-22.2%
Capitalised costs	0.4	0.6%	0.6	1.0%	+0.2	+49.7%
EBITDA	**12.1**	**18.8%**	**9.4**	**16.6%**	**-2.7**	**-22.2%**

The segment's revenues decreased by 7.7 million €, largely due to the transferral of the companies dedicated to cemetery services (approximately -8.0 million €).

1.5 million € of the overall fall in margins of -2.7 million € is due to the aforementioned transferral of cemetery services in the municipality of Bologna. The remainder can be attributed to public lighting services (-0.3 million €), a decrease in grants for works due to both the financial tension in the municipality's accounts and the telecommunications business (-0.8 million €), for slighter operations involved in projects for extending the network; these operations will be carried out in the second semester of 2014.

The following table shows the main quantitative indicators for the first semester of 2014 and the first semester of 2013, adjusted to account for the full integration of the AcegasAps Group:

Quantative data	30-Jun-13	30-Jun-14	Abs. Change	% change
Public lighting				
Lighting points (thousands)	416.8	458.8	+42.0	+10.1%
Municipalities served	107.0	129.0	+22.0	+20.6%

The quantitative data related to public lighting shows an increase of 42.0 thousand lighting points and an increase of 22 municipalities served. This trend is related to the full consolidation of the area of Gorizia, and the acquisition of new contracts both in Hera Luce and in the Synergies Group.

1.02.03 Hera Group investments

The Group's investments amounted to a total of €137.3 million, including €5.9 million in capital grants of which €4.8 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 €131.4 million.
With respect to the previous financial year, gross investments grew by +€17.0 million, passing from €120.3 to €137.3 million.
Since the 2013 financial year, particular importance has been given to capital grants, in that the new tariff method for the Integrated Water Cycle sets aside part of the tariff as a quota to be reserved for creating new investments (*FoNI: Fondo Nuovi Investimenti*). For this reason, it appears to be more useful to present the investments gross of capital grants, and to indicate the latter separately. In the following table, the investments are listed gross of disposals and capital grants, subdivided by business segment, and the capital grants are highlighted.

Total Investment (€/mln)	30-Jun-13	30-Jun-14	Abs. change	% change
Gas segment	20.6	27.5	+6.9	+33.5%
Electricity segment	7.8	10.2	+2.4	+30.8%
Integrated water cycle segment	40.8	52.5	+11.7	+28.7%
Environment segment	20.3	19.5	-0.8	-3.9%
Other services segment	7.9	6.7	-1.2	-15.2%
Central business unit	22.6	20.9	-1.7	-7.5%
Total operating investment	**119.9**	**137.3**	**+17.4**	**+14.5%**
Total financial financial investments	0.4	0.0	-0.4	-100.0%
Total gross investment	**120.3**	**137.3**	**+17.0**	**+14.1%**
Capital grants	0.1	5.9	+5.8	+100.0%
of which FoNI (New investment fund)	-	*4.8*	*+4.8*	+100.0%
Total net investment	**120.2**	**131.4**	**+11.2**	**+9.3%**

Gross investments in the Gas sector amounted to €27.5 million, increasing with respect to the €20.6 million of the same period in the preceding financial year.

Gas (€/mln)	30-Jun-13	30-Jun-14	Abs. change	% change
Networks	18.2	24.5	+6.3	+34.6%
District heating/Heat management	2.4	2.9	+0.5	+20.8%
Total gross gas invest.	**20.6**	**27.5**	**+6.9**	**+33.5%**
Capital grants	-0.1	0.0	+0.1	-100.0%
Total net gas invest.	**20.6**	**27.5**	**+6.9**	**+33.5%**

The increase of +€6.9 million with respect to the 2013 financial year consists of +€2.8 million from works for the legislative compliance according to Decree 155/08 for extensive meter substitution and, for the remainder, greater investments in Gas Distribution networks and plants, of which +€3.1 million for grey cast-iron pipelines in the Trieste area.

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

In the remote heating and heat management services, investments rose by €0.5 million compared to the previous year, while requests for new interconnections remained largely unvaried.

The investments in the Electricity service amount to €10.2 million, with an increase of €2.5 million compared to the €7.8 million in the first semester of the preceding year.

Electricty (€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Networks	7.4	9.7	+2.3	+31.1%
Cogeneration	0.4	0.5	+0.1	+25.0%
Total gross electricity invest.	**7.8**	**10.2**	**+2.4**	**+30.8%**
Capital grants	0.1	0.0	-0.1	-100.0%
Total net electricity invest.	**7.7**	**10.2**	**+2.5**	**+32.5%**

The interventions carried out prevalently concern the extraordinary maintenance of plants and distribution networks in the areas surrounding Modena, Imola, Trieste and Gorizia for €5.0 million overall, as well as interconnections for €1.1 million, the latter having decreased by -€0.4 million with respect to the same period in the preceding year.

Maintenance interventions rose, mainly involving Cogen in Imola (€0.9 million) and the new AT-MT station in via Selice.

Also note that Est Reti Elettriche is now included in the Group’s consolidated area, with overall interventions for €1.0 million.

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 €52.5 million, with respect to €40.8 million in the same period of the preceding financial year.

Integrated water cycle (€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Aqueducts	22.5	26.4	+3.9	+17.3%
Purification	7.0	11.4	+4.4	+62.9%
Sewerage	11.3	14.7	+3.4	+30.1%
Total gross integrated water cycle invest.	**40.8**	**52.5**	**+11.7**	**+28.7%**
Capital grants	0.0	5.7	+5.7	+100.0%
of which FoNI (New investment fund)	*0.0*	*4.8*	*+4.8*	+100.0%
Total net integrated water cycle invest.	**40.8**	**46.8**	**+6.0**	**+14.7%**

The reduction of -7.6 million Euro recorded in the Hera Group with respect to the preceding year is partially an effect of having reprogrammed interventions on Treatment plants, against a rise in interventions in the Rapid Response service for the aqueduct and the sewage system, with respect to which upgrades in disposal were carried out in compliance with Legislative Decree n. 152/2006, their planning having been completed during 2012. Furthermore, the persisting crisis of the real estate sector continues to produce lesser requests for new interconnections, with a result of -€2.3 million with respect to the preceding year.
Investments were made for €26.4 million in the Aqueduct, €11.4 million in Purification and €14.7 million in Sewerage.
The rise of +€11.7 million with respect to the first semester of the previous year is due to the greater interventions in the aqueduct, mainly for programmed maintenance of the networks, the sewerage system, where upgrades in disposal were carried out in compliance with Legislative Decree n. 152/2006, and in purification, in which a few relevant interventions were initiated, such as the makeover of the Cesenatico purifier, modifications to 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 updating sewerage and purification facilities for 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, that 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 area, interventions in maintenance and enhancement of existing plants across the Group's reference area amounted to €19.5 million.

Environment (€ mln)	30-Jun-13	30-Jun-14	Abs. change	% change
Composters/digesters	4.1	0.7	-3.4	-82.9%
Landfills	4.4	5.2	+0.8	+18.2%
WTEs	6.3	4.5	-1.8	-28.6%
RS plants	1.4	0.7	-0.7	-50.0%
Market	0.1	0.2	+0.1	+100.0%
Collection plants	1.4	3.7	+2.3	+164.3%
Transhipment, selection and other plants	2.5	4.5	+2.0	+80.0%
Total gross environment invest.	**20.3**	**19.5**	**-0.8**	**-3.9%**
Capital grants	0.1	0.0	-0.1	-100.0%
Total net environment invest.	**20.2**	**19.4**	**-0.8**	**-4.0%**

With respect to the first semester of 2013 a decrease of -€0.8 million was seen, mainly due to investments in the chain of Composting / Digesters (-€3.4 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.

The increase in Landfills (+€0.8 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 (+€1.9 million).

The fall in investments on the WTE chain (-€1.8 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 (-€0.7 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.
As regards Transhipment and Selection Plants, in 2014 there were greater investments (+€2.0 million) following the conclusion of works on the Akron Bologna selection plant, as well as the effect of the creation of a transhipment plant in the Cervia branch.

Investments in the Other Services area amounted to €6.7 million, in comparison with €7.9 million during the same period in the previous year.

Other services (€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Telecommunication	5.1	4.2	-0.9	-17.6%
Public lighting and traffic lights	2.8	2.4	-0.4	-14.3%
Other	0.0	0.1	+0.1	+100.0%
Total gross other services invest.	**7.9**	**6.7**	**-1.2**	**-15.2%**
Capital grants	0.0	0.0	+0.0	-
Total net other services invest.	**7.9**	**6.7**	**-1.2**	**-15.2%**

Within the Telecommunications area, note the €4.2 million invested in networks and TLC and IDC (Internet Data Center) services, and €2.4 million in the public lighting service, with an overall decrease with respect to the previous year.

Investments in the area of the Central Business Unit mainly concerned property works on company headquarters, as well as the investments in information systems and those involved in maintaining the company's vehicle fleet. The "Other investments" entry includes interventions on laboratories and Remote control structures.

Central Business Unit (€/mln)	30-Jun-13	30-Jun-14	Abs. Change	% change
Property works	11.1	6.0	-5.1	-45.9%
Information systems	5.8	6.9	+1.1	+19.0%
Fleets	4.2	5.8	+1.6	+38.1%
Other investment	1.6	2.3	+0.7	+43.8%
Total gross central business unit invest.	**22.6**	**20.9**	**-1.7**	**-7.5%**
Capital grants	0.0	0.1	+0.1	+100.0%
Total net central business unit invest.	**22.6**	**20.8**	**-1.8**	**-8.0%**

On the whole, business unit investments dropped with respect to the previous year (-€1.7 million), mainly as an effect of the decrease in property works following the completion of the new company headquarters, while interventions on information systems and the renewal of the company's vehicle fleet both rose.

1.03 Corporate events

The first half of 2014 saw the Group involved in the continuing rationalization of its structure, which led to the disposal/wind-up of 3 companies, 2 investment add-ons in investee companies, 2 new equity investments and 1 merger, where 2 companies ceased 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:

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.
In January 2014, the boards of directors of Hera Spa and Amga Spa approved the plan of merger, which was eventually approved by the respective shareholders in April 2014.
Lastly, on 25 June 2014 the merger agreement was signed, giving rise to the legal, accounting and tax effects as of 1 July 2014.

Hera Spa – Hera Comm Srl
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 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 – Acegas APS AMGA 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.

FlameEnergy Trading Gmbh
Effective 1 January 2014, the shareholders approved the voluntary dissolution of this company which is 50% held by Hera Trading Srl.

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 and Impianti Luce Scarl (formerly 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 – 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.

1.04 Regulatory framework and regulated revenues

Reference regulations

The most important legislation approved by the Italian Parliament in the first half of 2014 includes the Government plan referred to as "Light Bills" and the adoption of the EU Directive for energy efficiency. Further highly important indications for the gas sector arrived in May with the approval, by the Ministry of Economic Development, of the Guidelines for calculating Reimbursement Value for gas distribution plants at the end of the transition period.

In May 2014 the Government announced a series of measures aimed at reducing energy bills for small and medium enterprises by 10% within 2015. The overall intervention, that will be put into effect through a number of decrees, was initiated with the measures included in **Decree Law** 24 June 2014 n. 91, so-called **"Competitiveness"**. One of the more relevant elements is the partial sharing of system costs for Internal User Networks (RIU) and Efficient User Systems (SEU) as of 1 January 2015: the costs are set at 5% for plants that begin operating within 31.12.2014, 10% for plants that begin operating after 31.12.2014 and receive state incentives for the energy produced, and 5% for plants that begin operating after 31.12.2014 and do not receive incentives. Furthermore, a widely discussed intervention was also put into effect, namely the modification (to be precise, over a period of 24 years) of incentives for photovoltaic plants with a capacity of over 200 kW, with reduction percentiles based on their residual life. Producers still have the alternative of maintaining the original twenty-year duration of the incentives, with however a reduction of the incentive by 10% over the remaining period.

The measures introduced in **Legislative Decree** 4 July 2014 n. 102, dealing with the adoption of the **EU Directive for energy efficiency** 2012/27/UE, are intended to reach the national objective for savings through to 2020, defined at 20 Mtep (million tonnes of oil equivalent) of primary energy. The instruments aimed at achieving this goal include the white certificate scheme, tax credits and feed-in tariffs.

Other significant innovations included in the Decree involve:

- The obligation to install individual metres in every unit of apartment houses and multi-use buildings within 31.12.2016, "wherever this is technically possible and efficient in terms of costs". Another closely related obligation calls for information on consumer invoices based on real consumption (taking place at least once every two months) to be provided by 31.12.2014, and for data from the previous three years at least to be made available.

- The mandate given to the Italian Regulatory Authority for Electricity Gas and Water (hereinafter: Authority) to begin regulating, within two years of the publication of the Decree, the services of district heating and district cooling, with measures pertaining to the definition of standards in service continuity, quality and safety, furthermore defining the criteria for determining tariffs for connecting users to the network.

- The Authority was also given a mandate to update the rules concerning remuneration for investments in transportation and distribution networks, in order to eliminate obstacles to an increased energy efficiency of the networks themselves; to promote renewable resources, High Efficiency Cogeneration (CAR) through dispatching priorities as well; to bring electric energy distribution tariffs in line with the objective of overcoming the current consumption-scaled structure, and to put the tariff itself in relation with actual service costs.

As regards tenders for gas distribution, the Ministry of Economic Development (MiSE) approved, with the **Ministerial Decree** 22 May 2014, the **"Guidelines concerning criteria and applicative modalities for evaluating the reimbursement value of natural gas distribution plants"**. The Ministry intended on providing an instrument capable of producing a definition as codified as possible of the plants' reimbursement value at the end of the current transition period. The Ministry aims at reducing the number of cases of disagreement between distributors and local authorities, increasing the transparency and homogeneity of the reimbursement calculations, and shortening the amount of time in which tender notices are approved. One of the most critical issues concerns the perimeter within which the "Guidelines" themselves are applicable: the Ministry clarified that they will be applied to grants for which the termination of service is anticipated *ope legis* with respect to the natural deadline, and whose acts do not contain a detailed methodology for calculation, or else generically refer to Royal Decree 2578/1925 or to market prices. It has also been confirmed that both public and private subsidies received by the service provider must be deducted from the reimbursement sum, in line with the tariff regulations in force.

As regards energy markets, note lastly that the Ministry issued a **decree** on 30 June 2014 that regulates the **new capacity market**, whose effects will come into force beginning with the thermal year 2018-19, in a *de facto* approval of the proposal formulated by Terna in 2013. The Ministry limited itself to indicating the direction to be followed by Terna in order to consider, in calculating the necessary capacity, the positive effects due to network development and foreign interconnections, and to promote participation in distributed generation from renewable resources. At virtually the same time that the Decree was issued, the Authority published resolution 320/2014/R/eel, that offers the Ministry a proposal for a transitional capacity payment, suggesting that Terna provision capacity for the three-year period 2015-2017 by way of optional fixed-term contracts. However, the technical parameters concerning the initial period and the duration of service, on the basis of which plants are held to be suitable to participate in the agreement, have yet to be defined.

Gas, Electricity and Water System Regulation

In the first semester of 2014, as regards **gas distribution**, the Authority initiated a number of consulting processes intended to complete the regulatory framework for future tenders, which were followed, in some cases, by corresponding resolutions of approval.

With resolution 310/2014/R/gas (ensuing from Consultation Document 178/2014), the Authority, as regards the verification of **gaps between Residual Industrial Value (VIR) and Regulatory Asset Base Invested Capital (RAB)** that exceed 10%, concerning the portions of assets belonging to the outgoing operator and subject to transferral upon payment to the incoming operator, acknowledges the contents of Decree Law 145/2013 so-called "Destinazione Italia" and the Ministerial Guidelines approved in the decree of 22 May 2014. Therefore, without change as to the responsibility of the Contracting Stations on the data transmitted, the Authority is bound to verify the adequacy of the calculated VIR within 90 days. In cases of non-qualification, the Authority communicates its observations to the Contracting Station, for the latter to be taken account of while preparing the invitation to tender.

With resolution 326/2014/R/gas (ensuing from DCO 190/2014), the Authority approved the modalities of reimbursement for outgoing operators, including interest, for the sums relative to the **non-recurring payment for covering tender costs** paid in advance by the operators themselves, prior to tenders.

The resolution with which **tariff regulations for future sector management** are to be approved has yet to be formulated, following a highly intricate consultation process (which led to DCO 53/2014). It will deal with: the modalities of tariff recognition for fixed assets in relation to the difference between VIR and RAB, the treatment of the discount foreseen by Decree 226/11 regarding this difference, and the definition of operating costs that will be recognised in the new grants for the sector.

In the **electricity** sector, an important consultation was held in June 2014 with the aim of elaborating a **Standardised Network Code for electricity distribution**. Within the end of the year, the Authority in fact intends to approve measures related to the most critical issues (in particular, those concerning the modalities and time periods of invoicing between distributors and sellers, as well as the relative financial guarantees), deferring further indications to 2015. The Authority's proposal foresees three distinct invoicing documents, according to the type of entry invoiced:

- "cyclic" invoicing, pertaining to tariffs for electricity transmission, distribution and measurement services, as well as system charges and social bonuses;
- invoicing adjustments, to correct any erroneous amounts previously invoiced and allow for personal and economic accounts to be reconciled;
- invoicing related to other services, i.e. accessory services, as well as the "Cmor" component covering arrearage charges.

Cyclic invoices, as a norm, are to be sent during the last ten days of the month following the one in question, with payment due at least 20 days later. An optional method of "early invoicing" has also been proposed, that can be adopted if and when the measurement data is made available to sellers within a period of time that allows the latter to minimize invoicing delays with respect to final clients, reducing the gap between the active and passive phases of invoicing.

As regards guarantees, the Authority intends to provide the system with a specific guarantee account, to be set up as part of the Equalisation Fund for the Electricity Sector (CCSE), acting as a "reserve to be used in particular cases". According to the Authority, the current system of guarantees does not include an integrated risk coverage, in relation to the treatment reserved for operators that use ratings or parent company guarantees. To ensure that costs at the expense of sellers are introduced gradually, a proposal foresees that the account should initially be supplied exclusively by such operators.

Lastly, the Authority has rejected the proposal put forward by some operators of paying system costs directly to the CCSE and the GSE (without, that is, mediation by the distributing company) in that this innovation would increase the complexity and risks involved in managing financial flows between the parties involved. The Authority does recognise, however, the existence of an excessive financial burden on selling companies, and for this reason the introduction of corrective mechanisms will be evaluated.

Again as regards electricity distribution, note the approval of resolution 205/2014/R/eel that, ensuing from DCO 52/2014, introduces a **new flat distribution tariff** (irrespective of consumer segments) intended for domestic clients that use **heat pumps** as the sole heating system for their own residence. Clients will be able to request this tariff from 1 July 2014 to 31 December 2015. As of 2016, the flat tariff will probably be extended to all domestic clients, in line with the objective of making distribution tariffs more cost-reflective and overcoming the overlapping benefits that currently exist between different categories of consumers.

With resolution 231/2014/R/com the Authority approved new rules concerning **accounting separation**, to be applied already in the 2014 financial year. The subdivision proposed as to the activities and divisions of the method of accounting unbundling is more functional as regards the need to define the economic conditions of the various services. In particular, the innovations concern the definition of new divisions for electricity production and electricity and gas sales, distinguishing between the free market, protected conditions and last resort services. In order to make the new rules immediately operative, for the 2014 financial year it will be possible to use *ex-post* criteria for the account entries relative to the new divisions. Lastly, in the future the Authority intends to introduce a manual for regulatory accounting, to be defined following a series of discussions with the operators.

As regards **electricity production**, in June 2014 the Council of State confirmed the annulment decided by the Lombardy regional administrative court of resolution 281/2012/R/eel. This resolution called for balancing charges to be applied to electricity produced from non-programmable renewable resources (FRNP). The Council of State concluded that the Authority's measure was discriminatory, in that it did not give adequate consideration to the fact that predicting injections of FRNPs into the grid cannot be compared to predictions for conventional resources. The Council of State did however hold that a complete socialisation of the balancing charges among consumers is untenable, asking the Authority to define criteria for production with intermittent resources to contribute to the charges, insofar as this is compatible with their limited predictability. As a result of this sentence, the Authority published DCO 302/2014/R/eel, a hypothesis as to a possible solution in defining differentiated exemptions according to the source of production.

For the **water sector**, the DCO 171/2014/R/idr was published, which contains the Authority's preliminary orientations as to **standardised conventions** in the sector. The Authority intends to elaborate types of convention that are differentiated both as to the form of grant chosen (private company chosen by tender, public-private company with double-object tender, "in house" providing) and the "regulatory typology" to which the chosen operator belongs. The method currently used for tariffs in fact establishes four different regulatory typologies, according to two parameters: investment requirements related to existing infrastructures, and operating costs required to reach the specific objectives of the area covered. The Authority furthermore intends to exclude issues related to tariffs, quality and bonus-sanction mechanisms from the realm of "contract based" regulations. Two further DCOs with greater details are foreseen, in view of publishing the implementing resolution at the end of 2014 and have it come into force as of 1 January 2016.

Lastly, the Authority initiated, with resolution 142/2014/R/idr, a procedure for regulating **water service quality**, with the objective of creating a homogeneous national framework. Generally speaking, a gradual application of the new regulations has been foreseen, as well as the definition of minimum levels and quality objectives for the single services that make up the water service, with predefined deadlines and automatic indemnification in cases in which the regulations are not respected.

Gas distribution: tariff framework

2014 is the first year of the fourth regulatory period (QPR) of the tariff system for gas distribution and measurement, regulated by the RTDG, attachment A of the resolution 573/2013/R/GAS ("Tariff Regulations for Services in Gas Distribution and Measurement for 2014-2019").

The overall structure of the new RTDG does not present significant changes with respect to the previous one: the tariff system ensures that each distributor receives the allowed revenue defined by the Authority on the basis of recognised costs, expressed by the *reference tariffs* and the number of redelivery points served, which in practice makes revenue independent of the quantity of volumes distributed. This is put into effect with appropriate mechanisms of tariff equalisation, that allow distributors to turn to the Equalisation Fund to regulate the differences between their own allowed revenue and the revenue that appears in the invoicing of the selling companies. The latter is in turn determined by applying the *compulsory tariffs* defined by the Authority for macro-regional areas.

With respect to 2013, the tariff regulations implemented in 2014 present a few important innovations, in terms of both methodology and tariff levels. To be precise:

- The remuneration rate for invested capital (WACC) for the two-year period 2014-15 has been fixed at 6.9% for distribution services and 7.2% for measurement (respectively 7.7% and 8.0 % in 2013). These figures are derived from a recalculation of the rates for risk-free activities equal to 4.41% (in turn derived from the average return on ten-year BTPs in the period from November 2012 to October 2013), an unlevered Beta coefficient (that measures the sector's risk factors compared to the market average) equal to 0.44, and a revised debit/equity ratio equal to 0.6.

- New levels of recognised operating costs were defined for 2014, on the basis of costs actually sustained by enterprises in 2011 as they appear in separate annual accounts, according to categories of enterprise density and dimension, as well as distributing the significant productivity recovery witnessed in the third regulatory period between distributors and final clients (Profit Sharing). The unitary costs set for 2014 are noticeably lower than the corresponding levels for 2013, with an average contraction of 5%.

- As of 2014, in defining tariffs the new grants collected are detracted both from the depreciation charge and from the invested capital (with an appropriate annual downgrade), in order to determine the remuneration of the capital itself. For stocks of grants, already deducted from the tariff, each distributor is given the option of maintaining the previous treatment or passing to the modalities applied to new grants, attenuated in this case by the use of a gradual procedure.

- To resolve the issue of regulatory lag in investment tariff recognition with respect to the year in which the financial statements are recorded, as of 2014 invested capital recognised in the tariffs of year t covers the investments incurred until the year t-1 (not, as previously, t-2). This is possible thanks to a double cycle of balance sheets provided to the Authority by distributors, and a tariff approval system that appears first in a provisionary and then a definitive form.

On the basis of these principles, the Authority proceeded, with resolution 132/2014/R/gas, to approve for 2014 the *provisional reference tariffs* (based on an estimate for investments in 2013) for all distributors, including the companies of the Hera Group. Within the end of 2014 the *definitive reference tariffs* are expected to be defined, that will take into account the correct investments made in 2013, calculated in the final balance.

In the above described framework, Hera Spa's revenues for operations of gas distribution and measurement for the first semester of 2014 amounted to 89.8 million Euro, against volumes distributed for 1,020 million cubic metres (mc) and a corresponding unitary revenue equal to 8.81 €cent/mc. This revenue takes into account an adequate estimate of the effects of tariff equalisation.

Gas distribution and metering - Regulated revenues	30-giu-13	30-giu-14	% change
Hera Spa			
- Revenues (€/mln)	92.2	89.8	-2.6%
- Volumes (million cubic meters)	1,318	1,020	-22.6%
- Revenue per unit (€cent/cubic meter)	7.00	8.81	26.0%

With respect to the first semester of 2013, a noticeable decrease in volumes distributed (-22.6%, from 1,318 to 1,020 million mc) can be observed, as well as a contraction in revenue of 2.4 million Euro. This contraction is due to both a strong de-escalation of the WACC with respect to 2013 and the reduction of recognised operating costs, effects that were attenuated on the one hand by the higher revenue due to the cancellation of the regulatory lag, and on the other to accruals from previous years.

As regards revenues for gas distribution, Marche Multiservizi Spa and the Acegas-Aps Group are also included within the Hera Group's consolidated operating area. The consolidate value for gas distribution and measurement for the Hera Group is therefore equal to 122.7 million Euro, against 1.371 million mc distributed and a corresponding unitary revenue of 8.95 €cent/mc.

In the table shown below, the comparative data for 2013 has been adjusted as an effect of the retrospective application of the Ifrs 11 principle, which introduced full consolidation for joint-control companies, instead of proportionate consolidation (*). In the case of gas distribution, revenue at 30.06.2013 pertaining to Isontina Reti Gas has therefore been excluded from the respective consolidation quota, at that date equal to 30%.

The consolidate revenue at 30.06.2014, compared to the "adjusted" amount at 30.06.2013, shows an overall increase of 3.1 million Euro, essentially due to the variation in the operating area of Isontina Reti Gas, now consolidated at 100% for a value of 4.6 million Euro.

Gas distribution and metering - Regulated revenue	30-giu-13	30-giu-13 as adjusted	30-giu-14	% change vs adjusted
Consolidated Hera group				
- Revenues (€/mln)	121.0	119.6	122.7	2.6%
- Volumes (million cubic meters)	1,723	1,700	1,371	-19.4%
- Average Revenue per unit (€cent/cubic meter)	7.02	7.03	8.95	27.3%

(*) For further information as to the introduction of the new principle, see the paragraph "Summary of Adjustments" in the Explanatory Notes.

Electricity distribution: tariff framework

2014 is the third year of the fourth period of tariff regulation (2012-2015) for operations of electricity transmission, distribution and measurement. The integrated reference texts (TIT for Transmission and Distribution and TIME for Measurement) were approved with resolution ARG/elt 199/11.

As regards distribution services, tariff methods are characterised by a restriction on regulated revenue, defined by company (with a rationale similar to the one used for gas distribution) and calculated on a mixed basis for the part pertaining to capital costs (implicit for the asset perimeter until 2007 and at actual historical cost for investments since 2008), and for the part pertaining to operating costs according to the average national values measured at cost by the Authority, suitably modified to take account of the effects expressed by the tariff equalisation of the previous regulatory period and updated for the following years with the price-cap method.

With respect to the elements outlined in resolution 199/11, at the end of 2013 resolution 607/2013/R/eel introduced a few important revisions in tariff regulations for the two-year period 2014-15. In particular, resolution 607/2013:

- updated the WACC for distribution and measurement services to 6.4 % (compared to 7.6% in the two-year period 2012-13), confirming at the same time the increase by 1% to be applied to investments beginning in 2012, as a form of compensation for the regulatory lag;

- structurally modified the way in which recognised costs are determined, foreseeing that, as with all other kinds of contributions collected, forfeit connection contributions also be detracted from invested capital instead of from operating costs, based on the same rationale as gas distribution.

Following resolution 607/2013, in April, with resolution 154/2014/R/eel, the Authority approved the *reference tariffs* for 2014 for all of the companies in the Hera Group (with the exception of Est Reti Elettriche Spa, which as illustrated below will proceed according to a more complicated procedure).

With resolution 152/2014/R/eel, it furthermore redefined, for Acegas-Aps Spa, the 2013 *reference tariffs*, correcting an error found in the calculation procedures used for the previous approval. Once again with reference to Acegas-Aps Spa, resolution 309/2014/R/eel redefined the equalisation for commercial costs incurred for the low-tension clientele in the years 2010 and 2011, following a specific petition presented by the company.

Lastly, with reference to Est Reti Elettriche Spa, during the first semester of 2014 the Authority completed its approval of the amount of specific company equalisations for all years following 2004 (the latter had already been approved at the end of 2013). With resolution 117/2014/R/eel, the “csa coefficients” were in fact defined for the period 2005-2011, while with resolution 244/2014/R/eel the Authority also redefined the reference tariffs pertaining to the years 2012 and 2013, also approving for the first time the tariffs for 2014.

Within the regulatory framework outlined above, Hera Spa's revenues at 30.06.2014 for activities in electricity transmission, distribution and measurement were equal to 31.2 million Euro, significantly higher than the first semester of 2013, even against a decrease in volumes distributed of 1.2%. The increase of 5.9 million Euro can be explained not only by the updated allowed revenues from 2013 to 2014, but by noteworthy positive variations regarding competencies previous to 2014 in relation to a closure of the first semester 2013 based on prudential criteria.

Distribution, metering and transmission - Electricity - Regulated revenue	30-giu-13	30-giu-14	% change
Hera Spa			
- Revenues (€/mln)	25.3	31.2	23.1%
- Volumes (million kWh)	1,061	1,048	-1.2%
- Revenue per unit (€cent/kWh)	**2.39**	**2.97**	24.6%

As regards revenue from electricity transmission, distribution and measurement, the Acegas-Aps Group is also included in the Hera Group's consolidated operating area. The consolidate revenue value for the Hera Group therefore reaches 51.4 million Euro, with 1.455 million kWh distributed and a corresponding unitary revenue of 3.53 €cent/kWh.

In the table shown below, the comparative data from 2013 has been adjusted as an effect of the retrospective application of the Ifrs 11 principle, which introduced full consolidation for joint-control companies, instead of proportionate consolidation (*). In the case of electricity distribution, revenue at 30.06.2013 pertaining to Est Reti Elettriche Spa has therefore been excluded from the respective consolidation quota, at that date equal to 30%.

The consolidate revenue at 30.06.2014, compared to the "adjusted" amount at 30.06.2013, shows an overall increase of 15.4 million Euro, essentially due to the variation in the operating area of Est Reti Elettriche Spa, now 100% consolidated for a revenue of 9.0 million Euro. This significant value records the inclusion of previous competencies due to specific company equalisation approved during the semester.

Distribution, metering and transmission - Electricity - Regulated revenues	30-giu-13	30-giu-13 as adjusted	30-giu-14	% change vs adjusted
Consolidated Hera group				
- Revenues (€/mln)	36.5	36.0	51.4	43.0%
- Volumes (million kWh)	1,444	1,425	1,455	2.1%
Revenue per unit (€cent/kWh)	**2.53**	**2.52**	**3.53**	40.1%

(*) For further information as to the introduction of the new principle, see the paragraph "Summary of Adjustments" in the Explanatory Notes.

Water cycle: tariff framework

2014 is the first year in which the Water Tariff Method defined by AEEGSI for the period 2014-2015 (AEEGSI resolution n. 643/2013) was applied.

In comparison with the data from the first semester of 2013, an overall increase in revenue of 7.6% was seen. This is due to the application of the rules of the new tariff method that, in 2014, calls among other things for the balance for the year 2012 to be paid on the basis of the new transitional method of the AEEGSI.

Hera Group consolidated Water cycle - tariff revenues	30-Jun-13	30-Jun-14	% change
Tariff revenues (€/millions)	268.69	286.42	6.6%
Volumes (millions cubic meters)	147	145	-1.0%
Average revenue per unit (€cent/cubic meter)	183.09	197.08	7.6%

Urban hygiene: tariff framework

As of 2014, the Tari Waste Tax was introduced, substituting the Tares used in 2013.

In June 2014 services for managing urban waste were provided in 190 municipalities, 45% of which chose to entrust the Hera Group with verifying and collecting the Tari.

A detailed comparison of the uniform data of the consolidate Hera Group allows the following points to emerge.

Hera group consolidated urban hygiene - tariff revenues (TIA + TARSU)	30-giu-13	30-giu-14	% change
Tariff revenues (€/mln)	258.5	263.3	1.9%
Served residents (000)	3,320	3,277	-1.3%
Average revenue per unit (€/resident)	77.9	80.4	3.2%

The overall increase in regulated revenues for urban hygiene services in franchised municipalities, equal to 3.2%, compensates for both the inflationary increase in costs and the larger quantity of services requested.

1.05 Commercial policy and customer care

Hera's client base dynamics have undergone a variety of trends over the year, depending on the service delivered.

The electricity market continues to grow steadily. Owing to the incisive commercial action on the free market, the customer base increased by 8.4% compared to June 2013, considering Acegas Aps data. With the exception of the latter, Hera Comm grew from 9.5% in the June 2012 to June 2013 period, to 12% in the last year. Very satisfactory in itself, the result is even more notable when collocated in a still uncertain economic setting and in the face of ever-growing commercial pressure from competitors.
The gas market on the whole has undergone a contained downshifting equalling around 0.7%. Data includes Acegas-Aps contracts. A Hera Comm perimeter analysis shows that the decrease in the customer base is limited to 0.4%, in line with June 2012 to June 2013 trends, a sign that the strong competitive pressure and the termination of contracts resulting from a dire economic setting have been compensated through marketing action and customer loyalty programs.
The regulated water services market - including Acegas-Aps customers - has increased owing to an inertial 0.1% growth, in line with June 2012 to June 2013 trends. A less powerful inertial growth in this sector is confirmed, resulting from a lower number of new connections, ensuing from the real estate crunch.
With reference to environmental services, Tari (tax on waste) was introduced from 1 January 2014 to replace former Tares (Waste and Services Tax). Hera Group was entrusted with the Tari surveying and collection activities by 65 municipalities, which had formerly enforced the Tia tax and appointed the Group to deliver the same services as with the Tares tax. Under the new tax, in 2014 Tari contracts cannot be deemed within the Group's customer base.
On the whole and with the exception of environmental hygiene contracts, Hera's client base has seen a +1.5% increase. The Group therefore totals 3.422 million supply points on 30 June 2014.

Supply points	30 June 2014*	30 June 2013*	Supply point delta (nr)	Supply point delta (%)
Gas	1,217	1,225	-8,0	-0.7%
Electricity	750	692	58.1	8.4%
Water	1,443	1,442	0.9	0.1%
TLR	11	11	0.2	2.1%

Data are in thousands

**Including Acegas-APS (AcegasAps Service 100% . Estenergy pro rata)*

As to commercial development, the second half of 2013 confirms the trends recorded in the first half. In terms of supply points, the acquisition of new customers in the electricity market was higher than the yearly budget. This development was driven by the household segment, mainly through cross-sell actions on clients in the territories where the Group is incumbent as to gas and the regulated utilities. Results exceeding the budget were also recorded in other customer segments. At the closing of the year 2013 the gas market results are in line with all of the set customer acquisition targets. In the second half of the year, the Group continued to enhance the existing customer base through measures aimed at customer transition from the protected to the free market, in all segments. The first semester 2014 showed different trends in the two services. The electricity market performed better than the targets, in line with the progress observed in the same period last year, both in terms of supply points and of volumes sold. The acquisitions in the gas market were slightly lower than the targets, and yet higher than recorded in the first semester 2013.

The quoted sales results were obtained through a portfolio of offers and of diversified sale channels, on different customer segments which the Group continues to oversee and to support.
As to households, small and medium-sized businesses and condominiums, the offer portfolio is currently diversified into two different product lines.
Designed for the most innovative customers, *Prezzo Netto* line was launched in 2012 and was then revived until the first semester 2014 thanks to its brilliant results. Covering both gas and electricity, the offer is based on wholesale market prices (PUN for electricity and TTF for gas). Created for customers who prefer pricing structures reflecting the traditional market offer, *Prezzo Fisso* blocks the raw material reference price for the whole duration of the offer.
In order to deliver constantly improved services, this offer portfolio has been revised over the last year so as to create value for the customer. Namely, keeping in mind eco-sustainability, both lines now offer the opportunity to use electricity from renewable sources. Besides their price peculiarities, such offers provide for the mandatory electronic submission of the bill as well as for direct debit payments, in order to dematerialize paper-based communication with the customer and to guarantee that 100% green Energy is supplied.
Although its impact also affects the first half of 2014, the *Prezzo Netto* offer addressed to the household segment was integrated in the second semester 2013 with the *Casa Sicura* service, allowing customers - during the first 12 months of the supply - to enjoy a complimentary emergency service covering the minor faults that may occur on domestic gas, electricity and water systems. This action is aimed at matching the basic package while providing our customers with value-added services, which - besides being ecologically sustainable - are also designed to actually support everyday life. By the same logic (though only for the electricity supply and for specific reference Group areas) the *Prezzo Netto* line was also extended to condominium market customers through a change in bill issuing and payment timing, so as to better meet the segment needs. The offer was developed in a further version that includes replacing traditional light bulbs with highly energy-efficient systems. Even for larger customers, the offer portfolio comes complete and includes - in addition to existing indexing forms - offers related to wholesale markets and tailored to the needs of individual customers, be they medium- to large-sized companies or public administration.
The offer portfolio revision launched in late 2013 will include the introduction of new solutions in late 2014.

In terms of customer management and contact channels, these are the main findings.

In the first semester 2014, Hera Group **front offices** reported an average 11.1 minutes waiting time (value in keeping with the 2013 final). A rational rearrangement and optimization of the front office network (launched in 2012) are still ongoing. To date, there are 79 front offices on the Emilia Romagna territory, including 5 new openings (4 in the Imola and 1 in the Ferrara district) and the 3 model change vs Hera points (in third party premises in the Modena district) were completed during the first semester 2014.

Our **Call Center** remains the contact channel favoured by our final customers. **Private Call Center** operators handled 93% of the inbound calls, a value consistent with the target and excelling the corresponding 2013 period by 1.5 points. The average waiting time was 45.6 seconds - interactive voice response excluded – fall of 13.3% compared to the first half of 2013.
In the **Corporate Call Center**, the percentage of handled inbound calls was 95.6%, excelling both the set 94% target and the final figure for the first half of 2013 by 1.1 percentage points. The average waiting time - interactive voice response excluded - was 31.5 seconds, minus 3.8% compared to the first semester 2013.

As with the offer portfolio, management policies are also aimed at increasing our customer base value by spreading services and tools designed to improve their bond with our Group and to boost customer loyalty.

More specifically, our campaigns promoting *efficient behaviour* - such as the use of online Services and electronic Bills - continued with excellent results along with the related promotion (e.g."Cut the bill. Give your city a tree" campaign).

The new online services were fully developed in July 2013: a new visual look, a more intuitive content layout, higher interaction and data acquisition speed, as well as more document filing that customers can complete by themselves.

The impact on online services and electronic billing subscriptions was very positive:

- Online services: around 20 thousand new subscriptions from January 2014, raising the total number of registered customers to 200 thousand (+7.6% compared to the same 2013 period; 13.5% of the whole customer base in June 2014);
- Electronic Bill: 20 thousand new entries in the 1st six months 2014, raising the total number of registered customers to over 115 thousand (+ 50% compared to the same period in the previous year)

The new bill for the Group services was also enforced in April 2014.
As with the new online services, the bill review process has involved customers, with *focus groups* aimed to spot enhancement margins and to take handy suggestions on board, including the use of advanced *eye tracking* systems (tools designed to highlight the bill elements that customers typically check over). Thanks to a summary and initial page rearrangement, to new charts displaying a customer's progressive performances as well as of a few colour parts to point up key information, the new bill is now clearer, more legible and transparent.

Over the 1st semester 2014, new *loyalty* tools to fortify the bond with our customers have been introduced.

1.06 Trading and procurement policy

As far as the gas sector is concerned, the first half of the year saw consumption fall by 14.3%, compared to the previous year, with particularly significant decreases for civilian buildings and gas plants, which fell by 17.7% and 15.6%, respectively, due also to an especially mild winter.
Regardless of the weather effects, the first six months featured once again the recession trends that came into being after the financial crisis of 2008, even though June featured a rise in the demand for gas of 2.5%, on June 2013, the first such increase in six months.

In this market context, which had a clear impact on Group sales, the first half of 2014 was devoted, on the one hand, to balancing and optimizing the Group's short-term position and, on the other hand, to finalizing new procurement contracts for the 2014/15 thermal year.

Short-term adjustments, supported by efficient requirement forecasting activities, were made through purchase or sales adjustments at the Virtual Exchange Point (VEP) in Baumgarten on the Title Transfer Facility (TTF) and at Net Connect Germany (NCG Germany). These transactions generally took place at favourable prices and made it possible to meet the expected results.

In June trading began in modulated gas intended for the standard offer market through Hera Comm, with approximately 1.5 billion cubic metres for thermal year 2014-2015, in reference to the new terms and conditions of supply approved by AEEG starting October 2013. The activity, which ended in June, made it possible to obtain highly favourable prices thanks to the strong competition in the wholesale market.

Starting in April, gas procurement activities by Hera Trading began to purchase gas to fill the storage acquired in an auction and, subsequently, gas intended for the contestable market for about 0.5 billion cubic metres, directly in the spot market.

As regards the electricity market, the first six months of 2014 were further evidence to the seriousness of the crisis under way, as demand for electricity fell by 3% compared to the first half of 2013.

Reduction in demand - also as a result of the particularly mild winter, the high hydrolicity of hydroelectric plants determined by the heavy rainfall for the period and the development of renewable sources (photovoltaic in particular) – has further aggravated the situation for the thermoelectric sector, which never misses an opportunity to request a reorganization and new rules for the market, including by introducing a capacity market.

The negative market scenario is having an impact on producers. In particular, the Hera Group, taking into account the limited installed capacity compared with the final market, was able to curb the adverse effects thanks to the operations of the plants in the DSM (Dispatching Service Market). This made it possible for the Teverola and Sparanise plants to achieve satisfactory results.

Problems continue for the Ortona plant, located in an area with low demand in the DSM (Dispatching Service Market), and the COGEN/Imola plant, even though the latter's negative performance is offset by the positive district heating results. Concerning the COGEN/Imola plant, in particular, which could not operate in the DSM market due to cogeneration restrictions, upgrading activities are under way to make it operational as early as next winter.

As far as trading in the electricity sector and environmental certificates are concerned, the first half of 2014 saw an increase in European operations, with positive results, in line with expectations.
Special attention was paid to the management/optimization of Hera Comm's purchase portfolio through transactions carried out on the Power Exchange and over-the-counter (OTC) platforms

Management of commodity and foreign exchange risk - which is conducted for both gas and electricity through a concentrated portfolio which provides for destructuring formulas, the netting of positions and hedging of volumes - was particularly effective in the first half of 2014, even though it was affected, in quantitative terms, by the progressive delinking of gas and electricity prices from oil.

1.07 Financial policy and rating

The rebound of the Italian economy is still very slow and burdened by the public debt (whether of households, companies, banks and public sector) and the need for the banking sector to recapitalize. Against this backdrop, the current monetary policy based on very low short-term interest rates and the decision adopted by the ECB's Governing Council in June might give impetus to recovery and growth. In fact, the latest intervention measures call for the ECB to inject liquidity into the banking system equal to three times the amount of loans outstanding between September 2014 and 2016. This infusion should allow Italian banks not only to channel cheap credit to the economy, as early as the last quarter of the year, but also to hold or even increase their holdings of Italian government bonds, thus providing major support to the Italian public debt and fostering a narrowing of the spread between Italian and German government bonds. In this way, the expected effects would be low-interest bank loans, narrower sovereign spreads, thus a lower risk premium for all Italian borrowers, with ensuing benefits also for Italian firms.
In fact, spreads continued to fall, especially that between Italy's BTPs and German bunds, which reached 160 bps. in June, in keeping with the narrowing trend that had generally set in.

However, in some countries among which Italy the inadequate capitalization levels of banks exacerbates the credit crunch, in a macroeconomic context that increasingly undermines the creditworthiness of borrowers, triggering much stricter prudential mechanisms in the provision of credit.

Given the current financial and macroeconomic context, the Group continues to pursue its objective of matching its assets and liabilities, in terms of maturity and repayment schedules, and taking into consideration the current debt structure. The optimal balance between fixed- and floating-rate financing is designed to stabilize cash flows so as to guarantee margins and the certainty of cash flows from operating activities, in connection with a prudential interest risk management strategy.

The Group's financial management is based on risk mitigation, thanks to a hedging policy that calls for a non-speculative use of derivatives.

Below, a description is provided of the Group's policies and principles to manage and control such risks as liquidity risk and related default and covenant violation risk, interest rate risk and foreign exchange risk.

Liquidity risk
Liquidity risk is defined as the risk whereby, due to its inability to raise new funds or liquidate assets in the market, a company fails to meet its payment obligations.
The Group's aim is to have a level of liquidity which allows it to meet its contractual commitments, both under normal business conditions and during a crisis, by maintaining available credit facilities and liquidity and proceeding with the timely negotiation of loans approaching maturity, optimising the cost of funds according to current and expected market conditions.

The following table represents the "worst case scenario" where assets (cash, trade receivables, etc.) are not considered and financial liabilities - principal and interest - trade payables and interest rate derivative contracts are shown. Call credit facilities are assumed to be repayable on demand while other borrowings mature on the date on which repayment can be demanded.

Worst case scenario	30.06.2014			31.12.2013		
(€/mln)	from 1 to 3 months	from 3 months to 1 year	from 1 to 2 years	from 3 months to 1 year	from 3 months to 1 year	from 1 to 2 years
Bonds	2	100	600	59	100	603
Bonds and other financial liabilities	162	314	89	242	309	158
Trade payables	951	0	0	1,192	0	0
Total	**1,115**	**414**	**689**	**1,494**	**409**	**760**

To secure the availability of enough cash to meet every financial obligation for at least the next two years (time horizon of the worst case scenario reported), at 30 June 2014 the Group had €580 million in liquid assets, €450 million in committed unused lines of credit and significant unused uncommitted lines of credit (€1,000 million).
The lines of credit and the relevant activities are not concentrated on a specific lender but are distributed among the main Italian and international banks, featuring a use much lower than the total available.

At 30 June 2014, the Group's financial structure showed long-term debt accounting for 90% of all borrowings, with bonds with principal repayable at maturity representing 70% of such long-term debt. The average term to maturity was about 8 years, with 67% maturing over five years.

The expected nominal amounts to be repaid over the next five years and after five years are shown below.

Debt repayment outlays (€/mln)	30.06.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018	Over 5 years	Total
Bonds	0	0	500	0	0	2,152	2,652
Bank debt / Due to others	195	297	84	65	47	311	998
Total	**195**	**297**	**584**	**65**	**47**	**2,463**	**3,650**

Default risk and loan covenants

The risk lies in the possibility that loan agreements signed contain clauses that include the right of the lender to ask for the early repayment of the loan if certain conditions occur, thereby creating a potential liquidity risk.
At 30 June 2014 a significant portion of the Group's net borrowings included loan agreements with a set of clauses that, in keeping with international practices establish a number of restrictions. The most important of these include pari passu, negative pledge and change of control covenants. As to acceleration clauses, there are no financial covenants on debt except that no amount in excess of €150 million in debt can be rated below investment grade (BBB-) by even one rating agency.

Interest rate risk

The Group uses external funding sources in the form of medium- to long-term financial debt, various types of short-term credit facilities and invests its available cash primarily in immediately realisable highly liquid money market instruments. Changes in interest rates affect both the financial costs associated with different types of financing and the revenue from different types of liquidity investment, causing an impact on the Group's cash flows and net financial charges.
The Group's hedging policy does not allow the use of instruments for speculative purposes and is aimed at optimising the choice between fixed and variable rates as part of a prudential approach towards the risk of interest rate fluctuations. Interest rate risk is essentially managed with a view to obtaining predictable margins and cash flows from operating activities.

Interest rate risk management entails, from time to time, and depending on market conditions, the execution of transactions involving a combination of fixed-rate and floating-rate financial instruments as well as derivative products.
Consistent with the Hera Group's risk targets, floating-rate debt accounts for 46% of total borrowings. The remaining 54% comprises fixed-rate medium/long-term loans which might expose the Group to changes in fair value.
The derivatives are a perfect hedge to the underlying debt and are in agreement with IFRSs.

Gross borrowings (*)	30.06.2014			31.12.2013		
(€/mln)	without derivates	with derivates	% with derivates	without derivates	with derivates	% with derivates
Fixed rate	2,760	1,889	54%	2,762	1,911	53%
Floating rate	739	1,610	46%	841	1,693	47%
Total	**3,499**	**3,499**	**100%**	**3,604**	**3,604**	**100%**

** Gross financial debt: does not include cash and cash equivalents, other current and non-current financial receivables*

Exchange rate risk unrelated to commodity risk

The Group adopts a prudential approach towards exposure to currency risk, in which all currency positions are netted or hedged using derivative instruments (cross-currency swaps).
The Group currently has a currency bond of *JPY* 20 billion, fully hedged with a *cross-currency swap.*

Rating

Hera has a "Baa1" rating by Moody's with a negative outlook and a "BBB" rating by Standard & Poor's with a stable outlook.
On 6 May 2014, S&P confirmed the Group's rating thanks to both its solid and well-balanced business portfolio, where 50% of EBITDA is generated by regulated business and its leadership in the water, environment and gas businesses. The stable outlook reflects S&P's expectation that the Group might reach the target rating level and hat its solvency is not fully dependent on the situation of Italy as a country.
On 3 December 2013 Moody's confirmed its "Baa1" rating with negative outlook, placing the Hera Group one notch above Italy's rating (Baa2 stable outlook), because it thinks that the Company can mitigate the negative impact of the country's weak macroeconomic context, thanks to its broad diversification and moderate exposure to cyclical activities. However, the negative outlook is due to the still-critical conditions of the Italian economy and the consequent pressure that they might determine on the Group's financial profile.
Given the current macroeconomic context and the uncertainty on the country's regulatory and economic prospects the Group has further reinforced its actions and strategies outlined in the Plan to maintain, or even improve, adequate rating levels.

1.08 Research and development

In the first half of 2014, the Group's research activities chiefly involved the technological development of renewable sources, the development of environmental monitoring and control technologies, energy efficiency, as well as a network management and environmental services optimization. The Group continues its commitment to renewable energy through the Hera Group's new centre for the development of renewable energy.

HEnergia. This is an experimental centre for applied research into technologies for the production and utilisation of energy from renewable and alternative sources, whose construction was begun in November 2011 in the Forlì Hera headquarters. HEnergia will make it possible to assess various technologies, from those already available on the market to those still in the prototype phase, thanks to an advanced network of data measurement and acquisition. The focus will be on the measurement of effective outputs and their development over time. The other significant aspect will involve the identification and prevention of operating problems and the assessment of actual running costs. In its initial configuration, there is a photovoltaic section and a unit devoted to the production, storage and use of hydrogen. In 2013, work on this structure was completed and experimental activities were inaugurated and launched with the support of the University of Bologna. In the first half of 2014, an initial update was carried out on the data acquisition system and the research plan was fine-tuned.

Automatic Leak Detection. This project is dedicated to investigating innovative systems for automatic water leak detection, to be used in conjunction with a remote-metering system. A test site was set up in 2007, and tests in different environmental conditions were carried out. The initial test results were extremely promising. In 2008, the investigation techniques were refined with the creation of an automatic field acquisition device, the development of a statistical analysis tool and the design of a water leak simulation tool. The tool was constructed in 2009 and installed in real utility use sites together with the acquisition tools created in the previous year. The considerable mass of data collected has enabled this physical phenomenon to be defined better than it had formerly been the case. In 2010, a tool was designed and produced to facilitate data acquisition at different connection points and under various operating conditions. In 2011, acquisitions were made in various territories which allowed further refinement of the signal analysis algorithm.
Experiments continued in 2012 with the creation of a device equipped with a hydrophone sensor whose performance will be compared to that of the (accelerometer) sensor already in use. Analyses of the data collected using this technology are ongoing.
In the course of 2013, several data acquisitions were carried out in parallel on the two types of sensor in the open-air hydraulic laboratory located at Forli Research and Development headquarters. These acquisitions have allowed technicians to clearly identify the benefits and limitations of each technology.
In the first half of 2014, further research was conducted. In 2013 the operation of the system built at Riolo Terme (RA) for the detection of leaks on a city network was closely monitored , based on a series of hydrophones applied to the hydrants. The final results will be available at the end of the observation period, which will come to a close at the end of 2014.

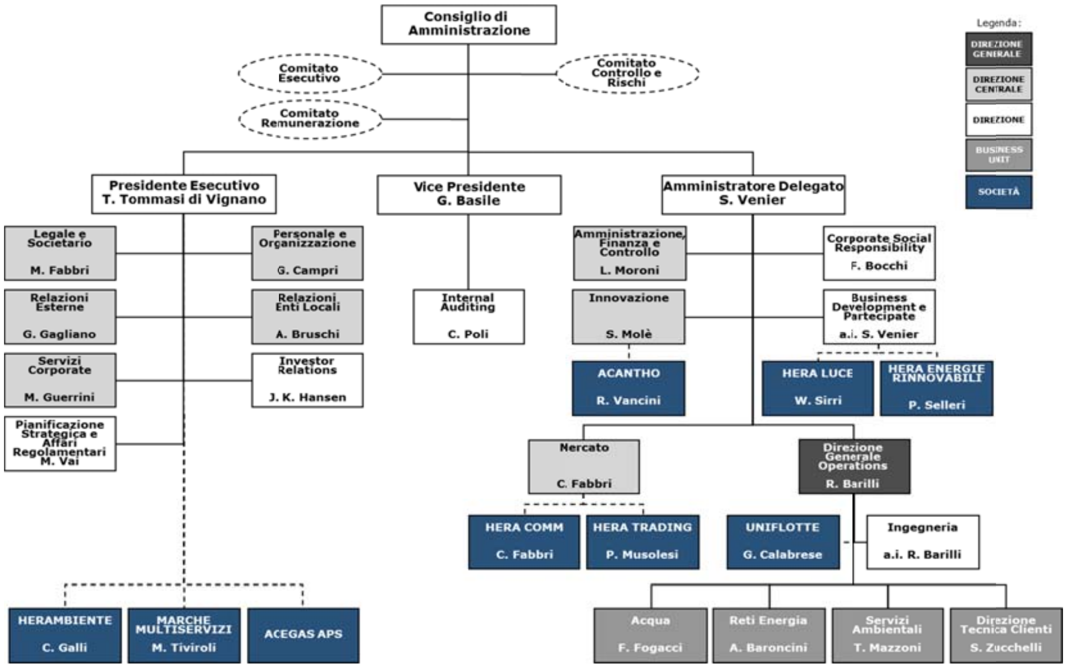
Automatic Plant Management. Developed in collaboration with ENEA, the project involves the development of a system for the automatic management of the main operating parameters of water-treatment plants. The system is designed to maintain maximum efficiency in the process conditions of a given plant , depending on the composition of the incoming waste water (depuration plants) or untreated water (drinking water treatment plants). In 2008, work began at the Calderara di Reno-Bologna depuration plant, chosen as a test site. In 2009, analysis and control instruments were installed at the site and field-data acquisition commenced. The data acquired in 2010 confirms previous knowledge on continuous-flow sludge

treatment, and reveal new characteristics in the signals relating to the quantities monitored, making it possible to differentiate between standard operation and malfunctioning at the plant. In general, the applicability of automatic control to real-scale plants has been demonstrated. In 2011, the second phase of the project started , with the aim of developing a prototype system within three years. In 2012 a prototype depuration plant to scale was installed at the Trebbo di Reno (BO) purifier, and the rationale and policies for controls to be implemented in the system were identified. In 2013, tests were carried out on the Trebbo di Reno plant with satisfactory results. At the same time, an additional prototype was installed at the Calderara di Reno (BO) plant. In the first half of 2014, work was taken up to create a control system.
In conjunction with the activities above, an additional line of research was also initiated, involving the evaluation of a system to monitor the purification plant biological division in, named 'Oscar' (Optimal Solution for Cost Abatement in Nutrients Removal).

Modeling water cycle plants. The purpose of this project is to develop mathematical models for the simulation of depuration plant hydraulics and processes. The objective is to acquire the instruments and know-how necessary to begin coordinating the mathematical modeling of water-treatment plants for the Group. In 2009, preliminary work was carried out to develop a model of the sample site and to select calculation software from those commercially available. During 2010, at the end of the evaluation phase, software licenses were acquired. In 2011 modeling work within the Group was begun, and is currently still in the pilot phase.
Within the scope of this activity, in 2012 the Group was equipped with sophisticated instruments capable of carrying out specific laboratory-based analyses for the calculation of magnitudes and parameters useful for modeling. During 2013, the model for the Santerno depuration plant in Imola was set up, drawing on the data provided by the innovative instruments installed in the plant and a detailed characterization of waste waters and biological sludge carried out in the Group's laboratories. Modeling of the main Bologna-based purification plant will be carried out during 2014.

Energy Recovery in Water Treatment Plants. In 2010, investigations were launched into the possibilities for achieving energy recovery from water treatment plants, with a study of the technologies involved. An initial feasibility study was developed to recover energy from the Bologna depuration plant exploring the use of high-performance hydraulic screws. Two other studies were launched in 2011: the first concerns energy recovery from the mains water supply using In Pipe Turbine (IPT) or Pump As Turbine (PAT) systems; the second project involves thermal energy recovery from the mains water supply using low-enthalpy heat-pump systems. In the wake of these studies, and following additional data analysis and field assessment carried out in the first half of 2012, a decision was made to continue with pre-feasibility studies for an application at an aqueduct pressure reduction substation in the Municipality of Bologna, to optimise potential energy recovery. The study was further developed in collaboration with some of the major Italian companies operating in this sector during 2013. In the first half of 2014, a feasibility study was launched regarding the installation of an energy recovery system (turbine or PAT) at one of Bologna's aqueduct pressure reduction substations.

1.09 Human resources and organisation



As of 30 June 2014, the Hera Group had 8,140 permanent employees (consolidated companies), with the following breakdown by role: managers (150), middle managers (463), employees (4,181) and workers (3,346). This workforce was the result of the following changes: new hires (+74), incoming changes in scope (Isontina Reti Gas +32, Fucino Gas + 2), departures (-60) and departing changes in scope (Hera Socrem -5). Also of note is that the new hires were made essentially as a result of turnover involving the addition of more qualified staff.

The Hera model is distinguished in the multi-utility landscape for having created an industrial and operational integration based on a Holding ;through its Central Departments dedicated to planning, support and control, the holding ensures an integrated Group vision, favours the exploitation of synergies, and ensures - through the strategic Business areas - the operational management of the Group's activities, while coordination and direction of the operational areas) are provided by the General Operations Department.

The Energy & Utility sector is increasingly characterised by rapid changes, with competitive dynamics and a regulatory context oriented towards specialisation, distinguished by certain key elements (Water and environmental services regulations, Public tenders for services, Regional regulation, etc.) in a setting where growth is closely tied to businesses' ability to achieve continuous innovation in the industrial processes they carry out.

In keeping with the external scenario described above and along with top management reorganization, on April 28, 2014 the Group adopted a new version of the Organizational Model aimed at simplifying its functioning mechanisms and at further pursuing technological and process-oriented innovation, which also relates directly to the business and is designed to identify practical tools in order to facilitate the achievement of the Group's objectives.

To this end, the Executive Chairman oversees the Central Legal and Corporate Affairs Department, the Central Personnel and Organization Department, the Central External Relations Department, the Central Relations with Local Authorities Department, the Central Corporate Services Department, the Investor Relations Department and the Strategy Planning and Regulatory Affairs Department. The Executive Chairman also heads the Group Companies: Herambiente, Marche Multiservizi and Acegas APS.
The Vice Chairman oversees the Internal Auditing Department.
The CEO oversees the Central Administration, Finance and Control Department and the Central Innovation Department, which in turn oversee Acantho, the Corporate Social Responsibility Department and the Business Development and Subsidiaries Department. These oversee the companies Hera Luce and Hera Energie Rinnovabili as well as the Central Market Department. The latter oversees the Hera Comm and Hera Trading companies as well as the General Operations Department, which in its turn oversees the Water Department, the Energy Networks Department, the Environmental Services Department, the Technical Customer Department, the Engineering Department and the company Uniflotte.

Additionally, there are several main organizational features that distinguish the new organizational model from the previous structure and follow a differential logic: the Central Corporate Services Department oversees the Procurement and Public Tenders Department and the Quality, Safety and Environment Department with a view to simplifying and centralizing the processes that support the business lines; the Central Relations with Local Authorities Department directly oversees the Area Managers in order to further simplify relations with local authorities and maximize efficiency; the Central Innovation Department oversees the Informational Systems Department, the Technical Services Department and the Development division, centralizing within a single organizational sphere the key processes for identifying and applying industrial solutions that are innovative both from a technical-industrial and from a technological point of view; as far as the General Operations Department is concerned, the establishment of the Engineering Department is intended to centralize, within a single organizational sphere, the competencies related to the planning, design and implementing both Large Plant Engineering and Network Services Engineering projects.

The Group's operational model continues to be aimed at achieving the best balance between business-sector prospects and bonds with the local area, seeking to maximize the effectiveness and efficiency of its services through the operational areas (organization, processes, resources and systems) where it is possible to intervene.

In relation to Herambiente SpA, during the first quarter of 2014 activities were carried out that led to the reorganization of the Market Department and, within this, the creation of the Industrial Services Company, which has been operational since 1 April 2014.
These activities were aimed at developing an increasingly competitive commercial approach focused on the provision of disposal and intermediation services for companies, identifying and taking advantage of the business opportunities offered by the market of service supplies for both small -to- medium enterprise segment and Top Business customers.
The Market Department has incorporated the entire Logistics division with the exception of the Waste Drop-off Structure, which remains a part of the Operational Services Department; the process for managing the planning of wet and dry as well as of industrial special waste flows was unified in order to achieve more efficiency and a higher degree of rationalization in carrying out the timely allocation of special wastes.

Company management involves two Joint Committees:
Management Review, primarily aimed at examining and sharing corporate policies, strategies, objectives and operational planning throughout the Group, as well as to fostering the integration of the various corporate entities;

Business Review, primarily aimed at spreading information about the management performance of each period in relation to each area of the company's business and examining the progress of the specific Budget Unit initiatives set out in the Budget and Industrial Plan.

Industrial relations

On January 24, 2014 the parties agreed on Meeting Minutes regarding a new Emergency Response and Traceability model for the Bologna area. With this last memorandum, the initial start-up phase of the process of reorganizing the entire Group was completed. In accordance with the commitments made in May and June 2014, additional assessment meetings concerning the procedures for implementing Traceability were initiated throughout the areas involved.

On February 13, 2014 in Trieste, the parties agreed on the plan Meeting Minutes to merge AMGA SpA into the Hera Group. With the subsequent meeting report dated May 7, 2014, a joint examination procedure was carried out for the merger by incorporation of AMGA SpA into HERA S.p.A. and the concurrent divestiture of a corporate branch relating to the entire merged company, AMGA SpA, into ACEGAS-APS SpA, with effect beginning July 1, 2014.

On March 5, 2014, a renewal of the HERA Group's Integrative Collective Agreement for the Emilia Romagna area was signed with the Trade Unions.for employees covered by the Confservizi national collective agreement

By signing the Agreement, which took place after a complex and intense period of negotiation, the parties reached consensus on important issues such as the three-year renewal of the Performance Bonus, a standardization of varying practices in terms of business travel, and drafting a single canteen service.

As regards the definition of the performance bonus, in keeping with the pre-existing system, the total amount of the bonus is divided into two main parts and will be awarded according to the Group's forecast profitability results (EBITDA), as well as on the basis of achieved productivity targets.

Regarding the canteen service, all the previously existing divergent policies have been replaced. A single fee to be paid by employees was fixed, which will be applied through a gradual adjustment of the current rates.

In March, the Hera Group's 2013-2017 Industrial Plan, focusing on its individual business areas, human resources, health and safety and investment, was presented to the federal, sectorial, national and local trade union organizations.
On March 27, 2014, Hera SpA, SpA Herambiente and Hasi S.r.l. (previously Nestambiente Srl) agreed on Meeting Minutes to complete the joint assessment procedure for transferring the Hera SpA business component known as Commercial Services to Herambiente SpA and simultaneously transferring to Hasi S.r.L. the employees working in the Market Department of Herambiente SpA in the areas of Small Business Sales, Top Business Sales and Trading, as well as at the Storage Platform in Ferrara. This transfer will take place beginning July 1, 2014.

On April 16, 2014, following the experimentation agreement for the Modena area reached in July of 2013, a Memorandum of Agreement was signed at the central level on using the DST WASTE system on the company vehicles belonging to the Environmental Services Department used for waste in the local areas of Bologna, Ferrara, Forlì-Cesena, Imola Faenza, Modena, Ravenna and Rimini. This system is aimed to protect the safety of drivers, pedestrians and other vehicles, to maintain company vehicles and to reduce fuel consumption.

On May 21 2014, the trade union organizations were presented with the company's proposal regarding the new schedule framework for the Operations General Department, as well as that of other HERA SpA and subsidiary companies' structures, in order to standardize the various schedules currently in force in the HERA Group.

Negotiations with the Union Coordinating Body continue with the aim of establishing new working hours beginning January 1, 2015.

With regard to signing a new Contract Protocol and to establishing a new Industrial Relations Protocol with the National Sectorial Trade Unions, a meeting was held in Rome on 5 May 2014 with the intention of concluding the discussions by the end of this year.

Hera continued to collaborate with the Employers' Associations, participating in the committees and delegations in charge of handling the National Collective Agreements for the Gas and Water, Environmental Services and Electricity Sectors.

Development

Activities continued in the formation and diffusion of the Group's Leadership Model, which was defined in 2010 with the aim of identifying prospective and distinctive behaviour for Hera Group management and involved a series of initiatives being implemented for all managers and middle managers. The main initiatives included: training workshops, sessions about team management and assessing and enhancing the value of collaborators as well as thematic seminars on the four key elements of the Model.
Group Managers and Middle managers have participated in training courses dedicated to further developing their understanding of several key elements of the Leadership Model. In particular, from June 2012 to June 2013, multiple events were dedicated to a detailed exploration of the key element "Managing Complexity" and its two fundamental skills: flexibility and decision-making. At the end of these twelve months, a focus seminar on Complexity Management dedicated to Executives and Managers was held.
From June 2013 to June 2014, the focus shifted to a detailed exploration of the key element "Orientation toward Excellence" and its distinctive skills: Tending toward excellence and Identifying with the company. The training program, which involves all members of the group including AcegasApsAmga, was launched in October 2013 and came to an end in June 2014.
A focus seminar on "Orientation toward Excellence" is scheduled for July, involving all directors and top management.
Thematic newsletters entitled "Leadership Tips" are sent to managers and middle managers on a three-month basis, in which the key skills addressed in the course of in-person events are explored in detail.

In relation to the internal climate survey conducted in 2013 (which also involved AcegasAps) during the first half of the year, improvement initiatives were defined and launched in keeping with the findings suggested by the survey results. Monitoring reports regarding planned activities are produced on a quarterly basis.
The participants in the first edition of the potential development project (begun in 2008) - who took part in developmental paths mainly characterized by transversal skill acquisition - were involved in inter-corporate experiential courses in Italian and foreign businesses and best practices grouped by competence area, and presented the results of their experiences to the Management Committee.

The second edition, starting in late 2011, involved 94 resources and was aimed at enhancing and extending the potential of the Group's existing young resources. Several training initiatives were set into motion in 2011 and 2012; in particular, a training initiative involving all of the 94 resources was carried out in November 2012 with the aim of introducing the Leadership Model contents and providing opportunities and suggestions for professional self-development.

Beginning in October 2013, a modular set of activities named "The pathway to excellence," was launched, scheduled to end in the first half of 2014; these modules employ different educational modes, including classroom, experiential activities, distance learning (such as Webinar-online interactive seminars), and individual reflection and self-development sessions.

In December 2012, the project "Positive Return Policies," presented in October 2011 for the funding competition pursuant to Art. 9 of Law 53/2000 "Measures to reconcile life and work time", was awarded partial funding by the Council of Ministers Presidency amounting to EUR 257,000, obtained thanks to the innovative and socially relevant character of the proposed measures. The funded activities were launched on March 19 2013 and will continue until March 18 2015. The project's main objectives include the development of initiatives to reconcile work and life and support tools for employees on maternity, paternity or parental leave.

In order to facilitate employees' return to work, internal training and a brief session of coaching/counselling is scheduled: since it was launched in June 2014, 3 coaching editions have been carried out while a fourth edition is currently being set up. In addition, in late 2013 a counselling-oriented listening skills initiative was launched targeting employees returning to work following a period of family care leave.

Thanks to the financing project, the number of available corporate day-care centres throughout the Group's geographical area of activity was increased.

Furthermore, a collaboration with the Province of Bologna was under way in June aimed at efficiently identifying qualified home care services for Group employees thanks to an extended database called Madreperla.

An e-learning course dedicated to Time Management was internally structured during the first half of 2013, available to all employees. More than 750 employees have spontaneously applied to be enrolled already .

As part of defining the Corporate welfare plan, in the first half of the year the implementation phases of the project were laid out: benchmarks, internal identification of welfare priorities, the definition of the integrated corporate welfare system. The first benchmark phase focused on mapping internal initiatives that are already underway and on drawing comparisons with other companies was completed and the next phase of internal detection is currently being set up.

As part of the initiatives targeting employees' children, two initiatives were carried out between late May and early June: "Orientation to the world of work," which was aimed at providing useful tools to navigate the world of work, write a more effective personal resume and prepare for job interviews; and "University Orientation," which involved a discussion between some representatives of academia (universities) and directors of the Hera Group who described their study experiences and provided participants with tips for choosing the best university.

Training

As far as training is concerned, the first developments to note consist of new activities and initiatives as part of Heracademy, the Hera Group's Corporate University, namely the creation of a workshop entitled "Smart Communities and Local Development: the cities of tomorrow" (Bologna, March 2014) aimed at continuing the discussion prompted through the previous workshop on ‘smart’ projects and initiatives through a focus on applied elements and concrete project-based experience.

As part of the Institutional and Managerial Training programs, it should be noted that the first edition of the Institutional Training program targeting the Group's new middle managers was launched; this program was created thanks to contributions by some of the Group's directors and top managers involving co-planning and teaching and is designed to enhance and support participants' evolution to new levels.
In addition and also in relation to institutional and managerial training programs, the Group continued to offer training in the Lean Organization method, specifically through the creation of focus groups comprising Lean-certified resources and aimed at further spreading Lean culture throughout the Group.

As to the commercial and market sphere, the Group carried out training on advanced sales techniques with a focus on negotiation skills in relationship management, as well as training courses on business writing.
Another activity to report is the initiative in which executives and managers support call centre and help desk operators, with the aim of further enhancing the attention granted to customer relations activities.
As far as training about information systems is concerned, the SSA (Sviluppo Sistemi Ambiente) project aimed at developing information systems and technologies that can be used to carry out Environmental Services field activities continued this year, involving more than 150 resources and with approximately 7,000 hours of classroom training already provided.

In addition, training activities were launched, associated with the Fast Closing project aimed at optimizing administrative and accounting processes in preparing periodic financial statements.
In terms of innovative models of knowledge management (Community of Practice), in May 2014 the Group launched the "Regulation and Rates" Community aimed at informing corporate structures about the evolution of national and European regulations governing the sector.

Furthermore, as to activities associated with The School of Trades model and its evolution, "Hera teaches you a trade ... in school" continued. This innovative initiative is aimed at fostering the development of technical business knowledge as well as social capital in the local area served by the Group by setting up educational programs for students at several trade schools in the Emilia-Romagna region (Forlì, Modena, Ravenna); this project was made possible in part thanks to the role Group resources have played in contributing to planning and teaching.

In the first half of the year, roughly 23,986 individuals participated in training activities, and 95% of Group employees were involved in at least one training activity.
The total financial investment, excluding costs associated with trainee staff and internal trainers, totalled Euro 458,003.

These figures confirm the Hera Group's significant commitment, comprising both economic and other resources, to continually developing and valorising its human capital.

Type of training	Person-hours
Professional and specialist training	37.180
Quality, safety and environment	26.511
Institutional and managerial training	24.767
IT	9.329
Total	**97.787**

1.10 Information systems

The Group's activities are managed through complex information systems that support its most important business processes, whether operational or commercial and administrative.

The activity carried out in the first half of 2014 was characterised, at a group level, by continuity in the integration, consolidation, as well as applicational and infrastructural optimisation activities for the Group's various companies, defined on the basis of the changes in company structure that were implemented in the previous financial years.

In this context, the Information Systems Department centralised part of its activities in order to ensure that the systems were sufficiently available, with specific attention granted to the systems deemed the Group’s core businesses . With respect to the Group's business requirements, any possible inadequacy, unavailability or failure to upgrade its information systems would represent potential risk factors, which the Group has mitigated by way of specific controls units governed by the Information Systems Department.

The guidelines through which the Information Systems Department's interventions are developed are indicated in the Industrial Plan and in the Budget, namely:

- * guaranteeing compliance with the sector's regulatory requisites;
- * supporting the business;
- * guaranteeing process and system efficiency and improving service levels;
- * reducing risks in the area of technology and the security of the systems managed

There is an ongoing and timely commitment to bring information systems in line with the sector regulations.

Furthermore, the process of functional, architectural and infrastructural evolution of the main systems serving the company's Business continues, with respect to which a consistent improvement in performance has been reached.
New and more efficient functions supporting business processes were put into place, namely Environmental Services and Strategic Planning.

Some significant activities include those involved in important technology upgrades, to ensure that the Group's systems are updated according to the latest technical/functional levels available on the market, while keeping the impact on Business to a minimum.

The information systems ensured service continuity, both by implementing High availability (HA) configurations , by minimizing the impact of the release of new projects and by fulfilling ordinary maintenance and system-development requests in accordance with agreed-upon priorities.

The Group implements specific controls in the data confidentiality and security area, both through the technical implementation of mechanisms for ensuring compliance with legal regulations and through internal security policies with tools that serve to segregate access to information.
The Information Systems Department is committed to preventing and monitoring potential computer security breaches. To this end, specific measures have been adopted to carry out the necessary checks and manage IT security.
As a further safeguard for this specific risk area, the Group periodically carries out both internal and external vulnerability assessments.

With regard to infrastructures, the stabilisation and reinforcement of the data centre also continues.

Lastly, periodic audits aimed at maintaining the ISO 9001 quality certification have been carried out with successful results.

1.11 Quality, safety and environment

In the first half of 2014 the key outcomes include:

- The maintenance of the certification for the "integrated" system, ISO 9001, ISO 14001 and OHSAS 18001, for Hera SpA, maintenance ISO 17025 of the Group Laboratories and maintenance of the certification SA8000:
- EHS project: Definition of the evolutionary pathway of Corporate Information Systems in the area of Health, Safety and Environment. At the beginning of 2014, the system regarding the management of health monitoring was brought into production. At the same time, the "Planning Prevention and Protection" project was launched.
- Acegas-Aps: during the year, a collaboration was initiated between the company and the QSED regarding various areas such as:
  - TAKE-OVER DNV for AMGA UDINE and the merger of GORIZIA (AA). Successfully completed activities.
  - An ISRS assessment process, aimed at providing elements for the development of the OHSAS 18001 management system;

- Energy Efficiency, ISO 50001 certification and Energy Management activities: having begun a certification process, which involved all of the corporate structures keeping to the planned activities schedule.

QSE Coordination

In the first half of 2014, the QSE coordination was intensely involved in overseeing the correct implementation of the management system, mainly through a structured program of internal audits mainly at Hera SpA's facilities.

The findings of the individual second-level re-examinations were brought to the attention of the company's top management through the Hera Spa Re-examination.

Another significant activity consisted of accompanying the Certifying Agency as it carried out audits aimed at maintaining the ISO 9001, ISO 14001 and OHSAS 18001 certifications.

At the end of its activities, the DNV GL confirmed the solidity of the integrated management system and thus the validity of the ISO 9001, ISO 14001 and OHSAS 18001 certifications. Our efforts have focused especially on the update of environmental analysis.

Unified prevention and protection service

Some important projects were launched in the first half of 2014, such as the "Road Safety in the Company", aimed at outlining ways to analyse the problem in order to identify actions that might bring about a significant reduction in traffic accidents, with clear social and environmental benefits (accidents reduction, workers health monitoring and cost reduction).

QSE Regulations and Privacy protection

The Group continued to oversee and further develop the Privacy regulations, which play an increasingly central role in the overall activity of overseeing significant aspects of quality, safety and environment, in view of evolving the integrated management system, complete with legal restrictions on privacy. The QSED has gained increasing weight as a normative reference in relation to legal requirements relating to workplace health and safety, environmental protection, quality and privacy.

1.12 Subsequent events and outlook

"Green Bond" issue

On 4 July 2014, the Group took a favourable market opportunity and issued "Green Bonds" under its Euro Medium Term Notes in place for a principal total amount of €500 million. The bonds mature in July 2024, carry a 2.375% interest rate, for a yield of 2.436% per annum, and is listed on the Luxembourg Stock Exchange. The Green Bond refinanced existing debt, such as the 2020 bond for a nominal amount of €100 million, part of the 2016 Eurobond for an amount of €304.6 million and the 2025 bond for €17 million.

Isontina Reti Gas Spa and 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 Spa. Lastly, following the above-mentioned rationalization process, the merger of both Isontina Reti Gas Spa and Est Reti Elettriche Spa with and into Acegas APS AMGA Spa took effect as of 1 July 2014.

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%.

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.

Carniacque Spa

As a result of the merger of Amga-Azienda Multiservizi Spa, Hera Spa is expected, by the end of 2014, to dispose of its 34.85% equity interest in Carniacque Spa, a company operating in the water sector.

CAPITOLO 2

Abbreviated consolidated financial statements as at 30 june 2014

2.01 Consolidated Financial statements

2.01.01 Consolidated income statement

thousands of euros	notes	1st half 2014	1st half 2013 as ajusted *
Revenue	4	2,089,089	2,352,695
Other operating revenues	5	139,233	107,306
Use of raw materials and consumables	6	(988,272)	(1,275,911)
Service costs	7	(518,337)	(490,834)
Personnel costs	8	(251,698)	(244,364)
Amortisation, depreciation,provisions	9	(208,091)	(196,298)
Other operating costs	10	(26,950)	(24,888)
Capitalised costs	11	7,804	7,764
Operating profit		**242,778**	**235,470**
Portion of profits (loss) pertaining to joint ventures and associated companies	12	4,121	7,798
Financial income	13	92,690	64,417
Financial expense	13	(165,381)	(136,141)
Total financial operations		**(68,570)**	**(63,926)**
Other non-recurring non-operating income	14		43,705
Pre-tax profit		**174,208**	**215,249**
Taxes for the period	15	(69,477)	(73,475)
Net profit for the period		**104,731**	**141,774**
Attributable to:			
Shareholders of the Parent Company		96,257	134,098
Non-controlling interests		8,474	7,676
Earnings per share	**16**		
basic		**0.068**	**0.101**
diluted		**0.068**	**0.096**

In compliance with Consob Resolution no. 15519 dating 27 July 2006, the effects of relationships with related parties parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.02.01 of these Consolidated financial statements.

* The comparative data has been adjusted in order to apply the modifications contained in the paragraph “summary of adjustments” of the explanatory notes.

2.01.02 Consolidated comprehensive income statement

thousands of euros	*1st half 2014*	*1st half 2013 as ajusted **
Net profit / (loss) for the period	**104,731**	**141,774**
Items reclassifiable to the income statement		
Change in the fair value of derivatives for the period	1,667	3,404
Tax effect related to the other reclassifiable items of the comprehensive income statement	(459)	(996)
other components of statement of comprehensive income valued with equity method	(9)	267
Items not reclassifiable to the income statement		
Actuarial gains/(losses) post-employment benefits	(12,993)	1,658
Tax effect related to the other not reclassifiable items of the comprehensive income statement	3,294	(296)
other components of statement of comprehensive income companies valued with equity method		
Total comprehensive income/(loss) for the period	**96,231**	**145,811**
Attributable to:		
Shareholders of the Parent Company	88,190	137,212
Non-controlling interests	8,041	8,599

** The comparative data has been adjusted in order to apply the modifications contained in the paragraph*

2.01.03 Consolidated statement of financial position

thousands of euros	notes	30-Jun-2014	31-Dec-2013 as ajusted *	01-Jan-2013 as ajusted *
ASSETS				
Non-current assets				
Property,plant and equipment	17	2,064,675	2,104,981	1,922,905
Intangible assets	18	2,579,549	2,529,962	1,855,966
Property investments	19	2,946	2,999	0
Goodwill	20	378,564	378,564	378,391
Non-controlling interests	21	152,424	170,271	148,367
Financial assets	22	42,178	52,640	17,557
Deferred tax assets	23	160,290	149,028	111,133
Financial instruments - derivatives	24	102,299	37,560	88,568
Total non-current assets		**5,482,925**	**5,426,005**	**4,522,887**
Current assets				
Inventories	25	92,764	77,512	71,686
Trade receivables	26	1,307,323	1,357,196	1,307,002
Contract work in progress	27	20,368	22,830	20,635
Financial assets	22	76,268	84,851	49,711
Financial instruments - derivatives	24	12,353	11,385	34,199
Current tax assets	28	41,152	29,143	30,740
Other current assets	29	337,009	231,165	204,831
Cash and cash equivalents	22	580,330	926,933	424,121
Total current assets		**2,467,567**	**2,741,015**	**2,142,925**
Non-current assets held for sale	**30**	**0**	**3,300**	**14,154**
TOTAL ASSETS		**7,950,492**	**8,170,320**	**6,679,966**

continues

thousands of euros		*30-Jun-2014*	*31-Dec-2013 as ajusted **	*01-Jan-2013 as ajusted **
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves	31			
Share capital		1,409,348	1,410,357	1,101,201
Reserves		611,702	585,115	517,355
Profit (loss) for the period		96,257	164,934	118,686
Group equity		**2,117,307**	**2,160,406**	**1,737,242**
Non-controlling interests		142,302	145,317	141,380
Total equity		**2,259,609**	**2,305,723**	**1,878,622**
Non-current liabilities				
Borrowings – maturing beyond 12 months	32	3,033,559	3,267,422	2,428,987
Post-employment benefits	33	157,280	144,924	112,952
Provisions for risks and charges	34	321,501	314,871	251,800
Deferrred tax liabilities	23	72,862	74,500	75,211
Finance lease payments - maturing beyond 12 months	35	15,099	15,527	13,356
Financial instruments - derivatives	24	28,447	30,321	32,114
Total non-current liabilities		**3,628,748**	**3,847,565**	**2,914,420**
Current liabilities				
Banks and other borrowings – maturing within 12 months	32	456,100	361,874	313,088
Finance lease payments - maturing within 12 months	35	1,782	1,972	3,767
Trade payables	36	951,461	1,167,920	1,164,553
Current tax liabilities	28	81,965	5,946	17,574
Other current liabilities	37	550,315	463,999	349,713
Financial instruments - derivatives	24	20,512	15,321	38,229
Total current liabilities		**2,062,135**	**2,017,032**	**1,886,924**
TOTAL LIABILITIES		**5,690,883**	**5,864,597**	**4,801,344**
TOTAL EQUITY AND LIABILITIES		**7,950,492**	**8,170,320**	**6,679,966**
		0	**0**	**0**

In compliance with Consob Resolution no 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragrah 2.02.01 of these Consolidated financial statements.

** The comparative data has been adjusted in order to apply the modifications contained in the paragraph "summary of adjustments" of the explanatory notes.*

2.01.04 Consolidated cash flow statement

thousands of euros	notes	30-Jun-2014	30 June 2013 as ajusted *
Pre-tax profit		**174,208**	**215,249**
Adjustments to reconcile net profit to the cashflow from operating activities:			
Amortisation and impairment of property, plant and equipment		85,070	78,717
Amortisation and impairment of intangible assets		77,093	69,987
Effect of valuation using the equity method		(4,121)	(7,798)
Allocations to provisions		46,612	48,407
Financial expense / (Income)		72,691	71,724
Bargain purchases		0	(43,705)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)		(3,128)	(2,902)
Change in provisions for risks and charges		(12,458)	(28,028)
Change in provisions for employee benefits		(3,471)	(3,653)
Total cash flow before changes in net working capital		**432,496**	**397,998**
(Increase) / Decrease in inventories		(12,875)	23,496
(Increase) / Decrease in trade receivables		22,199	(101,288)
Increase / (Decrease) in trade payables		(222,126)	(222,524)
(Increase) / Decrease in other current assets/ liabilities		(18,920)	160,543
Change in working capitals		**(231,722)**	**(139,773)**
Dividends collected		9,732	3,231
Interests income and other financial income collected		12,817	11,042
Interests expense and other financial charges paid		(104,973)	(69,723)
Taxes paid		(13,232)	(7,788)
Cash flow from (for) operating activities (a)		**105,118**	**194,987**
Investments in property, plant and development		(44,519)	(50,337)
Investments in intangible fixed assets		(92,418)	(69,675)
Investments in companies and business units net of cash and cash equivalents	38	(7,727)	12,350
Sale price of property,plant and equipment and intangible assets (including lease-back transations)		3,728	2,097
Divestments of investments	38	1,957	(300)
(Increase) / Decrease in other investment activities		11,372	(3,638)
Cash flow from (for) investing activities (b)		**(127,607)**	**(109,503)**
New issues of long-term bonds		5,000	46,683
Repayments and other net changes in borrowings		(191,293)	48,615
Lease finance payments		(1,399)	(1,866)
Investments in consolidated companies	38	(1,860)	(4,500)
Dividends paid out to Hera shareholders and non-controlling interests		(131,216)	(125,227)
Change in treasury shares		(3,346)	745
Other minor changes		0	(158)
Cash flow from (for) financing activities (c)		**(324,114)**	**(35,708)**
Effect of change in exchange rates on cash and cash equivalents		**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)		**(346,603)**	**49,776**
Cash and cash equivalents at the beginning of the year		926,933	424,121
Cash and cash equivalents at the end of the year		580,330	473,897

In compliance with Consob Resolution no 15519 dated 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragrah 2.02.03 of these Consolidated financial statements.

2.01.05 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 revised IAS 19				-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)					134,098	**134,098**	7,676	**141,774**
Other components of comprehensive income at 30 June 2013:								
fair value of derivatives, change in the year			1,593			**1,593**	815	**2,408**
Actuarial gains/(losses) post-employment benefits				1,254		**1,254**	108	**1,362**
Other components of statement of comprehensive income valued with equity method		267				**267**		**267**
Total comprehensive income for the period		**267**	**1,593**	**1,254**	**134,098**	**137,212**	**8,599**	**145,811**
change in treasury shares	-6	129				**123**		**123**
purchase of the AcegasAps Group	227,727	51,725				**279,452**	-15	**279,437**
changes in ownership interest		-1,902				**-1,902**	-2,598	**-4,500**
change in scope of consolidation						**0**	819	**819**
other movements		-1,255				**-1,255**	-46	**-1,301**
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 June 2013 (*as adjusted*)	**1,328,922**	**587,430**	**-4,015**	**-15,375**	**134,098**	**2,031,060**	**137,455**	**2,168,515**
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					96,257	**96,257**	8,474	**104,731**
Other components of comprehensive income at 30 June 2014:								
Change in the fair value of derivatives for the period			894			**894**	314	**1,208**
Actuarial gains/(losses) post-employment benefits				-8,952		**-8,952**	-747	**-9,699**
Other components of statement of comprehensive income valued with equity method		-9				**-9**		**-9**
Total comprehensive income for the period		**-9**	**894**	**-8,952**	**96,257**	**88,190**	**8,041**	**96,231**
change in treasury shares	-1,009	-2,334				**-3,343**		**-3,343**
changes in ownership interest		-1,215		-17		**-1,232**	-628	**-1,860**
change in scope of consolidation						**0**	-41	**-41**
other movements		30				**30**	-47	**-17**
Allocation of 2013 profit:								
- dividends paid out					-126,744	**-126,744**	-10,340	**-137,084**
- allocation to other reserves		16,903			-16,903	**0**		**0**
- undistributed profits to retained earnings		21,287			-21,287	**0**		**0**
Balance at 30 June 2014	**1,409,348**	**642,343**	**-2,169**	**-28,472**	**96,257**	**2,117,307**	**142,302**	**2,259,609**

2.02 Financial statements - Resolution 15519 of 2006 – Related parties

2.02.01 Income statement

thousands of euros	Notes	1st half 2014	of which related parties A	B	C	D	Total	%	1st half 2013 as ajusted *	of which related parties A	B	C	D	Total	%
Income Statement															
Revenue	4	2,089,089		43,139	175,404	8,906	227,449	*10.9*	2,352,695		39,076	169,075	2,837	210,988	*9.0*
Other operating revenues	5	139,233		1,224	(28)	85	1,281	*0.9*	107,306		1,477	42	90	1,609	*1.5*
Use of raw materials and consumables	6	(988,272)		(4,835)		(19,123)	(23,958)	*2.4*	(1,275,911)		(20,039)		(16,979)	(37,018)	*2.9*
Service costs	7	(518,337)	(5)	(7,776)	(13,655)	(19,688)	(41,124)	*7.9*	(490,834)		(7,812)	(7,460)	(21,714)	(36,986)	*7.5*
Personnel costs	8	(251,698)				(340)	(340)	*0.1*	(244,364)				(490)	(490)	*0.2*
Amortisation, depreciation,provisions	9	(208,091)							(196,298)						
Other operating costs	10	(26,950)		(4)	(2,231)	(443)	(2,678)	*9.9*	(24,888)		(3)	(1,361)	(832)	(2,196)	*8.8*
Capitalised costs	11	7,804							7,764						
Operating profit		**242,778**	**(5)**	**31,748**	**159,490**	**(30,603)**	**160,630**		**235,470**	**-**	**12,699**	**160,296**	**(37,088)**	**135,907**	
Portion of profits (loss) pertaining to joint ventures and associated companies	12	4,121		4,121			4,121	*100.0*	7,798		7,798			7,798	*100.0*
Financial income	13	92,690		1,314		1,995	3,309	*3.6*	64,417		1,329		89	1,418	*2.2*
Financial expense	13	(165,381)		(12)	(184)	(2,110)	(2,306)	*1.4*	(136,141)			(182)		(182)	*0.1*
Total financial operations		**-68,570**	**0**	**5,423**	**-184**	**(115)**	**5,124**		**-63,926**	**-**	**9,127**	**-182**	**89**	**9,034**	
Other non-recurring non-operating income	14								**43,705**						
Pre-tax profit		**174,208**	**(5)**	**37,171**	**159,306**	**(30,718)**	**165,754**		**215,249**	**-**	**21,826**	**160,114**	**(36,999)**	**144,941**	
Taxes for the period	15	(69,477)							(73,475)						
Net profit for the period		**104,731**	**(5)**	**37,171**	**159,306**	**(30,718)**	**165,754**		**141,774**	**-**	**21,826**	**160,114**	**(36,999)**	**144,941**	
Attributable to:															
Shareholders of the Parent Company		96,257							134,098						
Non-controlling interests		8,474							7,676						
Earnings per share	16														
basic		**0.068**							**0.101**						
diluted		**0.068**							**0.096**						

2.02.02 Statement of financial position

euro migliaia	Note	30-giu-2014	di cui Correlate						31-dic-2013 rettificato	di cui Correlate					
			A	B	C	D	Totale	%		A	B	C	D	Totale	%
ATTIVITA'															
Attività non correnti															
Immobilizzazioni materiali	17	2.064.675							2.104.981						
Attività immateriali	18	2.579.549							2.529.962						
Investimenti immobiliari	19	2.946							2.999						
Avviamento	20	378.564							378.564						
Partecipazioni	21	152.424	173	123.982		17.732	141.887	93,1	170.271	173	137.631		21.916	159.720	93,8
Attività finanziarie	22	42.178		16.921	21.406		38.327	90,9	52.640		27.209	22.507		49.716	94,4
Attività fiscali differite	23	160.290							149.028						
Strumenti finanziari – derivati	24	102.299							37.560						
		5.482.925	**173**	**140.903**	**21.406**	**17.732**	**180.214**		**5.426.005**	**173**	**164.840**	**22.507**	**21.916**	**209.436**	
Attività correnti															
Rimanenze	25	92.764							77.512						
Crediti commerciali	26	1.307.323	28	12.097	102.830	12.085	127.040	9,7	1.357.196	28	20.202	59.989	16.303	96.522	7,1
Lavori in corso su ordinazione	27	20.368							22.830						
Attività finanziarie	22	76.268		50.996	744		51.740	67,8	84.851		60.499	535		61.034	71,9
Strumenti finanziari – derivati	24	12.353							11.385						
Attività per imposte correnti	28	41.152							29.143						
Altre attività correnti	29	337.009		3.975	319	18.329	22.623	6,7	231.165		1.926	428	18.212	20.566	8,9
Disponibilità liquide e mezzi equivalenti	22	580.330							926.933						
		2.467.567	**28**	**67.068**	**103.893**	**30.414**	**201.403**		**2.741.015**	**28**	**82.627**	**60.952**	**34.515**	**178.122**	
Attività non correnti destinate alla vendita	30								**3.300**						
TOTALE ATTIVITA'		**7.950.492**	**201**	**207.971**	**125.299**	**48.146**	**381.617**		**8.170.320**	**201**	**247.467**	**83.459**	**56.431**	**387.558**	

euro migliaia	Note	30-giu-2014	di cui Correlate						31-dic-2013 rettificato	di cui Correlate					
			A	B	C	D	Totale	%		A	B	C	D	Totale	%
PATRIMONIO NETTO E PASSIVITA'															
Capitale sociale e riserve	31														
Capitale sociale		1.409.348							1.410.357						
Riserve		611.702							585.115						
Utile (perdita) del periodo		96.257							164.934						
Patrimonio netto del Gruppo		**2.117.307**							**2.160.406**						
Interessenze di minoranza		142.302							145.317						
Totale patrimonio netto		**2.259.609**							**2.305.723**						
Passività non correnti															
Finanziamenti – scadenti oltre l'esercizio successivo	32	3.033.559			6.956		6.956	0,2	3.267.422			7.399		7.399	0,2
Trattamento fine rapporto ed altri benefici	33	157.280							144.924						
Fondi per rischi ed oneri	34	321.501							314.871						
Passività fiscali differite	23	72.862							74.500						
Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo	35	15.099							15.527						
Strumenti finanziari – derivati	24	28.447							30.321						
		3.628.748	**-**	**-**	**6.956**	**-**	**6.956**		**3.847.565**	**-**	**-**	**7.399**	**-**	**7.399**	
Passività correnti															
Banche e finanziamenti – scadenti entro l'esercizio successivo	32	456.100		840	1.085		1.925	0,4	361.874		840	1.146		1.986	0,5
Debiti per locazioni finanziarie – scadenti entro l'esercizio successivo	35	1.782							1.972						
Debiti commerciali	36	951.461	(3)	8.176	20.333	28.932	57.438	6,0	1.167.920	(3)	15.742	19.760	33.348	68.847	5,9
Passività per imposte correnti	28	81.965							5.946						
Altre passività correnti	37	550.315		2.541	5.981	6.955	15.477	2,8	463.999		1.436	6.777	3.242	11.455	2,5
Strumenti finanziari – derivati	24	20.512							15.321						
		2.062.135	**(3)**	**11.557**	**27.399**	**35.887**	**74.840**		**2.017.032**	**(3)**	**18.018**	**27.683**	**36.590**	**82.288**	
Totale passività		**5.690.883**	**(3)**	**11.557**	**34.355**	**35.887**	**81.796**		**5.864.597**	**(3)**	**18.018**	**35.082**	**36.590**	**89.687**	
TOTALE PATRIMONIO NETTO E PASSIVITA'		**7.950.492**	**(3)**	**11.557**	**34.355**	**35.887**	**81.796**		**8.170.320**	**(3)**	**18.018**	**35.082**	**36.590**	**89.687**	

2.02.03 Cash flow statement

thousands of euros	30-Jun-2014	of which related
Pre-tax profit	**174,208**	
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	85,070	
Amortisation and impairment of intangible assets	77,093	
Effect of valuation using the equity method	(4,121)	
Allocations to provisions	46,612	
Financial expense / (Income)	72,691	
Bargain purchases	0	
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(3,128)	
Change in provisions for risks and charges	(12,458)	
Change in provisions for employee benefits	(3,471)	
Total cash flow before changes in net working capital	**432,496**	
(Increase) / Decrease in inventories	(12,875)	
(Increase) / Decrease in trade receivables	22,199	(30,518)
Increase / (Decrease) in trade payables	(222,126)	(11,533)
(Increase) / Decrease in other current assets/ liabilities	(18,920)	3,626
Change in working capitals	**(231,722)**	
Dividends collected	9,732	9,320
Interests income and other financial income collected	12,817	128
Interests expense and other financial charges paid	(104,973)	(196)
Taxes paid	(13,232)	
Cash flow from (for) operating activities (a)	**105,118**	
Investments in property, plant and development	(44,519)	
Investments in intangible fixed assets	(92,418)	
Investments in companies and business units net of cash and cash	(7,727)	(3,902)
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	3,728	
Divestments of investments	1,957	2,073
(Increase) / Decrease in other investment activities	11,372	21,749
Cash flow from (for) investing activities (b)	**(127,607)**	
New issues of long-term bonds	5,000	
Repayments and other net changes in borrowings	(191,293)	(5,254)
Lease finance payments	(1,399)	
Investments in consolidated companies	(1,860)	
Dividends paid out to Hera shareholders and non-controlling interests	(131,216)	(65,010)
Change in treasury shares	(3,346)	
Other minor changes	0	
Cash flow from (for) financing activities (c)	**(324,114)**	
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(346,603)**	
Cash and cash equivalents at the beginning of the year	926,933	
Cash and cash equivalents at the end of the period	580,330	

2.02.04 List of related parties

Group A. Related parties – non-consolidated subsidiaries and joint ventures:
AdriaLink S.r.l.
Calorpiù Italia Scarl in liquidazione

Group B. Related parties – associated companies and joint ventures:
Adriatica Acque Srl
Aimag Spa
Centro Idrico di Novoledo Srl
Elettrogorizia Spa
Enomondo Srl
Esil Scarl
Estenergy Spa
Estense Global Service Scarl
FlameEnergy Trading GMBH in liquidation
Ghirlandina Solare Srl
H.E.P.T. Co.Ltd
Natura Srl in liquidation
Oikothen Scarl
Q.Thermo Srl
Sei Spa
Service Imola Srl
SET Spa
SGR Servizi Spa
So.Sel Spa
Tamarete Energia Srl

Group C. Related parties with significant influence: Municipality of Bologna
Municipality of Casalecchio di Reno
Municipality of Cesena
Municipality of Ferrara
Municipality of Forlì
Municipality of Imola
Municipality of Modena
Municipality of Padova
Municipality of Ravenna
Municipality of Rimini
Municipality of Trieste
Holding Ferrara Servizi Srl
HSST - Modena Spa
Livia Tellus Governance Spa
Ravenna Holding Spa
Rimini Holding Spa

Group D. Other related parties:

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

2.03.01 Consolidated explanatory notes

Basis of preparation and criteria for evaluation

The abbreviated biannual consolidated financial statement as at 30 June, 2014, comprised of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and explanatory notes, has been prepared in application of Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of International Accounting Financial Reporting Standards (hereinafter IFRSs), issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission, supplemented by the relevant interpretations (*Standing Interpretations Committee - SIC* and *International Financial Reporting Interpretations Committee - IFRIC*) issued *by the International Accounting Standards Board (IASB)*), as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

In preparing the abbreviated biannual consolidated financial statement, prepared in accordance with IAS 34 "Interim Financial Reporting", the same accounting policies were applied that had previously been adopted in preparing the consolidated financial statement of 31 December 2013, which should be consulted for more detailed information, except as described in the section "accounting standards, amendments and interpretations effective beginning 1 January 2014."

The data contained in this abbreviated biannual consolidated financial statement are comparable with those of the previous year, unless otherwise indicated in the notes referring to individual items. To this end, it should be noted that the statement of financial position as at 31 December 2013 and the associated values at the beginning of the same fiscal year, the cash flow statement as at 30 June 2013, the income statement and the statement of comprehensive income for the first six months of 2013 have been adjusted as described in the section of these Notes entitled "Summary of adjustments".

In comparing the individual items of the income statement and statement of financial position, the changes in the scope of consolidation indicated in the relevant section should also be taken into account.

The general standard adopted in preparing this consolidated financial statement is that of cost, with the exception of financial assets and liabilities (including derivative instruments) appraised at fair value.

In preparing the abbreviated biannual consolidated financial statement, it was necessary to use estimates provided by the management. The main areas characterized by particularly significant estimates and assumptions, together with those impacting the situations outlined here, are presented in the section "Significant estimates and valuations."

Information on Group operations and significant events that occurred after the closure of the fiscal year is outlined in the Management Report.

This abbreviated biannual consolidated financial statement as at 30 June 2014 was prepared by the Board of Directors and approved by them in the session held 27 August, 2014. This statement underwent a limited audit by PricewaterhouseCoopers Spa.

Financial statement formats

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

The Statement of comprehensive income is presented in a separate document from the income statement, as permitted by *IAS 1* revised, distinguishing what may be reclassified subsequently to profit and loss from that which will never be reclassified to profit and loss. The other components of comprehensive income are shown separately also in the Statement of changes in equity.

The Statement of financial position makes a distinction between current and non-current assets and liabilities.

The Cash flow statement has been prepared using the indirect method, as permitted by IAS 7.

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

Moreover, with reference to Consob resolution no. 15519 of 27 July 2006 regarding financial statements, specific supplementary formats of the income statement, the statement of financial position and cash flow statement have been included, highlighting the most significant balances with related parties, in order to avoid altering the overall clarity of the financial statements.

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

Significant estimates and valuations

The preparation of the abbreviated biannual consolidated financial statement and the corresponding notes requires the use of estimates and valuations provided by the directors which effect the balance sheet figures, and are based on historical data and expectations of specific events that are reasonably likely to occur based on known information. These estimates, by definition, are quite similar to the final data. The main areas affected by estimates and assumptions, which might lead to changes in the values of assets and liabilities in the following period, are listed below.

Provisions

These provisions were made by adopting the same procedures as in previous years, with reference to reports by the legal advisers and consultants that are following the cases, as well as on the basis of developments in the relevant legal proceedings. In particular in the section on the provisions for risks and charges, there are indications concerning the assumptions made to estimate provisions for the INPS dispute.

Recognition of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply, and include allocations for services rendered between the date of the last reading and the end of the financial year, but still not billed. These allocations are based estimates of customers' daily consumption, on the basis of their historic profile, adjusted to reflect weather conditions or other factors which might affect consumption under evaluation.

It should also be noted that some valuation processes, particularly the more complex ones such as determining losses in non-current assets, are generally carried out thoroughly only when preparing the annual financial statement, except in cases where impairment indicators require an immediate assessment of any potential losses.

Income taxes are calculated based on the best estimate of the weighted average rate anticipated for the entire fiscal year.

Scope of consolidation

The abbreviated biannual consolidated financial statement as at 30 June 2014 includes the financial statements of the parent company Hera SpA and its subsidiaries. Control is achieved when the parent Company has the power to influence the subsidiary's yields, that is to say when the parent Company has the ability to direct the relevant activities of the subsidiary by means of rights which are currently valid. Subsidiaries whose scope is irrelevant, and those in which the exercise of voting rights is subject to severe and long-term restrictions, are excluded from consolidation and valued at cost.

Investments in joint ventures (as defined by IFRS 11), in which the Group exercises joint control together with other companies, are consolidated using the equity method. Investments in companies over which the Group exercises significant control are also valued using the equity method. Firms whose scope is irrelevant are carried at cost. Subsidiaries and affiliates which are not consolidated or accounted for using the equity method are listed in Note 21.

Companies held exclusively for subsequent disposal are excluded from consolidation and valued at fair value or, if fair value cannot be determined in detail, at cost. These investments are recorded as separate items.

The main exchange rates used to convert the values of the companies outside the Euro area into Euros were as follows:

	30-Jun-14	
	Average	Specific
Bulgarian Lev	1.9558	1.9558
Serbian Dinar	115.614	115.809

The changes in the scope of consolidation that occurred in the first half of 2014 in relation to the consolidated financial statement as at 31 December 2013 are listed here below.

Changes in the Scope of Consolidation

Subsidiary Companies

Consolidated companies	Companies no longer consolidated	Notes
Isontina Reti Gas Spa		Acquisition of control
Fucino Gas Srl		Acquisition of control
	Herasocrem Srl	Sold

Joint Ventures and Affiliated companies

Consolidated companies	Companies no longer consolidated	Notes
	Isontina Reti Gas Spa	Acquisition of control

On 24 January 2014, AcegasAps Spa acquired the remaining 50% stake held by Eni Spa in Isontina Reti Gas SpA, becoming the sole shareholder and therefore acquiring control.

On 6 February 2014, Hera Comm Srl acquired the entirety of the shares in the sales company Fucino Gas Srl.

On 18 March 2014, Hera Spa ceded its controlling share, 51% of the share capital, in Herasocrem Srl, to the minority shareholder Socrembologna Srl, thus exiting from the body of shareholders.

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

Changes in ownership interests

On 27 June 2014, Hera Spa acquired the minority shares in Hera Luce Srl held by the remaining shareholders, bringing its share from 89.58% to 100% and becoming the sole shareholder. The transaction resulted in a cash outlay totalling 1,860 thousand Euros. The difference between the amount of the adjustment of minority interests and the fair value of the equivalent amount paid was directly quantified in the equity and attributed to the shareholders of the parent company.

Other corporate operations

Taking effect 1 April 2014, the companies SIL Srl and CST Srl, previously held at 100% and wholly consolidated, were merged by incorporation into AcegasAps SpA.

Table outlining the effects of Business Combination operations

As described in the section "Changes in the scope of consolidation" above, during the first half of 2014 control over the companies Isontina Reti Gas Spa and Fucino Gas Srl was acquired. Here below is a summary of the main effects of the two operations:

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

Summary of adjustments

Since 1 January 2014, the Hera Group has applied IFRS 11 "Joint Arrangements", introduced by EU Regulation 1254/2012 as a substitute for IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Companies – Non-monetary contributions by venturers ". In the case of joint arrangements, the new standard requires a distinction to be made between joint operations and joint ventures, focusing on the rights and obligations of the parties involved rather than the legal form of the agreement. In the case of joint ventures, in particular, the proportionate consolidation method that previously represented an alternative to the equity method was abolished. This latter appears to be the change most significant for the Group, as several proportionately consolidated jointly controlled companies were included in the scope of consolidation as of 1 January 2014, namely Enomondo Srl, Esil Scarl, and Estenergy Spa. 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 June 2013 as well as the statement of financial position as of 31 December 2013 and associated values at the beginning of the period were all restated. In the restated financial statements, the jointly controlled companies (including those removed from the scope of consolidation in prior periods or those over which control was acquired during the first half of 2014) were therefore excluded from the aggregated balance sheet; intergroup transfers to and from these jointly controlled companies were not eliminated from the statements, but these companies were valued using the equity method, recording the resulting amount under the item "Share of profits (losses) from joint ventures and affiliates."

With regard to the 30 June 2013 income statement, the item "Other non-recurring non-operating income" was also restated to reflect the final effects of the fair value valuation process of net assets acquired through the business combination involving the AcegasAps Group, which was still in progress as at 30 June 2013 as it concluded 31 December of the same year. The effects were also reflected in the cash flow statement of the same date. For a full discussion of the process of fair value valuation of acquired assets and liabilities, please refer to the consolidated financial statement at 31 December 2013.

The items restated as of 30 June 2013 and 31 December 2013 are recorded here below.

Adjusted income statement at 30 June 2013

thousands of euros	First half 2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 3	First half 2013 as adjusted
Revenues	2,429,413	(76,718)		2,352,695
Other operating revenues	107,461	(155)		107,306
Use of raw materials and consumables	(1,330,822)	54,911		(1,275,911)
Service costs	(496,774)	5,940		(490,834)
Personnel costs	(246,445)	2,081		(244,364)
Amortisation, depreciation, provisions	(198,664)	2,366		(196,298)
Other operating costs	(25,292)	404		(24,888)
Capitalised costs	7,764			7,764
Operating profit	**246,641**	**(11,171)**		**235,470**
Portion of profits (loss) pertaining to joint ventures and associated companies	3,100	4,698		7,798
Financial income	64,518	(101)		64,417
Financial expense	(138,478)	2,337		(136,141)
Total financial operations	**(70,860)**	**6,934**		**(63,926)**
Other non-recurring non-operating income	74,806		(31,101)	43,705
Pre-tax profit	**250,587**	**(4,237)**	**(31,101)**	**215,249**
Tax for the period	(77,712)	4,237		(73,475)
Net profit for the period	**172,875**	**0**	**(31,101)**	**141,774**
Attributable to:				
Shareholders of the Parent Company	165,199		(31,101)	134,098
Non-controlling interests	7,676			7,676
Earnings per share				
basic	**0.124**			**0.101**
diluted	**0.118**			**0.096**

Adjusted cash flow statement at 30 June 2013

thousands of euros	30-giu-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 3	30-jun-2013 as adjusted
Pre-tax profit	**250,587**	**(4,237)**	**(31,101)**	**215,249**
Adjustment to reconciliate net profit with cash flow from operating activities:				
Amortisation and impairment of tangible assets	79,660	(943)		78,717
Amortisation and impairment of intangible assets	70,594	(607)		69,987
Effect from valuation with the equity method	(3,100)	(4,698)		(7,798)
Allocation to provisions	49,255	(848)		48,407
Financial income / (expense)	73,960	(2,236)		71,724
Gains on bargain purchases	(74,806)		31,101	(43,705)
(Capital gain) / loss and other non monetary elements (valuations commodities derivatives included)	(2,908)	6		(2,902)
Change in provisions for risks and charges	(28,125)	97		(28,028)
Change in provisions for employee benefits	(3,676)	23		(3,653)
Total cash flow before change in working capital	**411,441**	**(13,443)**	**0**	**397,998**
(Increase) / Decrease inventory	23,551	(55)		23,496
(Increase) / Decrease trade receivables	(77,793)	(23,495)		(101,288)
(Increase) / Decrease trade payables	(254,786)	32,262		(222,524)
(Increase) / Decrease other current asset/liabilities	173,902	(13,359)		160,543
Change in working capital	**(135,126)**	**(4,647)**	**0**	**(139,773)**
Dividends collected	1,608	1,623		3,231
Interest income and other financial income collected	11,142	(100)		11,042
Interest expense and other financial charges paid	(72,038)	2,315		(69,723)
Taxes paid	(5,070)	(2,718)		(7,788)
Cash generated from operating activity (a)	**211,957**	**(16,970)**	**0**	**194,987**
Investment in tangible assets	(50,498)	161		(50,337)
Investment in intangible assets	(69,781)	106		(69,675)
Investments in companies and business units net of cash and cash equivalents	16,501	(4,151)		12,350
Selling price of tangible and intangible assets (including lease-back transactions)	2,097			2,097
Divestments in companies	(300)			(300)
(Increase) / Decrease other investment activities	(6,540)	2,902		(3,638)
Cash generated / (absorbed) by investment activity (b)	**(108,521)**	**(982)**	**0**	**(109,503)**
Issue of long term financial debt	46,683			46,683
Refund and other change in financial debt	38,309	10,306		48,615
Fees paid for financial leasing	(1,866)			(1,866)
Acquisition of share in consolidated companies	(4,500)			(4,500)
Dividends distributed to Hera shareholders	(123,604)	(1,623)		(125,227)
Change treasury shares	860	(115)		745
Other minor changes	(158)			(158)
Cash generated / (absorbed) by financing activity (b)	**(44,276)**	**8,568**	**0**	**(35,708)**
Effect of change in exchange rate on cash (d)	**0**			**0**
Increase / (Decrease) Cash (a+b+c+d)	**59,160**	**(9,384)**	**0**	**49,776**
Cash and cash equivalents at the begining of the period	424,162	(41)		424,121
Cash and cash equivalents at the end of the period	483,322	(9,425)		473,897

Adjusted statement of financial position at 31 December 2013 and relative balances at the beginning of the fiscal year

thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	31December 2013 as adjusted	01-Jan-2013	Adjusted as of Ifrs 11	01january 2013 as adjusted
ASSETS						
Non-current assets						
Property,plant and equipment	2,129,221	(24,240)	2,104,981	1,947,597	(24,692)	1,922,905
Intangible assets	2,546,160	(16,198)	2,529,962	1,855,966		1,855,966
Property investments	2,999		2,999	0		0
Goodwill	378,564		378,564	378,391		378,391
Equity investments	140,114	30,157	170,271	139,730	8,637	148,367
Financial assets	52,640		52,640	17,557		17,557
Deferred tax assets	152,006	(2,978)	149,028	111,451	(318)	111,133
Financial instruments - derivatives	37,560		37,560	88,568		88,568
Total non-current financial assets	**5,439,264**	**(13,259)**	**5,426,005**	**4,539,260**	**(16,373)**	**4,522,887**
Current assets						0
Inventories	77,813	(301)	77,512	71,822	(136)	71,686
Trade receivables	1,397,839	(40,643)	1,357,196	1,307,961	(959)	1,307,002
Contract work in progress	22,835	(5)	22,830	20,635		20,635
Financial assets	72,229	12,622	84,851	47,286	2,425	49,711
Financial instruments - derivatives	11,385		11,385	34,199		34,199
Current tax assets	29,919	(776)	29,143	30,882	(142)	30,740
Other current assets	237,246	(6,081)	231,165	209,108	(4,277)	204,831
Cash and cash equivalents	942,347	(15,414)	926,933	424,162	(41)	424,121
Total current assets	**2,791,613**	**(50,598)**	**2,741,015**	**2,146,055**	**(3,130)**	**2,142,925**
Non-current assets held for sale	**3,300**		**3,300**	**14,154**		**14,154**
TOTAL ASSETS	**8,234,177**	**(63,857)**	**8,170,320**	**6,699,469**	**(19,503)**	**6,679,966**

continues

thousands of euros	31-Dec-2013	Adjusted as of Ifrs 11	31December 2013 as adjusted	01-Jan-2013	Adjusted as of Ifrs 11	Adjusted as of Ifrs 19r *	01january 2013 as adjusted
SHAREHOLDERS' EQUITY AND LIABILITIES							
Share capital and reserves							
Share capital	1,410,357		1,410,357	1,101,201			1,101,201
Reserves	585,115		585,115	532,025		(14,670)	517,355
Profit (loss) for the period	164,934		164,934	118,658		28	118,686
Group equity	**2,160,406**	**0**	**2,160,406**	**1,751,884**	**0**	**(14,642)**	**1,737,242**
Non-controlling interests	145,317		145,317	142,978		(1,598)	141,380
Total equity	**2,305,723**	**0**	**2,305,723**	**1,894,862**	**0**	**(16,240)**	**1,878,622**
Non-current liabilities							
Borrowings – maturing beyond 12 months	3,277,462	(10,040)	3,267,422	2,440,994	(12,007)		2,428,987
Post-employment benefits	145,355	(431)	144,924	91,366	(10)	21,596	112,952
Provisions for risks and charges	315,067	(196)	314,871	251,897	(97)		251,800
Deferrred tax liabilities	74,716	(216)	74,500	78,114		(2,903)	75,211
Finance lease payments - maturing beyond 12 months	15,527		15,527	13,356			13,356
Financial instruments - derivatives	30,828	(507)	30,321	32,963	(849)		32,114
Total non-current liabilities	**3,858,955**	**(11,390)**	**3,847,565**	**2,908,690**	**(12,963)**	**18,693**	**2,914,420**
Current liabilities							
Banks and other borrowings – maturing within 12 months	383,181	(21,307)	361,874	317,560	(4,472)		313,088
Finance lease payments - maturing within 12 months	1,972		1,972	3,767			3,767
Trade payables	1,192,426	(24,506)	1,167,920	1,165,838	(1,285)		1,164,553
Current tax liabilities	6,722	(776)	5,946	20,463	(436)	(2,453)	17,574
Other current liabilities	469,877	(5,878)	463,999	350,060	(347)		349,713
Financial instruments - derivatives	15,321		15,321	38,229			38,229
Total current liabilities	**2,069,499**	**(52,467)**	**2,017,032**	**1,895,917**	**(6,540)**	**(2,453)**	**1,886,924**
TOTAL LIABILITIES	**5,928,454**	**(63,857)**	**5,864,597**	**4,804,607**	**(19,503)**	**16,240**	**4,801,344**
TOTAL EQUITY AND LIABILITIES	**8,234,177**	**(63,857)**	**8,170,320**	**6,699,469**	**(19,503)**	**0**	**6,679,966**

**The adjustment involving the retrospective application of revised IAS 19, with reference to the book value as at 1 January 2013, had already been introduced in the consolidated financial statement at 31 December 2013, which should be consulted for more detailed information*

Accounting standards, amendments and interpretations applicable from 1 January 2014

Starting 1 January 2012 the following amendments to IFRSs, as issued by the IASB and endorsed by the European Union, apply:

Ifrs 10 – Consolidated Financial Statements (Regulation 1254/2012). Published by the IASB on 12 May 2011, IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and Interpretation 12 of the Standing Interpretations Committee (SIC) Consolidation—Special Purpose Entities (SIC-12). The new standard introduces a new definition of control, outlines the concept of de facto control (control with less than the majority of the voting rights) and clarifies the relationship between control and agency. This IFRS will be applied retrospectively. The application of this new standard had no impact on the Group's scope of consolidation.

Ifrs 11 –Joint Arrangements (Regulation 1254/2012). Published by the IASB on 12 May 2011, IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities–Non-monetary Contributions by Venturers. The new standard draws a distinction between joint operations and joint ventures, emphasizing the rights and obligations of the parties to the arrangement, rather than the legal form of the agreement. In addition, proportionate consolidation for joint ventures is no longer required. This IFRS will be applied retrospectively.
Given that the Group adopted the option of proportionate consolidation for joint ventures in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" up to 31 December 2013, the comparative statement and balance sheet were adjusted. Please see the section "Summary of adjustments" in these notes for an analysis of the effects of this new standard on the Group's financial statements.

Ifrs 12 – Disclosure of Interests in Other Entities (Regulation 1254/2012). Issued by the IASB on 12 May 2011, this IFRS applies to entities with interests in subsidiaries, joint arrangements and unconsolidated structured entities. It requires the disclosure of significant judgements and assumptions in determining control, joint arrangements or association.

Ias 27 Revised – Separate Financial Statements (Regulation 1254/2012). Issued by the IASB on 12 May 2011, following the issue of IFRS 10, IAS 27 applies only to separate financial statements, governing the recognition of investments in subsidiaries, associated companies and joint ventures. The changes did not have any effect on the valuation of the financial statement entries.

Ias 28 Revised – Investments in Associates and Joint Ventures (Regulation 1254/2012). Issued by the IASB on 12 May 2011, following the issue of IFRS 10 and IFRS 11, IAS 28 deals with the accounting treatment of associated companies and joint ventures and the criteria with which to apply the equity method. Beginning with the current fiscal year, the Group has used the equity method in the valuation of joint ventures.

Amendments to Ifrs 10, Ifrs 11 e Ifrs 12 – Transition Guidance (Regulation 313/2013). Published by the IASB on 28 June 2010, the document clarifies the time of initial application of IFRS 10 and provides guidance in case the application of IFRS 10 causes the consolidation or deconsolidation of an entity. In addition, relief is provided with reference to the initial application of IFRS 11 and IFRS 12. Concerning the application of IFRS 11, please see the “Summary of Adjustments” section of these notes for an analysis of the effects this new standard has had on the Group’s financial statement entries.

Amendments to Ifrs 10, Ifrs 12 e Ias 27 – Investment Entities (Regulation 1174/2013). Amendments issued by the IASB on 31 October 2012. The document exempts entities that measure their investments at fair value (Investment Entities) from the consolidation requirements provided for by IFRS 10, as the IASB considered that for these entities the disclosure provided in relation to the fair value measurement of their investments is more meaningful that that associated with the consolidation of assets and liabilities. In addition, it clarifies that an investment entity is not required to apply IFRS 3 when it obtains control of another entity but can measure its investment in such entity in accordance with IFRS 9 or IAS 39. Lastly, guidelines are provided as to treatment in the separate financial statements and the type of disclosure to be provided. The changes did not have any effect on the valuation of the Group's financial statement entries.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets* (Regulation 1374/2013). Amendments issued by the IASB on 29 May 2013 and applicable retrospectively as of 1 January 2014. The amendments indicated that disclosure of the recoverable amount of the assets or the CGUs is required only if an impairment or the reversal of an earlier impairment has been recognized. Moreover, they clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. No effects on the Group's financial statement were recorded following the application of the changes introduced.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (Regulation 1375/2013). Amendments issued by the IASB on 27 June 2013 and applicable retrospectively as of 1 January 2014, with earlier adoption permitted. The amendments indicated certain exemptions to the hedge accounting requirements laid down by IAS 39, in the event that a derivative should be replaced with a new derivative that, by law or regulation, should have directly or indirectly a central counterparty. In particular, these amendments clarify that the novation of a hedging derivative should not be considered expiration or termination of an instrument, giving rise to the prospective interruption of the hedge accounting, if certain conditions are met. No effects on the Group's financial statement were recorded following the application of the changes introduced.

Accounting standards, amendments and interpretations endorsed by the European Union but not yet effective and not adopted ahead of schedule by the Group

Beginning 1 January 2015, the following accounting standards and changes in accounting standards will become compulsory, having already been endorsed by the European Union:

IFRIC 21 - Taxes (Regulation 634/2014). Interpretation issued by the IFRS IC on 20 May 2013 and retroactively applicable to financial cycles beginning on or after 17 June, 2014. The interpretation was issued in order to identify the accounting method for "Levies" (i.e. taxes), i.e. payments to a governmental entity in exchange for which the company does not receive specific goods or services. The document identifies various types of taxes, clarifying what event gives rise to the obligation which, in accordance with IAS 37, in turn determines a liability in the balance sheet. The Group is currently evaluating the potential impact on the financial statements arising from the adoption of this standard.

Accounting standards, amendments and interpretations not yet endorsed by the European Union

The following amendments and changes of IFRSs (already approved by the IASB) and interpretations (already approved by the IFRS IC) are in the process of being endorsed by the competent bodies of the European Union:

Ifrs 9 – Financial Instruments. IFRS published by the IASB on 12 November 2009 and subsequently amended. This IFRS, whose application was postponed until 1 January 2015, is part of a broader project divided in phases to replace IAS 39. It introduces new criteria with which to classify financial assets and liabilities, for the derecognition of financial assets and the treatment and accounting of hedging transactions.

Amendments to IAS 19 – Employee benefits: Defined-benefit plans – employee contributions. Document issued by the IASB on 21 November 2013, applicable as at 1 January 2014. The objective of the amendments is to simplify the accounting treatment of contributions, which are independent of the number ofyears of service for employees, such as employee contributions calculated on the basis of a fixed salary percentage.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2010-2012 Cycle)". These improvements, which are applicable as of 1 July 2014, include amendments to the following existing IFRSs:

- **Improvement IFRS 2** –Share-based Payments: Definitions relating to vesting conditions. The definitions of vesting conditions and market conditions are changed and the new definitions of performance condition and service condition are introduced.
- **Improvement IFRS 3** – Accounting for contingent consideration in a business combination. This improvement clarifies that contingent consideration in a business acquisition classified as an asset or a liability is measured at fair value at every year-end, whether it falls within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability.
- **Improvement IFRS 8** – Operating segments: Aggregation of operating segments. The improvement requires disclosure of management's considerations in the process of aggregation of operating segments.
- **Improvement IFRS 8** – Operating segments: Reconciliation of the total of the reportable segment assets to the entity's total assets. This improvement calls for the reconciliation to be reported only in the event that the total of the segment assets are regularly reported by management.
- **Improvement IFRS 13** – Fair value measurement: Short-term receivables and payables. This improvement clarifies that the introduction of IFRS 13 does not change the possibility to account for short-term receivables and payables when the effect of discounting is immaterial.
- **Improvement IAS 16** – Property, plant and equipment & **Improvement IAS 38** – Intangible assets: Revaluation method. These improvements remove certain inconsistencies in the recognition of depreciation and amortization, when an item or property, plant and equipment or an intangible is revalued. In particular, they clarify that the gross carrying amount must be adjusted consistently with the revaluation of the carrying amount of the asset and that accumulated depreciation is equal to the difference between the gross carrying amount and the carrying amount minus any previously recognized impairment.
- **Improvement IAS 24** – Related parties: Key management personnel. Clarifications are provided for the identification of related parties and the disclosure in relation to key management personnel.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2011-2013 Cycle)". These improvements, which are applicable as of 1 July 2014, include amendments to the following existing IFRSs

- **Improvement IFRS 1** – First-time adoption of IFRSs: Meaning of effective IFRSs. This improvement clarifies that, on first-time adoption of IFRSs, an entity may either choose to apply a current standard or opt for the early application of a new standard that is intended to replace the current standard.
- **Improvement IFRS 3** – Business Combinations: Scope exceptions of joint ventures. The improvement clarifies that all types of joint arrangements are outside the scope of IFRS 3.
- **Improvement IFRS 13** – Fair value measurement: Scope paragraph 52 (portfolio exception). The objective of this amendment is to clarify that the possibility to measure at fair value a group of assets and liabilities applies also to all contracts within the scope of IAS 39 (or IFRS 9), but that do not meet the definitions of financial assets or financial liabilities as defined in IAS 32 (such as contracts to buy and sell commodities, which can be settled in cash for their net amount).
- **Improvement IAS 40** – Investment property – Interrelationship between IFRS 3 and IAS 40. The objective of this amendment is to clarify that, to determine whether the purchase of property falls within the scope of IFRS 3, reference should be made to IFRS 3; on the other hand, if the purchase falls within the scope of IAS 40, reference should be made to this standard.

Ifrs 14 – *Regulatory deferral accounts*. This standard was published for the first time on 30 January 2014. It permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Its application will be effective 1 January 2016, but early adoption is permitted.

Amendments to IFRS 11 – Joint agreements: purchase of a joint operation. Amendments issued by the IASB on 6 May 2014 and applicable for financial cycles beginning on 1 January 2016, with earlier application permitted. The document states that the standards contained in IFRS 3 - Business combinations concerning the effects of a business combination must be applied to detect the acquisition of a joint operation whose activity is represented by a business.

Amendments to IAS 16 and IAS 38 – Clarifications regarding acceptable methods of depreciation and amortization. Amendments issued by the IASB on 12 May 2014 and applicable from financial cycles beginning 1 January 2016. The document states that, except in certain limited circumstances, an amortization method related to revenues cannot be considered acceptable for either tangible fixed assets or intangible assets.

IFRS 15 – Revenues from contracts with customers. Standard issued by the IASB on 28 May 2014. The standard replaces IAS 18 - Revenues, IAS 11 - Construction contracts and the SIC 31, IFRIC 13 and IFRIC 15 interpretations. The new standard applies to all contracts with customers, except for contracts that fall within the scope of IAS 17 - Leasing, for insurance contracts and financial instruments. It establishes a process consisting of five phases to define the timing and amount of revenues to be recorded (identifying the contracts with customers, identifying performance obligations stipulated by the contract, determining the price of the transaction, allocating the price of the transaction, recording revenues upon fulfilment of performance obligations).
Its application is expected to be compulsory beginning 1 January 2017, with earlier application permitted. Application will be retrospective, with the possibility to choose whether to restate the financial cycles outlined in the comparative report or to record any effects arising from the application of the initial net equity for the financial cycle in which it was first applied.

Amendments to IAS 16 and IAS 41 – Bearer plants. Amendments issued by the IASB on 30 June 2014 and applicable for financial cycles beginning on 1 January 2016. The document establishes that, for some specific types of biological activity (fruit trees), accounting procedures must follow IAS 16.

Amendments to IAS 27 – Separate Financial Statements. Document issued by the IASB on 12 August 2014. The changes, applicable to financial cycles beginning 1 January 2016, permit the use of the equity method in accounting for investments in subsidiaries, affiliates and joint ventures in the separate financial statement. The aim is to reduce management complexity and associated costs for companies operating in jurisdictions where IFRS standards apply to separate financial statements as well.

4 Revenues

	First half 2014	First half 2013	Change
Revenues from sales and services	2,089,126	2,348,936	(259,810)
Change in contract work in progress	(369)	3,564	(3,933)
Changes in inventories of work in process, semifinished and finished products and work in progress	332	195	137
Total	**2,089,089**	**2,352,695**	**(263,606)**

Please see the Directors' Report for the analysis of sales trends by business sector and the note providing information by business area.

Revenues are achieved mainly in Italy.

5 Other operating revenues

	First half 2014	First half 2013	Change
Long-term contract	78,360	61,054	17,306
White certificates	22,970	12,934	10,036
Operating grants and grants for separated waste collection	11,903	11,746	157
Uses of and releases from provisions	3,996	4,475	(479)
Apportionments of operating grants	3,637	3,310	327
Cost refunds	1,814	3,871	(2,057)
Leases	1,200	1,174	26
Sales of material and inventories to third parties	823	970	(147)
Insurance reimbursements	733	3,077	(2,344)
Gains on disposal	161	98	63
Other revenues	13,636	4,597	9,039
Total	**139,233**	**107,306**	**31,927**

The most substantial changes by comparison with the previous year are described below.
"Long-term contracts" include revenues generated from the construction or improvement of infrastructures held under concession arrangements, in application of IFRIC 12. The change is due to a greater volume of investments carried out compared to the first half of 2013, as explained in detail in the Directors' Report.
"White certificates" shows the revenues recorded in relation to the Electricity Equalisation Fund following the achievement of the energy efficiency objectives. The increase is mainly attributable to a higher rate paid to subjects owed by the Authority for Electricity, Gas and the Water system as compared to the corresponding contribution for the year 2013.

"Operating grants and grants for separate waste collection". Operating grants, amounting to €2,097 thousand (€2,165 thousand in the first half of 2013), mainly reflect feed-in tariffs provided by the GSE for the production of energy from renewable sources. The contributions from sorted waste collection, amounting to €9,806 thousand (€9.581 in the first half of 2013), are made up mainly of the value from packaging (cardboard, iron, plastic and glass) transferred to the consortia of the Conai chain.

“Use and re-assessment of provisions use for labour costs, leachate disposal and vehicle hours related to the Group's landfills for €3,233 thousand (€3,466 thousand in 2012). Concerning the re-assessment of provisions, attention is called to the following:

- re-assessment of the legal litigation and employee disputes fund in the amount of EUR 473 thousand following the closure of pending disputes with an outcome favourable to the company;

- re-assessment of the Herambiente Industrial Services Srl's waste disposal fund in the amount of EUR 159 thousand and that of Herambiente in the amount of EUR132 thousand as a result of lower costs with respect to the initial estimates.

“Other revenues” mainly include cost recoveries in relation to environmental, electricity and gas services. The contribution from the two now wholly consolidated companies Isontina Reti Gas SpA and Est Reti Elettriche, as compared to the same period of the previous fiscal year, equals EUR 7,635 thousand.

6 Use of raw materials and consumables

	First half 2014	First half 2013	Change
Electricity ready for sale	455,612	553,007	(97,395)
Methane ready for sale and LPG net of change in stocks	423,191	604,810	(181,619)
Maintenance materials net of changes in stocks	29,672	30,095	(423)
Water	20,712	17,923	2,789
Electricity for industrial use	19,417	18,145	1,272
White, green an grey certificates	18,235	7,341	10,894
Fuels and lubricants	8,383	8,643	(260)
Chemical products	6,726	6,574	152
Methane for industrial use	3,066	17,277	(14,211)
Heat management combustible materials	2,884	3,269	(385)
Charges and revenues from derivatives	784	5,703	(4,919)
Charges and revenues from certificate valuation	(8,119)	(4,932)	(3,187)
Consumables and sundry	7,709	8,056	(347)
Total	**988,272**	**1,275,911**	**(287,639)**

Please see the Directors' report and notes showing information by business segment for an analysis of trends in the costs of raw materials and consumables.
Please refer to note 24 of the statement of financial position for the item "Charges and revenues from derivatives"

The most substantial changes by comparison with the previous year are described below.

"White, grey and green certificates" includes costs for acquiring the different types of environmental certificates that were incurred in the first half of 2014, and specifically:

- white certificates, Euro 16,787 thousand (Euro 4,197 thousand in the first half of 2013);
- grey certificates, Euro 851 thousand (Euro 975 thousand in the first half of 2013);
- green certificates, Euro 597 thousand (Euro 2,169 thousand in the first half of 2013)

The change with resepct to the previous year was due to different purchasing requirements in view of the Group's certificate needs.

"Charges and revenues from certificate valuation" reflect the valuation of certificates in stock, particularly:

- white, expenses of Euro 367 thousand.(Euro 976 thousand in the first half of 2013)
- green, revenues of Euro 8,140 thousand (Euro 7,191 thousand in the first half of 2013);
- grey, revenues of Euro 346 thousand (expenses of Euro 1,284 thousand in the first half of 2013);

7 Service costs

	First half 2014	First half 2013	Change
Charges for works and maintenance	129,951	118,813	11,138
Servizi di trasporto, smaltimento e raccolta rifiuti	119,564	103,177	16,387
Transport and storage	117,303	111,619	5,684
Fees paid to local authorities	35,853	37,635	(1,782)
Rents and leases payable	15,039	13,214	1,825
Professionnal, legal, tax and organisational services	11,227	10,928	299
Insurances	10,836	10,676	160
IT and data processing services	10,497	9,881	616
Recruitement training and other staff	8,043	7,856	187
Postal and telephone cost	7,915	7,686	229
Technical services	7,029	6,659	370
Bank fees and charges	5,159	6,401	(1,242)
Cleaning and security costs	3,957	3,525	432
Remuneration to statutory auditors and directors	3,042	3,558	(516)
Announcements and advertising	2,961	3,987	(1,026)
Meters reading	2,130	2,270	(140)
Laboratory analysis	1,948	2,054	(106)
Fees payable	1,483	1,692	(209)
Organisational costs	1,362	1,029	333
Utilities	871	1,215	(344)
Agency costs	5,100	5,590	(490)
Other service costs	17,067	21,369	(4,302)
Total	**518,337**	**490,834**	**27,503**

The most substantial changes by comparison with the previous year are described below.

"Charges for works and maintenance". This item includes costs for the construction or improvement of Infrastructures under concession pursuant to IFRIC 12. The increase as compared to the previous financial period is mainly due to an increase in investments, as highlighted in "Long-term Contracts" in Note 5 "Other operating revenues". For more information, please refer to the detailed comments in the Directors' Report.
For "Transportation, waste collection and disposal services", the increase is mainly due to the additional services launched, aimed at achieving a greater percentage of recycling.
"Energy transport and storage" covers the cost of distributing, transporting and storing gas and distributing electricity.
The item “Fees paid to local authorities” includes charges incurred for the use of public owned networks, fees paid to companies that own assets for the rent of gas, water and electricity cycle, and the leasing of the drop-off points. Compared to the first half of 2013, the decrease was due mainly to the decision of the local water authority in relation to the new water tariffs (AEEG resolution no. 643/2013).
In the item "Other service costs," the main contributing item is costs for commercial services.

8 Personnel costs

	First half 2014	First half 2013	Change
Wages and salaries	177,565	173,016	4,549
Social security contributions	59,066	57,308	1,758
Post-employment and other benefits	684	813	(129)
Other costs	14,383	13,227	1,156
Total	**251,698**	**244,364**	**7,334**

The variation in the cost of labour as compared to the previous period is mainly due to the evolution of contractual dynamics. Another relevant factor is the effect produced by the change in the scope of consolidation following the acquisition of control over Isontina Reti Gas SpA (€ 923 thousand) and Est Reti Elettriche Spa (1,172 thousand euros) and the divestiture of Hera Servizi Cimiteriali (1,634 thousand euros).

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

	First half 2014	First half 2013	Change
Managers	151	153	(2)
Middle-management	464	446	18
Clerks	4,175	4,120	55
Blue-collar workers	3,360	3,428	(68)
Average number	**8,150**	**8,147**	**3**

Overall the average cost of labour per capita for the first half of 2014 was €30,9 thousand (€30 thousand in the first half of 2013).

At 30 June 2014, the actual headcount was 8,140 (8,107 employees at 30 June 2013).

9 Amortisation, depreciation and provisions

	First half 2014	*First half 2013*	Change
Amortisation property,plant and equipment	85,016	78,664	6,352
Amortisation property investments	53	53	-
Amortisation intangible assets	77,094	69,987	7,107
Allowance for bad debts	31,128	28,873	2,255
Provisions for risks and charges	14,800	18,721	(3,921)
Total	**208,091**	**196,298**	**11,793**

As regards the breakdown of the items, please refer to the comments under “property, plant and equipment”, “intangible assets”, “trade receivables” and “provisions for risks and charges” in the statement of financial position.

The increase in the depreciation of tangible fixed assets is predominantly related to the increased volume of waste disposed of and the consequent greater rate of depreciation of assets associated with the Group's landfills.

The increased amortization of intangible assets is related to the increase in the rate of depreciation of contracted public services as a result of contracted work carried out in previous years. In the same period, the acquisition of control over Isontina Reti Gas SpA resulted in higher depreciation in the amount of € 1,219 thousand, while the acquisition of control over Est Reti Elettriche Spa, which took place in December 2013, further increased amortization in the amount of 445 thousand euros.

10 Other operating costs

	First half 2014	First half 2013	Change
Taxation other than income taxes	7,192	6,938	254
Landfill special tax	5,143	4,110	1,033
State rentals	4,143	3,575	568
Membership and other fees	1,745	1,899	(154)
Loss on disposal of assets	351	492	(141)
Other minor charges	8,376	7,874	502
Total	**26,950**	**24,888**	**2,062**

"Taxation other than income taxes" mainly refers to the IMU tax on buildings, stamp and registration duties and excise taxes.

"Special landfill levy" corresponds to the Eco-tax due for the period on landfills managed by the Group. The increase reflects the higher quantities of waste disposed of in landfills as compared to the first half of the previous financial cycle.

As regards "State rentals", the increase was primarily related to the complete consolidation of the Isontina Reti Gas SpA company in the amount of € 468 thousand.

"Other minor charges" mainly includes compensation for damages, fines, penalties and other non-recurring charges.

11 Capitalized costs

	First half 2014	First half 2013	Change
Increases in self-constructing asset	7,804	7,764	40
Total	**7,804**	**7,764**	**40**

Increases in self-constructed assets mainly include labour costs and other charges (such as materials and vehicle hours) directly attributable to the Group's self-constructed assets. Investments are analysed in the report on operations.

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

	First half 2014	First half 2013	Change
Share of profits pertaining to joint ventures	1,799	4,749	(2,950)
Share of losses pertaining to joint ventures		(51)	51
Share of net profit pertaining to joint ventures	**1,799**	**4,698**	**(2,899)**
Share of profits pertaining to associated companies	2,351	4,377	(2,026)
Share of losses pertaining to associated companies	(29)	(1,277)	1,248
Share of net profit pertaining to associated companies	**2,322**	**3,100**	**(778)**
Total	**4,121**	**7,798**	**(3,677)**

"Share of profits/losses pertaining to joint ventures and associated companies" includes the effects generated by the equity method for valuating the companies included in the scope of consolidation.

The "Share of joint venture profits" refers to the companies:
- Estenergy Spa, 1,327 thousand (EUR 3,873 thousand euro in the first half of 2013);
- Enomondo Srl, 472 thousand (EUR 492 thousand euro in the first half of 2013).

"Share of profits from associated companies" is predominatantly related to the companies:
- Aimag Spa, 799 thousand (EUR 1,717 thousand euro in the first half of 2013);
- Sgr Spa, 1,205 thousand (EUR 1,855 thousand euro in the first half of 2013);
- Tamarete Energia Srl in the amount of 270 thousand euro.

In the first half of 2013, the "Share of losses pertaining to associate companies" was related mainly to Tamarete and Energie Srl in the amount of EUR 1,207 thousand.

13 Financial income and expense

	First half 2014	First half 2013	Change
Interest rate and foreign exchange derivatives	76,369	18,462	57,907
Banks	5,612	3,739	1,873
Customers	4,712	2,869	1,843
Capital on equity, investment and dividends from other companies	2,530	235	2,295
Income from valuation at fair value of financial liabilities	1,198	37,015	(35,817)
Other financial income	2,269	2,097	172
Total	**92,690**	**64,417**	**28,273**

	First half 2014	First half 2013	Change
Bonds	57,197	50,401	6,796
Income from valuation at fair value of financial liabilities	44,675	0	44,675
Interest rate and foreign exchange derivatives	28,822	52,148	(23,326)
Loans	9,900	8,471	1,429
Discounting of provisions and financial leases	7,228	7,337	(109)
Factoring	6,240	5,875	365
Valuation of financial liabilities at amortised cost	5,849	5,477	372
Write-downs of financial assets	2,458	8	2,450
Overdrafts	1,292	3,833	(2,541)
Losses on disposals of investments	1	688	(687)
Other financial expense	1,719	1,903	(184)
Total	**165,381**	**136,141**	**29,240**

The overall changes in financial management are described in the Directors' Report.

For "Income and expenses related to changes in the fair value of financial liabilities" and "Interest rate derivatives" reference is made to note 24 of the statement of financial position.

For details on bonds subscribed, please refer to note 32 "Banks and medium/long- and short-term loans".

In the amount of 2,110 thousand Euros, "Write-downs of financial assets" refers to the devaluation of the entire shareholding, equal to 11% of the overall share capital, in Energia Italiana Spa (holder of a 50% share in Tirreno Power SpA). In the second half of the previous fiscal year, in view of the downturn facing Tirreno Power SpA, which operates in the electricity generation sector, Energia Italiana Spa had nullified the book value of the subsidiary company, resulting in a reduction of the share capital due to losses. The book value of the investment that remained the same following the devaluation represented the portion of the equity comprising the receivables owed to Energia Italiana by Sorgenia Spa, which holds a 78% share. Nevertheless, due to the significant financial hardships experienced by Sorgenia Spa that led to debt restructuring and reorganization of its corporate structure, the possibility of recovering these receivables owed to Energia Itlaiana Spa within a specific timeframe is severely hampered and the company is in fact without value.

"Factoring charges" refers to charges associated with the activity of transferring credits in order to optimize the management of the Group's working capital.

"Gains on equity investments and Dividends from other companies" are as follows:

- € 138 thousand for dividends received from Imola Service Srl;
- 1,977 thousand euros for dividends received from Calenia Energia Spa;
- 412 thousand euros for dividends received from minority shareholdings.

The remaining amount refers to liquidation transactions or disposals of minor investments.

The item "Discounting of provisions and finance leases" is broken down as follows:

	First half 2014	First half 2013	Change
Restoration of third-party assets	1,352	1,158	194
Post-closure landfill	3,830	3,780	50
Plants dismantling	72	70	2
Employee leaving indemnity and other benefits	1,613	1,911	(298)
Finance leases	361	418	(57)
Total	**7,228**	**7,337**	**(109)**

14 Other non-operating revenues

	First half 2014	First half 2013	Change
Other non-recurring non-operating income		43,705	(43,705)
Total	**-**	**43,705**	**(43,705)**

This item mainly reflects gains arising from the difference between the purchase price and the fair value of acquired net assets, in connection with business combinations during the period.

15 Taxes for the period

This item is broken down as follows:

	First half 2014	First half 2013	Change
Current taxes (Ires, Irap and substitute tax)	77,854	79,646	(1,792)
Deferrred tax	(2,108)	266	(2,374)
Prepaid taxes	(6,269)	(6,437)	168
Total	**69,477**	**73,475**	**(3,998)**

The tax rate for the first half of 2014 amounted to 39.9% as compared to 42.8% in the first half of 2013, calculated without including the extraordinary effect generated by the item "Other non-operating non-recurring revenues."

Current taxes are broken down as follows:

	First half 2014	First half 2013	Change
Ires	48,743	52,028	(3,285)
Irap	20,462	21,175	(713)
Substitute tax	272	272	-
Total	**69,477**	**73,475**	**(3,998)**

In calculating the taxes for the period, for the purposes of IRES, the effects of the minor "Robin Tax" surcharge in force from tax year 2014 onward for companies to which it is applicable, were granted due consideration, while for the purposes of IRAP, the tax rates stipulated by art. 2 of D.L. 66/2014, converted into Law 89/2014; New deductions concerning the "Tax wedge" as established in Article 11, paragraph 1, letter a) of Legislative Decree 15 December 1997, no. 446, introduced by art. 1, paragraph 484, of Law 228/2012; Deduction for employment increase as established in art. 11, paragraphs 4-c 4-f, of Legislative Decree no. N. 446/97, introduced by article 1, paragraph 132 of Law 147/2013, were also taken into account.

Information on the "tax moratorium"

The appeal lodged by Hera Spa as to the recognition of interest charged by the Tax Authorities in relation to the years assessed (1998 and 1999) was accepted by the Provincial Tax Commission of Bologna. However, in the explanation of its decision the Commission approved a refund for the higher amount of unduly paid interest only for 1998, omitting to specify the same difference for 1999 as well, amounting to €1,412 thousand. In the light of this error, a petition to correct the decision was filed on 10 January 2014. In the hearing held on 17 March 2014, the Commission accepted the request for a correction, specifying in addition the amount of interest to be returned with regard to the verification for 1999: this interest therefore amounts to €2,707 thousand overall. Note that on 19 March 2014, the office notified the company of an appeal for a partial reform of the above-cited ruling. On 20 March 2014 the Company therefore registered a counter-appeal in which it proposed a cross-appeal against this same ruling. The first hearing has been set at 24 September 2014.

With the exception of the above, which is exclusively intended to recover that which has already been paid, the entire matter of the "tax moratorium" must in any case be held to be concluded, as no future disbursals are foreseen that could have an economic impact on the Group's statements.

Report on the assessment notices received by Hera Spa in 2010: management fee Ferrara and Forlì-Cesena

On 29 December 2010 Hera S.p.A. received three assessment notices for IRES, IRAP and VAT regarding the 2005 tax period, following an audit which concluded with a tax audit report by the Finance Police, Bologna Tax Police Unit, dated 1 October 2010. The tax audit report brought to light findings related to intercompany services (general management expenses and expenses related to use of the trademark) provided by Hera S.p.A., in its capacity as parent company of the Hera Group, to the operating subsidiary of Forlì-Cesena, Hera Forlì-Cesena S.R.L. On 18 February 2011, tax settlement proposals were submitted to the Emilia Romagna Regional Management, Large Taxpayers Office, pursuant to art. 6, subsection 2, of Legislative Decree n. 218 of 1997, which concluded negatively for the company. Therefore, on 20 May 2011, the related appeals were submitted to the Provincial Tax Commission of Bologna. Following said appeals presented by the company, the Tax Authorities, by means of act notified on 17 August 2011, partially cancelled, under the appeal process, the payment orders already issued in respect of the IRES component regarding royalties for use of the trademark, and for the entire recovery effected for VAT purposes. Pending the tax proceedings, the company was notified of a tax payment request on 4 January 2012, for the provisional recording of €653 thousand, which the company paid on 29 February 2012. The hearing was held before the Provincial Tax Commission of Bologna on 19 September 2012, and the decisions, which were all entered on 31 October 2012, were entirely in favour of the Company for IRES, IRAP and VAT purposes. Following these decisions, on 19 November 2012, the General Directorate of the Revenue Agency for Emilia Romagna notified the company as to the cancellation of the entries made while a decision was pending. In December 2012, the Company received a refund of the sum disbursed at the moment in which the original entries were made for €653 thousand. On 29 April 2013, notice was received of the appeals filed by the General Directorate of the Revenue Agency against the first instance rulings, and on 26 June 2013 the company filed its counterclaims and appeal.

As regards the above-mentioned dispute, whose value currently amounts to €1,598 thousand, having consulted its legal representatives, the Company has not allocated any provisions to the risk fund, considering the allegations to be unfounded.

Report on tax audits in fiscal year 2011 for Hera Spa: VAT on concession fees and loan installments

On 26 March 2012, following the audit begun on 29 September 2011 by the Finance Police, Tax Police Unit of Bologna, an appeal process was drafted regarding the tax periods from 2006 to 2011, with particular reference to the following cases of VAT application:

- concession fees paid for the use of grids and plants,
- repayment of loans to local authorities,
- rental of business assets or concession of goods related to the management of the integrated water service and the management of urban waste services debited to Hera S.p.A. by the entities that own the assets.

The Company submitted a defence brief on 20 June 2012 and the Tax Authority has not as yet sent any notice of assessment. On 2 October 2012 the Regional Directorate of Emilia Romagna served the Company a notice, related to VAT for 2007, whereby the Company was ordered to pay an administrative penalty of €1,164 thousand. The Company appealed by filing, on 29 November 2012, a specific defence brief under article 16, paragraph 4, Legislative Decree no.472 of 1997 which, to this date, has not been followed by a demand for payment of the above penalty. With reference to the following years, from 2008 to 2011, on 9 August 2013 the Directorate served the Company with another claim, where it specified first of all that the Company's defence arguments for the alleged VAT violations already notified in 2007 had been accepted, particularly the legal arguments related to the proper interpretation of the sanction, at least until the publication of Ministerial Resolution no. 104 of 11 October 2010. With this second service of claim, the Office simply objected to the failure to regularize purchasing invoices related to the last quarter of 2010 (from 1 October to 31 December 2010) for a total of €2,890.44 and for 2011 for an amount of €8,024.70. On 20 September 2013, the Company settled the dispute with the payment of €3,638.38, representing one-third of the penalty indicated, thereby definitively settling the matter for all the years in question.

Information on property tax (ICI) assessment notices received in 2012 by Herambiente

On 24 April 2012 Herambiente S.p.A. was given an assessment notice by the Municipality of Ferrara for failure to file a return and pay property taxes (ICI) on the Ferrara WTE plant for the fiscal year 2009. The assessed sum, inclusive of penalties and interest, amounts to €718 thousand. On 7 January 2014, the relevant payment notice was received, for a total amount of €766 thousand, and on 21 January 2014 the company was notified as to the suspension of the registration of the assessment notice in the tax collection registry. On 24 April 2012 Hera S.p.A. was given two assessment notices, again by the Municipality of Ferrara, for failure to file a return and pay ICI for the fiscal years 2008 and 2009, once again regarding the Ferrara WTE plant. The assessed amounts, inclusive of penalties and interest, respectively total €1,461 thousand and €723 thousand. On 7 January 2014, the relevant payment notice was received, for a total amount of €2,332 thousand, and on 21 January 2014 the company was notified as to the suspension of the registration of the assessment notices in the tax collection registry. The assessment notices, against all of which appeals were filed on 23 July 2012, derive from the cadastral reclassification begun by the Ferrara Territory Agency at the end of 2001, that reclassified the Ferrara WTE plant from category E9 – exempt from property taxes due to their nature as assets "intended for special public exigencies and/or public interest" – as proposed by the Company, to category D1 "Industrial plants", with a resulting assessment of municipal property tax (now IMU) for the amounts indicated in the notices challenged. At present, dates for hearings in which to challenge the cases have not as yet been set.
The Company has not allocated any provisions to the risk fund for the disputes in question, considering the allegations to be unfounded.

Information on tax audits relating to 2012 and 2013

Hera Spa

On 20 December 2013 the Company received assessment notices for fiscal year 2008 from the General Regional Directorate of the Revenue Agency for Emilia Romagna, which disallowed the credit taken for VAT on construction, restructuring and improvement of cogeneration plants at a 20% rate instead of 10%, for roughly €1 million overall. The Company challenged the decision on 7 February 2014 and with presidential decrees of 26 February 2014 the assessment notices were suspended until the hearing set for 20 May 2014. The Provincial Tax Commission of Bologna, with the ruling of 21 May 2014, confirmed that the acts contested by the Company will be suspended. As regards the above-mentioned dispute, having consulted its legal representatives, the Company has not allocated any provisions to the risk fund, considering the allegations to be unfounded.

Herambiente Spa

On 7 March 2012, the Revenue Agency - General Directorate of Emilia Romagna/Large Taxpayer Office – began a tax audit of Herambiente S.p.A., regarding the 2009 fiscal year and mainly focusing on IRAP tax relief under n. 2), 3) and 4) of paragraph 1, sub-paragraph a) of article 11 of Legislative Decree, so-called "tax wedge". On 22 May 2012, the audit report was delivered to the Company, which submitted its defence brief, challenging the entire content of said audit report, on 19 July 2012. At present, no further action appears to have been taken by the Tax Authorities.

Hera Trading Srl

On 12 June 2012, the Revenue Agency - General Directorate of Emilia Romagna/Large Taxpayer Office - began a tax audit of Hera Trading Srl. The audit concerned 2009 and previous as well as subsequent financial years for any effects of transactions carried out in that year. Special attention was paid by the auditors to the Company's treatment of VAT for commodity and index derivative contracts, with special emphasis on the qualification of these transactions as VAT-exempt pursuant to article 10, paragraph 1, sub-paragraph 4) of Presidential Decree 633/72 and the consequent use of the applicable prorated VAT credit under article 19, paragraph 5, of Presidential Decree 633/72. The tax auditors challenged the Company with respect to the qualification of the above derivative transactions as excluded from the calculation of the prorated VAT credit, as they were undoubtedly "ancillary" to the taxable transactions related to the wholesale distribution of electric energy, gas and heat. On 12 July 2012 the Company was given an audit report, rebutting all the defence arguments dated 11 September 2012. The Regional Directorate of Emilia Romagna has not, for the time being, issued any assessment notice. The Company has not allocated any provisions to the risk fund per the dispute in question (whose value amounts to roughly €9.8 million), considering the allegations to be unfounded.

Close examination and subsequent counterclaims have also been involved in the application of the increased IRAP rate for production and distribution of electricity, gas and heat under article 1 of Regional Law Emilia Romagna no. 19/2006. On this matter, the Company has received the following from the Tax Authorities, concerning the respective fiscal periods:

- 2008: on 3 February 2012 a payment notice, for an overall amount of €126,624.91, which was challenged by the Company. The hearing on the merits of the case was held on 15 May 2013. The ruling, which was filed on 20 June 2013, was against the Company; the notice was therefore paid and, at the same time, an appeal was filed on 31 January 2014.

- 2009: on 10 October 2012 a notice of irregularity, for a total amount of €282,385.05, which was challenged on 7 December 2012. On 13 May 2013 the Company received the relevant payment notice, including penalties and interest, for €376,353.23, which it challenged on 5 July 2013. On 25 November 2013 the notice was paid, in that in the meanwhile the suspension, that had initially been granted, was not confirmed. A date for the hearing is pending.

- 2007: on 28 December 2012, following the notice contained in the above-mentioned audit report, an assessment notice for a total of €110,246.47 which it proceeded to challenge on 26 February 2013. With an order dated 27 June 2013, the Tax Commission of Bologna rejected the suspension request and the Company paid one-third of the sum due for tax and interest on a provisional basis. In this case as well, a date for the hearing is pending.

Hera comm Srl

With reference to the increased IRAP rate for electricity, gas and heat production and distribution activities under article 1 of Regional Law Emilia Romagna no. 19/2006, on 313 March 2012 the Company has received the following from the Tax Authorities, concerning the fiscal periods:

- 2008: on 13 March 2012 a payment notice for a total amount of €126,940.20 which was duly challenged. The hearing for the suspension of the payment was held on 16 January 2013 (even though, in the meantime, the Company had paid the expired notice) and the hearing on the merits of the case was held on 15 May 2013. The ruling, which was filed on 20 June 2013, was against the Company, and on 31 January 2014 a second degree appeal was therefore filed.

- 2009: on 11 October 2012 a notice of irregularity for €376,174.78, challenged on 7 December 2012. On 19 April 2013 the Company was given the relevant payment notice, including penalties and interest, for €485,807.67, which it challenged on 3 May 2013. The hearing was held on 4 April and on 28 May 2014 a ruling was recorded against the Company, which proceeded to pay the payment order. A second degree appeal is currently being prepared.

- 2010: a notice of irregularity for €564,338.19 against which an appeal was lodged by the Company on 19 July 2013. On 31 March 2014 it was served with the relative payment order in the amount of €713,478.01, including penalties and interest, against which the Company filed an appeal on 16 May 2014. On 30 May 2014, a suspension until 16 June 2014 was granted by Presidential Decree. On 17 June 2014, the suspension was dismissed by order of the Provincial Tax Commission of Bologna and the relative payment notice was therefore paid, while a date for the appeal hearing has yet to be set.

On 12 March 2013 a tax audit was conducted at Hera Comm S.r.l. for IRES, IRAP and VAT purposes, by the Finance Police – Bologna Tax Unit. On 13 June 2013, the audit report was received with only one finding in relation to non-recourse receivable assignments and bed debts. In particular, with reference to one of said contracts, it was found that the recognition of part of bed debts, for a total amount of €638 thousand, had been deferred, thereby determining a greater IRES and Robin Tax amount for a total of €211 thousand. On 13 June 2013 the tax audit report was delivered to Hera comm S.r.l., which is considering appropriate defensive actions.

16 Earnings per share

thousands of euros	First half 2014	First half 2013
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	96,257	134,098
Interest expenses relating to the liability component of convertible bonds		1,210
Adjusted profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (B)	96,257	135,308
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
- basic (C)	1,410,286,532	1,327,927,944
- diluted (D)	1,410,286,532	1,409,134,440
Earnings (loss) per share (euro)		
- basic (A/C)	**0.068**	**0.101**
- diluted (B/D)	**0.068**	**0.096**

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share take account of the convertible bond which came to maturity on 1 October 2013, when its full amount was reimbursed to the bondholders

As of the date on which this abbreviated biannual consolidated financial statement was prepared, the share capital of the parent company Hera Spa was made up of 1,421,342,617 ordinary shares, unchanged as compared to 31 December 2013.

17 Property, plant and equipment

	30-giu-14	*Of which assets in leasing*	31-dic-13	*Of which assets in leasing*	Change
Land and buildings	530,059	*4,576*	535,073	*4,156*	(5,014)
Plants and machinery	1,305,501	*15,336*	1,345,389	*16,228*	(39,888)
Other moveable assets	113,290	*1,171*	116,519	*1,456*	(3,229)
Assets under construction and advance payments	115,825	-	108,000	-	7,825
Total	**2,064,675**	**21,083**	**2,104,981**	**21,840**	**(40,306)**

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

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Change in the scope of consolidation	IFRS 5	Other changes	Net closing balance	of which gross final amount	of which amortis
30-giu-13										
Land and buildings	420,337	1,904		(7,042)	68,133	1,377	9,804	494,513	*606,763*	*(112,250)*
Plants and machinery	1,248,565	12,629	(587)	(56,986)	129,421	(1,405)	30,506	1,362,143	*2,300,952*	*(938,809)*
Other moveable assets	105,374	5,327	(87)	(14,636)	17,831	(297)	4,452	117,964	*398,896*	*(280,932)*
Asset under construction and advance payments	148,629	30,637	(1,011)	-	7,404		(44,200)	141,459	*141,459*	-
	1,922,905	**50,497**	**(1,685)**	**(78,664)**	**222,789**	**(325)**	**562**	**2,116,079**	***3,448,070***	***(1,331,991)***
30-giu-14										
Land and buildings	535,073	601		(7,342)	981		746	530,059	*661,673*	*(131,614)*
Plants and machinery	1,345,389	8,811	(277)	(63,311)	581		14,308	1,305,501	*2,366,347*	*(1,060,846)*
Other moveable assets	116,519	5,747	(167)	(14,363)	280		5,274	113,290	*396,651*	*(283,361)*
Asset under construction and advance payments	108,000	29,741	(114)	-	294		(22,096)	115,825	*115,825*	-
	2,104,981	**44,900**	**(558)**	**(85,016)**	**2,136**	**-**	**(1,768)**	**2,064,675**	***3,540,496***	***(1,475,821)***

"Land and buildings", totalling €530,059 thousand, consisted of €109,196 thousand in land and buildings and €420,863 thousand in buildings. Land mainly indicates company-owned properties on which the majority of the sites and production plants stand.

“Plants and machinery”, amounting to €1,305,501 thousand, is made up mainly of distribution networks and plants relating to businesses not falling within the scope of the concession system and, therefore, principally: district heating, electricity in the Modena area, waste disposal, waste treatment, purification and composting, material recovery and chemical-physical treatment, anaerobic digesters, and special waste treatment plants.

“Other moveable assets", equal to €113,290 thousand, include equipment and waste disposal bins for €75,127 thousand, furniture and fittings for €4,839 thousand, electronic machines for €6,290 thousand and vehicles and cars for €27,034 thousand.

“Assets under construction and advance payments”, amounting to €115.825 thousand, mainly include investments for developing district heating and electricity distribution, extraordinary maintenance on Group property and WTE plants.

"Other changes" includes the reclassification of assets under construction to the specific categories for assets entering into operation during the course of the financial cycle, as well as assets reclassified from tangible to intangible.

The amounts shown in the column "Change in the scope of consolidation" are related to the acquisition of control over Isontina Reti Gas SpA as outlined in the section "Changes in the scope of consolidation" of these notes.

For a more detailed analysis of investments in the period, please see the Directors' Report, paragraph 1.02.03.

18 Intangible assets

	30-giu-14	31-dic-13	Change
Industrial patents and intellectual property rights	48,293	37,217	11,076
Concessions, licences, trademarks and similar rights	109,862	114,864	(5,002)
Public services under concession	2,164,767	2,138,814	25,953
Intangible assets under construction and public services under concession	169,930	143,526	26,404
Intangible assets under construction	39,949	48,373	(8,424)
Other	46,748	47,168	(420)
Total	**2,579,549**	**2,529,962**	**49,587**

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

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Change in the scope of consolidation	IFRS 5	Other changes	Net closing balance	of which gross final amount	of which amortis
30-giu-13										
Industrial patents and intellectual property rights	29,569	312		(8,120)		(50)	14,642	36,353	*227,086*	*(190,733)*
Concessions, licences, trademarks and similar rights	46,926	17		(6,368)	81,281		(843)	121,013	*371,670*	*(250,657)*
Public services under concession	1,530,864	15,769	(114)	(51,697)	447,602		55,771	1,998,195	*2,968,380*	*(970,185)*
Intangible assets under construction and public services under concession	170,501	44,644			70,066		(68,431)	216,780	*216,780*	
Intangible assets under construction	38,594	7,013			3,466		2,213	51,286	*51,286*	
Other	39,512	1,868		(3,802)	19,052		(4,669)	51,961	*119,747*	*(67,786)*
	1,855,966	**69,623**	**(114)**	**(69,987)**	**621,467**	**(50)**	**(1,317)**	**2,475,588**	***3,954,949***	***(1,479,361)***
30-giu-14										
Industrial patents and intellectual property rights	37,217	775		(8,749)			19,050	48,293	*257,748*	*(209,455)*
Concessions, licences, trademarks and similar rights	114,864	399		(6,410)	3		1,006	109,862	*369,630*	*(259,768)*
Public services under concession	2,138,814	18,738	(59)	(58,069)	30,733		34,610	2,164,767	*3,297,824*	*(1,133,057)*
Intangible assets under construction and public services under concession	143,526	59,277			914		(33,787)	169,930	*169,930*	
Intangible assets under construction	48,373	11,282			93		(19,799)	39,949	*39,949*	
Other	47,168	1,901		(3,866)	966		579	46,748	*121,739*	*(74,991)*
	2,529,962	**92,372**	**(59)**	**(77,094)**	**32,709**	**-**	**1,659**	**2,579,549**	***4,256,820***	***(1,677,271)***

“Industrial patents rights and know-how”, totalling €48.293 thousand, relates mainly to costs incurred for the purchase and implementation of the IT system SAP R/3 ECC6 and related applications.
“Concessions, licences, trademarks and similar rights”, amounting to €109,862 thousand, mainly comprises the value of the rights relating to gas distribution and integrated water cycle activities.
“Public services under concession”, amounting to €2,164,767 thousand, consists of the goods associated with gas distribution, electricity distribution (Imola area), integrated water and public lighting activities carried out under concession by the public authorities in question. These concessions and their associated assets, pertinent to carrying out the activity, over which the Group owns use rights, are accounted for by applying the "intangible asset model" as established by IFRIC interpretation 12.

"Intangible assets under construction - public services under concession", amounting to €169,930 thousand, refers to investments related to the concessions of this kind that have yet to be completed at the end of the period in question.

"Work in progress", amounting to €39,949 thousand, consists primarily of IT projects still in the implementation phase.

"Other", amounting to €46,748 thousand, is mainly constituted by rights for the use of networks and infrastructures for the passage and installation of telecommunications networks, multi-year contractual rights and client lists acquired as part of business combinations.

"Other changes" includes the reclassification of intangible assets under construction to the specific categories for projects that were completed during the semester, as well as assets reclassified from tangible to intangible.

The amounts shown in the column "Change in the scope of consolidation", with reference to public services under concession and associated works in progress, are related to the acquisition of control over Isontina Reti Gas SpA, while the amount shown under "Other" reflects the valorisation of the client list as a result of acquiring Fucino Gas Srl, as outlined in the "Changes in the scope of consolidation" section of these notes.

For a more detailed analysis of the investments made in this period, please see paragraph 1.2.03 of the Report on Operations.

19 Investment property

	30-giu-14	31-dic-13	Change
Property investments	2,946	2,999	(53)
Total	**2,946**	**2,999**	**(53)**

Investment property includes shops located in the “Modello” building in Trieste and several flats rented out. The change from the previous year is entirely attributable to the amortization rate for the period.

20 Goodwill

	30-giu-14	31-dic-13	Change
Goodwill	323,604	323,604	-
Goodwill arising on consolidation	54,960	54,960	-
Total	**378,564**	**378,564**	**-**

The item "Goodwill" is derived primarily from the following:

- the integration operation that gave rise to Hera Spa in 2002, €81,258 thousand;
- acquisition of control by merger of Agea SpA, which took effect 1 January 2004, €41,659 thousand;
- acquisition of control over the Gruppo Meta, which took place at the end of 2005, as a result of the merger of Meta SpA into Hera SpA, €117,686 thousand;
- integration of Geat Distribution Gas SpA into Hera SpA with effect beginning 1 January 2006, €11,670 thousand;
- acquisition of control over Sat Spa through merger into Hera Spa, which took effect 1 January 2008, €54,883 thousand.

"Goodwill arising on consolidation" mainly derives from the integration of the following fully consolidated companies:

- Marche Multiservizi Spa, €20,790 thousand;
- Hera Comm Marche Srl, €4,565 thousand;
- Medea Spa, €3,069 thousand;
- Asa ScpA, €2,789 thousand;
- Hera Luce Srl, €2,328 thousand;
- Gastecnica Galliera Srl, €2,140 thousand.

The remaining items of goodwill and goodwill arising on consolidation refer to minor operations.

In accordance with IAS 36 and in the absence of trigger events, in keeping with the requirements of the standard, an impairment test has not been carried out on goodwill recorded at June 30, 2014.

21 Equity investments

	30-giu-14	31-dic-13	change
Joint venture			
Enomondo Srl	10,465	10,046	419
Esil Scarl	5	5	-
Estenergy SpA	7,270	10,787	(3,518)
Isontina Reti Gas SpA	-	9,320	(9,320)
	17,739	**30,158**	**(12,419)**
Associated companies			
Aimag Spa	42,348	42,614	(266)
Elettrogorizia SpA	2,056	2,067	(11)
FlameEnergy Trading Gmbh	1,695	1,703	(8)
Ghirlandina Solare Srl	49	57	(8)
Q.Thermo Srl	1,275	1,286	(11)
Set Spa	36,362	36,257	105
Sgr Servizi Spa	17,864	19,156	(1,292)
Sosel SpA	684	693	(9)
Tamarete Energia Srl	2,740	2,471	269
Total	**105,073**	**106,304**	**(1,231)**
Non-consolidated subsidiaries and joint ventures			
Adrialink Srl	167	167	-
Calor Più Italia Scrl	6	6	-
Sei SpA	902	902	-
Other minor companies	268	267	1
Total	**1,342**	**1,342**	**1**
Other companies			
Calenia Energia SpA	7,000	9,073	(2,073)
Energia Italiana SpA	-	2,110	(2,110)
Galsi SpA	10,732	10,732	-
Other minor companies	10,538	10,552	(14)
Total	**28,270**	**32,467**	**(4,197)**
Total equity investments	**152,424**	**170,271**	**(17,846)**

Changes in joint ventures and associate companies as compared to 31 December 2013 reflect the acknowledgement of per share profits/losses calculated by the respective companies (including the other components of comprehensive income), as well as the reduction in value for any dividends distributed. In addition, the following transactions also took place:

Joint Ventures

On 24 January 2014, AcegasAps Spa acquired the remaining 50% share held by Eni Spa in Isontina Reti Gas SpA, becoming the sole shareholder and acquiring control over the company. Beginning in the 2014 fiscal year, the company has thus been consolidated using the full consolidation method.

Associate Companies

It should be noted that the decision was made to dissolve the company FlameEnergy Trading Gmbh with effect from 1 January 2014, and consequently this company ceased operations.

Equity investments in other companies

Energia Italiana Spa

The changes from the previous year is due to the adjustment made to the book value of the investment due to writing off the recoverable value. Please refer to Note 13 for further details regarding the valuations carried out.

Calenia Energia Spa

In the first half of 2014 the company repaid, in proportion to shareholders' holdings, a part of the amount paid in prior fiscal years in the form of an "increase in social capital."

Other Companies

The item "Other Minor companies", amounting to €10,538 thousand, is mainly composed of the following non-qualified investments:

- Veneta Sanitaria Finanza di Progetto S.p.A., with a 17.50% equity interest and a book value of €3,587 thousand. The company engages in the planning and construction of the new hospital in Mestre, in the Norgo Pezzana di Zelarino area;
- AMGA SpA, 6.68% owned and with a book value of €6,531 thousand. The company distributes gas and manages public lighting and heating systems. Its activity is concentrated in the municipality and the province of Udine.

22 Financial assets

	30-giu-14	31-dic-13	Change
Receivables for loans	17,922	28,210	(10,288)
Portfolio securities	1,879	1,879	-
Other financial receivables	22,377	22,551	(174)
Total non-current financial assets	**42,178**	**52,640**	**(10,462)**
Receivables for loans	56,307	66,681	(10,374)
Portfolio securities	8,492	8,492	-
Other financial receivables	11,469	9,678	1,791
Total current financial assets	**76,268**	**84,851**	**(8,583)**
Total cash and cash equivalents	**580,330**	**926,933**	**(346,603)**
Total financial assets, cash and cash equivalents	**698,776**	**1,064,424**	**(365,648)**

"Loan receivables", comprises non-interest bearing loans or loans extended at arm's length to the following companies:

	30-giu-14			31-dic-13		
	Loans current portion	Loans non current portion	Total	Loans current portion	Loans non current portion	Total
Enomondo Srl	4,850		4,850	4,850		4,850
EstEnergy Spa	3,570		3,570	10,200		10,200
Isontina Reti Gas Spa			0	9,500		9,500
Oikothen Scarl		2,572	2,572		2,622	2,622
Sei Spa	4,049		4,049		3,949	3,949
Set Spa	2,583	14,349	16,932		16,932	16,932
Tamarete Energia Srl	35,200		35,200	35,200	3,706	38,906
Trading Srl conti vincolati	1,311		1,311	2,188		2,188
Unirecuperi Srl (Unieco Group)	4,000		4,000	4,000		4,000
Other minor companies	744	1,001	1,745	743	1,001	1,744
Total	**56,307**	**17,922**	**74,229**	**66,681**	**28,210**	**94,891**

As compared to December 31, 2013, the following changes should be noted:

- Estenergy Spa, repayment of a part of the interest-bearing loan made to the jointly controlled company currently totaling €3,570 thousand;
- Isontina Reti Gas SpA, as a result of its complete consolidation, the loan granted by parent company AcegasAps Spa is now completely cancelled;
- Sei Spa, two additional payments of €50 thousand in February and May of 2014;
- Tamarete Energia Srl, reimbursement made in the period for a total of €3,706 thousand.

In relation to the chances of collecting €4,000 thousand due from Unirecuperi S.r.l., it is noted that in March 2013 Unieco S.r.l. filed an appeal under article 161, sixth paragraph, of the bankruptcy law. On 9 July 2013 Unieco Scrl exited the pre-bankruptcy procedure, following the filing of the appeal with the Court of Reggio Emilia for the certification of the arrangements with creditors pursuant to article 182 bis Royal Decree 267/1942. The restructuring process did not concern the amount due from Unirecuperi S.r.l. to ASA Scpa, for which, therefore, no critical issues related to the collectability have been identified.

The item “Fixed-income securities” includes, in its current portion: bonds issued by Banca delle Marche for €309 thousand; government bonds for €1,570 thousand, held by the subsidiary ASA Scpa. These securities were posted as collateral against the issue of a bank guarantee in relation to the post-closure of the landfill.
The current portion includes: investment policies, bonds and certificates of deposit purchased by the subsidiary Sotris S.p.A..

"Other financial receivables" in the non-current portion, includes the following financial positions adjusted to market rates in relation to:

- The Municipality of Padua for the construction of photovoltaic systems for which reimbursement is scheduled to occur at the end of 2030, in the amount of €19,473 thousand, and for supplying electricity for public lighting systems, which annual payments have been agreed on over the course of 10 years, in the amount of €1,933 thousand;
- Veneta Sanitaria Finanza di Progetto Spa, a company created to design, construct and operate Mestre's the new hospital, in the amount of €919 thousand.

In the current portion, this item mainly consists of:

- receivables for contributions to the construction of facilities for integrated water services, which have already been acknowledged and approved by the competent authorities and for which concrete delivery is yet to take place, in the amount of €2,321 thousand;
- receivable owed to Est Reti Elettriche SpA by the Equalisation Fund for the electricity sector for 2005-2011 company equalization in the amount of €2,723 thousand;
- Interest income on loans and deferred interest from customers in the amount of €3,494 thousand.

“Cash and cash equivalents” included cash, cash equivalents, and bank cheques and drafts held in the cashier office at headquarters and at other companies for a total of €113 thousand. They also include bank and financial institution deposits in general, available for current transactions and post office accounts totalling €580,217 thousand. Additional details about cash inflows and outflows n the first half of 2014 are available in the cash flow statement and the comments shown in the Directors’ report.

23 Deferred tax assets and liabilities

	30-giu-14	31-dic-13	Change
Prepaid taxes	157,170	145,637	11,533
Substitute tax credit	3,120	3,391	(271)
Total deferred tax assets	**160,290**	**149,028**	**11,262**
Deferred tax liabilities	72,862	74,500	(1,638)
Total deferred tax liabilities	**72,862**	**74,500**	**(1,638)**

"Deferred tax assets" arise from timing differences between reported profit and taxable profit, mainly in relation to the allowance for doubtful accounts, provisions and depreciation taken in excess of the amount allowed by the tax code. The increase as compared to the previous year is due, in the amount of €2,754 thousand, to the integration Isontina Reti Gas SpA and, for the remainder, to not relevant estimated tax provisions, especially with reference to bad debt provision.

"Substitute tax credit" refers mainly to the flat tax paid for the realignment of goodwill recognized in previous years.

"Deferred tax liabilities" arise from timing differences between reported profit and taxable profit, mainly in relation to greater tax deductions taken in previous years for provisions and amounts of property, plant and equipment and intangible assets not relevant for tax purposes.

24 Financial instruments – derivatives

Non current assets/liabilities	Fair Value Hierarchy	Underlying	30-giu-14			31-dic-13		
			Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives								
- Interest rate Swap	2	Loans	1.000,9 mln	100,311		1.001,2 mln	37,560	
- Interest rate Swap	2	Loans	186,6 mln		28,201	283,3 mln		20,499
- Interest rate Option	2	Loans	3,5 mln		246	4,5 mln		317
Total Interest rate and foreign exchange derivatives				***100,311***	***28,447***		***37,560***	***20,816***
Exchange rate derivatives (financial transactions)								
- Cross Currency Swap	2	Loans	20 bn JPY	1,988		20 bn JPY		9,505
Total exchange rate derivatives (financial transactions)				***1,988***	***-***		***-***	***9,505***
Total				**102,299**	**28,447**		**37,560**	**30,321**

Current assets/liabilities	Fair Value Hierarchy	Underlying	30-giu-14			31-dic-13		
			Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives								
- Interest rate Swap	2	Loans	90,0 mln		3,335			
Total Interest rate and foreign exchange derivatives				***-***	***3,335***		***-***	***-***
Commodity derivatives								
- Swap	3	Foreign Gas Hubs	165.231 MWh	953		2.444.880 MWh	1,005	
- Swap	2	Crude oil	5.500 Bbl	8		22.500 Bbl	6	
- Swap	2	Refined oil/coal	25.600 Ton	279		48.500 Ton	700	
- Swap	2	Electric energy formulas	3.224.244 MWh	11,019		2.198.213 MWh	9,484	
- Swap	3	Foreign Gas Hubs	152.476 MWh		1,076	337.633 MWh		102
- Swap	2	Crude oil	62.500 Bbl		126	36.000 Bbl		35
- Swap	2	Refined oil/coal	35.000 Ton		323	20.700 Ton		88
- Swap	2	Electric energy formulas	4.769.352 MWh		15,617	2.643.228 MWh		15,003
Total commodity derivatives				***12,259***	***17,142***		***11,195***	***15,228***
Exchange rate derivatives (commercial transactions)								
- Swap	2	EUR/USD exchange rate	8,5 mln Usd	94		10,0 mln Usd	190	
- Swap	2	EUR/USD exchange rate	9,0 mln Usd		35	13,0 mln Usd		93
Total exchange rate derivatives (commercial transactions)				***94***	***35***		***190***	***93***
Total				**12,353**	**20,512**		**11,385**	**15,321**

The financial instruments recorded as current assets and liabilities are derivative contracts whose implementation is scheduled to occur within the next financial cycle.

With regard to derivatives on current and long-term interest rates as at 30 June 2014, the Group's net exposure was positive by €68,529 thousand, compared with a positive exposure of €16.744 thousand as at 31 December 2013. The significant change in the fair value as compared to the previous fiscal year is mainly due to the decrease in the yield curve in the area of hedges for financial liabilities at fixed rates.

The fair value of derivatives signed to hedge the exchange rate and the fair value of foreign currency loans, as of 30 June 2014 turned out to be positive in the amount of €1,988 thousand as compared to a negative assessment, equalling €9,505 thousand, made as of 31 December 2013. The positive change in fair value is attributable to both to the strengthening of the Japanese yen in relation to the euro and the sharp decline of the euro yield curve.

As of 30 June 2014, the net fair value of commodity and foreign exchange derivatives related to commercial transactions is negative in the amount of €4,824 thousand; no significant changes have occurred as compared to 31 December 2013, when the portfolio had a negative fair value of €3,936 thousand euros.

The fair value of financial instruments, both on interest rates and foreign exchange rates, derives from market prices; in the absence prices quoted on active markets, the method of discounting back future cash flows is used, taking the parameters observed on the market as reference where these are available. The method of calculating the fair value of the instruments in question includes the valuation of the non-performance risk. All derivative contracts entered into by the Group are with leading institutional counterparties.

In the first half of the 2014 fiscal year, no transfers occurred among the various levels of the fair values indicated above.

Interest rate and foreign exchange derivative instruments held as at 30 June 2014, subscribed in order to hedge loans, can be classed into the following categories (figures in thousands of €):

Interests exchange rate derivatives (financial transactions)										
Type	Underlying	30-giu-14			31-dic-13			30-giu-13		
		Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
- Cash Flow Hedge	Loans	129,3 mln	-	6,782	136,8 mln	-	8,407	144,2 mln	-	10,485
- Fair Value Hedge	Loans	1.149,8 mln	102,299	25,000	1.149,8 mln	37,559	21,913	649,8 mln	57,363	13,358
- Non Hedge Accounting	Loans	1,9 mln	-	-	2,4 mln	1	1	4,5 mln	-	8
Total fair value			**102,299**	**31,782**		**37,560**	**30,321**		**57,363**	**23,851**
Type	Underlying	30-giu-14			31-dic-13			30-giu-13		
		Income	Expense	Net effect	Income	Expense	Net effect	Income	Expense	Net effect
- Cash Flow Hedge	Loans	-	2,479	(2,479)	132	5,273	(5,141)	18	2,680	(2,662)
- Fair Value Hedge	Loans	76,368	26,342	50,026	29,924	72,813	(42,889)	18,433	49,460	(31,027)
- Non Hedge Accounting	Loans	1	1	-	18	8	10	11	8	3
Total Income / expense		**76,369**	**28,822**	**47,547**	**30,074**	**78,094**	**(48,020)**	**18,462**	**52,148**	**(33,686)**

Interest rate derivatives identified as cash flow hedges show a residual notional amount of €129.3 million (€136.8 million as at 31 December 2013) against variable rate loans of the same amount.

Income and charges associated to said class of derivatives predominantly refer to cash flows realised, or to the recording of shares of interest flows, which shall have a financial impact in the following period.

As at 30 June 2014 the breakdown of net charges relating to derivatives classified as cash flow hedges, amounting to €2,479 thousand, is as follows:

Cash Flow Hedges	First half 2014			First half 2013		
	Income	Expense	Net effect	Income	Expense	Net effect
- Cash inflow		2,437	(2,437)		2,457	(2,457)
- Accrued Interest		(52)	52		175	(175)
- ineffective portion		94	(94)	18	48	(30)
Total derivatives effect	**-**	**2,479**	**(2,479)**	**18**	**2,680**	**(2,662)**

All hedge relationships between the above derivative contracts and their underlying liabilities, which qualify as cash flow hedges, resulted in a negative reserve of €2,169 thousand, net of the relevant tax effect, for the Group.

Interest rate and foreign exchange derivatives, identified as fair value hedges of liabilities, show a residual notional amount of €1,149.8 million (unchanged as compared to 31 December 2013), in relation to loans for the same amount. For foreign-denominated loans, the notional amounts of the derivatives are translated into euros at the original exchange rate hedged by the derivatives in question. Specifically, the financial liabilities hedged turned out to be a bond denominated in Japanese yen, which has a nominal outstanding value of $ 20 billion and two fixed-rate bonds with a nominal value of €500 million each. The valuation of these derivatives has led to the recording of net financial revenues in the amount €42,440 thousand; at the same time, the value of the underlying loans was adjusted, recording net financial expenses in the amount of €43,477 thousand.

The table below provides a breakdown at 30 June 2014 of financial income and expense associated with derivatives designated as fair value hedges and related underlying liabilities, as adjusted for the income and losses attributable to the hedged risk:

Fair Value Hedges	First half 2014			First half 2013		
	Income	Expense	Net effect	Income	Expense	Net effect
- Derivates valuation	55,069	12,629	42,440	5,148	42,163	(37,015)
- Accrued Interest	19,176	(37)	19,213	10,960		10,960
- Cash inflow	2,123	13,750	(11,627)	2,325	7,297	(4,972)
- ineffective portion	-	-	-	-	-	-
Total derivatives effect	**76,368**	**26,342**	**50,026**	**18,433**	**49,460**	**(31,027)**

Underlying	First half 2014			First half 2013		
	Income	Expense	Net effect	Income	Expense	Net effect
Financial liabilities valutation	1,198	44,675	(43,477)	37,015	-	37,015
Total	**1,198**	**44,675**	**(43,477)**	**37,015**	**-**	**37,015**

As compared to the previous fiscal year, the negative economic impact associated with the valuation of this type of hedging reflects changes in the fair value of the financial instruments described above, especially with reference to the decline in the yield curve. With reference to the flows achieved and the recording of their share, the increase in net revenues was due to the effects generated by signing new hedge contracts in the second half of 2013.

As compared to the previous fiscal year, the negative economic impact associated with the valuation of this type of hedging reflects changes in the fair value of the financial instruments described above, especially with reference to the decline in the yield curve. With reference to the flows achieved and the recording of

their share, the increase in net revenues was due to the effects generated by signing new hedge contracts in the second half of 2013.

The remaining non hedge accounting interest rate derivatives have a residual notional amount of 1.9 million euros (2.4 million euros as of 31 December 2013) and a fair value of nearly zero; these contracts derive from mirroring operations carried out in previous fiscal years as part of restructuring the derivatives portfolio.
Commodity derivative instruments held as at 30 June 2014 can be classed into the following categories (figures in thousands of €):

Commodity/change rate derivatives (commercial transactions)										
Type	Underlying	30-giu-14			31-dic-13			30-giu-13		
		Fair Value Assets	Fair Value Liabilities	Net effect	Fair Value Assets	Fair Value Liabilities	Net effect	Fair Value Assets	Fair Value Liabilities	Net effect
- Non Hedge Accounting	Transactions on commodities	12,353	17,177	(4,824)	11,385	15,321	(3,936)	24,477	30,291	(5,814)
Total fair value		**12,353**	**17,177**	**(4,824)**	**11,385**	**15,321**	**(3,936)**	**24,477**	**30,291**	**(5,814)**
Type	Underlying	30-giu-14			31-dic-13			30-giu-13		
		Income	Expense	Net effect	Income	Expense	Net effect	Income	Expense	Net effect
- Non Hedge Accounting	Transactions on commodities	12,228	13,012	(784)	49,367	58,102	(8,735)	36,255	41,958	(5,703)
Total Income / expense		**12,228**	**13,012**	**(784)**	**49,367**	**58,102**	**(8,735)**	**36,255**	**41,958**	**(5,703)**

At financial year-end there were no commodity derivatives accounted for as hedges.
The commodity derivatives classified as non-hedge accounting also include contracts put in place substantially for hedging purposes, but which, on the basis of the requirements set forth by international accounting standards, cannot be formally classified under hedge accounting. In any event, these contracts generate income and charges referring to higher/lower purchase prices of raw materials and, as such, are recognised as operating costs.
Overall, in the first half of 2014, these derivatives generated net expenses of €784 thousand, which are essentially comparable to variation in the opposite direction in the costs of raw materials (gas and electricity), which constitute an integral part of it.

Interest rate risk and currency risk on financing transactions

The Group's financial requirements are also met by turning to outside resources in the form of debt. The cost of the various forms of borrowing can be affected by market interest rate fluctuations, with a consequent impact on the amount of the net financial charges. Equally, interest rate fluctuations also influence the market value of financial liabilities. In the case of loans denominated in foreign currency, the cost may also be affected by exchange rate fluctuations with an additional effect on net financial charges. To mitigate interest rate volatility risk and, at the same time, guarantee the correct balance between fixed rate indebtedness and variable rate indebtedness, the Group has stipulated derivatives on interest rates (*Cash Flow Hedge* and *Fair Value Hedge*) against part of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has stipulated foreign exchange derivatives (*Fair Value Hedge*) to fully hedge loans in foreign currency.

Market risk and currency risk on commercial transactions

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

With reference to those risks, the Group's objective is to lessen the risk of fluctuation in the forecast budget margins. The instruments used for handling price risk, both with regards to the price of the goods and the related Euro/Dollar exchange rate, are carried out through swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in the aforementioned market conditions.

Though these transactions are substantially put in place for hedging purposes, in order to realise all possible synergies and decrease operating costs, they are concretely implemented by destructuring the indices included in the underlying contracts and reaggregating them by individual type and net external exposure. As a result, in most cases, the direct correlation of the hedging transactions with the related underlying elements is lost, thereby making these transactions non-compliant with the requirements of IAS 39 for hedge accounting.

25 Inventories

	30-giu-14	31-dic-13	Change
Raw materials and stock	90,771	76,323	14,448
Finished products	1,993	1,189	804
Total	**92,764**	**77,512**	**15,252**

“Raw materials and stocks”, stated net of an obsolescence provision of €738 thousand (€535 thousand as at 31 December 2013) are comprised mainly of gas stocks, €60,754 thousand (€46,392 thousand as at 31 December 2013) and raw materials and stocks (Spare parts and equipment used for maintenance and running of operating plants), equal to €32,010 thousand (€31.421 thousand as at 31 December 2013).
The increase in gas stocks, amounting to €14,362 thousand, is due to commercial supply decisions, especially in relation to low market prices for the period.

Changes in the allowance for obsolete inventories for the period under review were as follows:

	31-dic-12	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-13
Allowance for obsolete inventory	523	-	289		812

	31-dic-13	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-14
Allowance for obsolete inventory	535	-	82	121	738

The change in the scope of consolidation refers to the acquisition of control over Isontina Reti Gas SpA, as outlined in these notes under the heading "Changes in the scope of consolidation".

26 Trade receivables

	30-giu-14	31-dic-13	Change
Trade receivables	878,908	781,009	97,899
Intangible assets under construction	416,318	556,254	(139,936)
Due from associated companies and *joint ventures*	12,097	19,933	(7,836)
Total	**1,307,323**	**1,357,196**	**(49,873)**

Trade receivables comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 30 June 2014. The balances are stated net of the provisions for doubtful receivables amounting to Euro 170,173 thousand (Euro 153,403 thousand as at 31 December 2013) which is considered to be fair and prudent in relation to the estimated realizable value of said receivables.

Changes in the allowance for bad debts in the first half of 2013 and 2014 were as follows:

	31-dic-12	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-13
Allowance for bad debt	118,363	28,873	17,850	(8,458)	156,628

	31-dic-13	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-14
Allowance for bad debt	153,403	31,128	129	(14,487)	170,173

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on historic analyses of the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the following paragraph “credit risk”.
The change in the scope of consolidation reflects to the consolidation of Fucino Gas Srl and Isontina Reti Gas SpA, as outlined in these notes under the heading "Changes in the scope of consolidation".

Credit risk

The value of the trade receivables shown in the financial statements is the maximum theoretical exposure to credit risk for the Group as at 31 December 2013. The current credit approval procedure requires specific individual evaluations, which makes it possible to reduce credit concentration, and the exposure to credit risk, to business and private customers. From time to time, analyses are conducted on the individual positions, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down. With regard to the receivables that do not undergo individual write-downs, allocations are made to the provision for doubtful receivables, on the basis of historic analysis (in relation to the aging of the receivables, the type of recovery action undertaken and the *status* of the creditor).
The carrying amount of trade receivables at year-end approximated their fair value.

27 Contract work in progress

	30-giu-14	31-dic-13	Change
Contract work in progress	20,368	22,830	(2,462)
Total	**20,368**	**22,830**	**(2,462)**

At 30 June 2014 “Contract work in progress” related to long-term contracts for:

- plant-works, mainly for gas and water services;
- activities related to designing the waste-to-energy incinerator in Florence;
- planning related to domestic orders and international plant development.

28 Current tax assets and liabilities

	30-giu-14	31-dic-13	Change
Income tax credits	18,936	6,927	12,009
IRES refund credit	22,216	22,216	-
Total current tax assets	**41,152**	**29,143**	**12,009**
Income tax payable	81,726	5,707	76,019
Substitute tax payable	239	239	-
Total current tax liabilities	**81,965**	**5,946**	**76,019**

"Income tax credits" refers to excesses in the advance payments made in previous financial cycles for IRES and IREP taxes over and above the amounts owed, as well as advance payments made in the first half of 2014.

The "IRES refund receivable" refers to the IRES refund receivable following the deductibility of IRAP related to labour costs and the like under Law Decree 201/2011 and law Decree 16/2012 for the years 2007-2011.

"Income tax due" includes provisions for IRES and IRAP made in relation to profit for the period

"Substitute tax payable" reflects the remaining instalments to be paid for the value alignment of certain assets.

29 Other current assets

	30-giu-14	31-dic-13	Change
Certificates of energy efficiency and emission trading	118,378	86,016	32,362
Equalisation fund for the electricity and gas sectors for standardisation and continuity income	57,000	17,873	39,127
VAT, excise and additional taxes	30,773	20,574	10,199
Security deposits	25,497	24,288	1,209
Advances to suppliers/employees	11,107	8,419	2,688
Insurance costs	10,949	5,955	4,994
Due from assets companies and ConAmi	6,917	6,805	112
Costs advanced for leases and rentals	4,764	5,853	(1,089)
Payments and concession fees for network services	4,608	1,967	2,641
Other tax credits	3,330	8,238	(4,908)
Costi sospesi per servizi e lavorazioni esterne	3,298	5,108	(1,810)
Costi sospesi per imposte e tasse	2,915	1,708	1,207
Contributi	2,902	2,408	494
Receivables related to tariff components	2,027	548	1,479
Credito per consolidato fiscale	1,962	826	1,136
Prepaid costs for waste disposal	1,685	1,826	(141)
Prepaid costs transport and gas storage	1,546	1,255	291
Crediti per dividendi	1,237	-	1,237
Crediti per ritenute d'acconto	1,215	23	1,192
Due from social security institutions	735	755	(20)
Other receivables	44,164	30,720	13,444
Total	**337,009**	**231,165**	**105,844**

The breakdown and changes in the main items are described compared with 31 December 2013.

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

- green certificates, €71,456 thousand (€63,610 thousand as at 31 December 2013);
- white certificates, €44,960 thousand (€20,410 thousand as at 31 December 2013);
- grey certificates, €1,962 thousand (€1,996 thousand as at 31 December 2013).

With respect to green certificates produced by the WTE plants, during the approval process, where the certificates have already been issued and sold (Ferrara WTE plant and Modena WTE plant), the GSE identified the entire consumption of the incineration plants with the ancillary services, without taking into due account the peculiarity and the purposes of a waste-to-energy plant. In light of this determination, based on internal technical analyses and having heard its counsel, Hera S.p.A. defined different amounts of receivable for the production periods considered so far in relation to all WTE plants and took all the steps necessary including, among others, a claim before the competent administrative venues to obtain payment of the sums due. Attention is called also to Resolution no. 47/2013/R/EFR of 7 February 2013 issued by the Italian Energy and Gas Authority concerning "Criteria for the identification of the consumption of ancillary plant services and transformation and line losses of electric energy production plants that benefit from the incentives provided for by interministerial decrees 5 and 6 July 2012"; the contents of this Resolution might be used as a reference to settle the dispute on this matter with the GSE, even though the incentive mechanisms in place for Hera S.p.A.'s plants are related to previous rules and regulations.

The item "Equalisation fund for the electricity and gas sectors for standardisation and continuity income" shows a balance of €57,000 thousand (€17,873 thousand as at 31 December 2013). The increase is mainly attributable to the portion of the equalization of gas distribution for the period and the credit for rebates or water and gas services given to customers in the areas affected by the May 2012 earthquake.

The consolidation of Isontina Reti Gas SpA led to recording €2,433 thousand.

“VAT, excise and additional taxes”, amounting to €30,773 thousand, reflect VAT credits for Euro €11,872 thousand and excise and regional surtaxes receivable for €18,901 thousand. The change as compared to 31 December 2013 is due to an increase of €4,387 thousand in VAT receivables (€7,486 thousand as of 31 December 2013) and an increase of €5,813 thousand in excise and regional surtax receivables (€13,088 thousand as of 31 December 2013). These changes are to be interpreted together with the changes shown in the item in liabilities, “Other current liabilities" – note 37. To understand these changes, particularly with regards to excise duties and surtaxes, note must be taken of the procedures that regulate financial dealings with the Tax Authorities. In particular, advance payments during the year were calculated according to quantities of gas and electricity billed in the previous year. Using these methods, credit/debit positions can be generated with differences that may prove to be significant between one period and another.

"Security deposits", consisting of:

- deposits made to Acosea Impianti Srl, €12,000 thousand;
- other minor deposits made to public institutions and companies, €11,269 thousand (€10,060 thousand as of 31 December 2013). The increase is mainly due to new deposits paid to GME to guarantee the purchase of green certificates and to be able to transport a larger volume of electricity on international networks;
- deposits made to the Property Valuation Office, €2,228 thousand, to guarantee the payment of excise taxes collected from customers.

"Advances to suppliers/employees", totalling €11,107 thousand (€8,419 thousand as of 31 December 2013). The increase as compared to the previous year mainly relates to an advance payment made to a supplier by Acegas Aps Spa

"Insurance costs", totalling €10,949 thousand euros (€5,955 thousand as of 31 December 2013). These are costs for insurance coverage and bank fees and commissions paid before the reference date of this financial statement.

"Fiscal consolidation receivables", represents the amount owed by Estenergy arising from its participation in the tax consolidation, seeing as the Group holds 51% of its share capital.

The item "Other receivables" includes other upfront costs totalling €18,831 thousand.

30 Non-current assets held for sale

	30-giu-14	31-dic-13	Change
Land and buildings	-	3,300	(3,300)
Total	**-**	**3,300**	**(3,300)**

The item has decreased as a result of selling property belonging to Est Reti Elettriche destined to be used as offices, located in Gorizia.

31 Share capital and reserves

The statement outlining changes in equity is shown in paragraph 2.1.05 of this abbreviated biannual consolidated financial statement.

Share capital

At 31 December 2013 share capital amounted to €1,409,348 thousand, which was fully paid in and composed of 1.421.342.617 shares with a nominal value of €1 each.
The amount of treasury shares, whose nominal value at 30 June 2014 was €11,558 thousand and the costs associated to the new share issues which, net of the relevant tax effects, totalled €437 thousand are deducted from share capital.

Reserves

This item, amounting to €611,702 thousand, includes retained earnings and reserves established in connection with cash and in-kind equity injections for €647,154 thousand, cumulative loss in the other comprehensive income (OCI) reserve for €30,642 thousand and own shares held in treasury for €4,810 thousand. These latter amounts reflect operations carried out on treasury shares as of 30 June 2014; changes during the first half-year resulted in a gain of €2,514 thousand.

Non-controlling interests

This item reflects the amount of capital and reserves of subsidiaries held by parties other than the parent company's shareholders. In particular, it includes equity interests in the Herambiente Group and the Marche Multiservizi Group.

32 Payables to banks and medium/long and short-term financing

	30-giu-14	31-dic-13	Change
Loans e mortgages: portion due beyond the period	3,026,660	3,258,923	(232,263)
Other financial liabilities: portion due beyond the period	6,899	8,499	(1,600)
Total loans and non-current financial liabilities	**3,033,559**	**3,267,422**	**(233,863)**
Loans e mortgages: portion within beyond the period	301,463	111,372	190,091
Overdrafts and interest expense	150,884	227,603	(76,719)
Other financial liabilities: portion due within the period	3,753	22,899	(19,146)
Total loans and current financial liabilities	**456,100**	**361,874**	**94,226**
Total loans and financial liabilities	**3,489,659**	**3,629,296**	**(139,637)**

The main changes in the item "Loans and mortgages" are due to:

- early reimbursement, on 30 June 2014 of the entire outstanding capital of €50 million of the financing issued by Mediobanca, which was originally scheduled to mature on 16 May 2015;
- raising new financing on the part of the subsidiary Akron Spa with a nominal value of €5 million;
- reclassification of the loan amounting to 180 million euros issued by the European Investment Bank to the subsidiary Herambiente from non-current liabilities to current liabilities, as it is approaching maturity;
- reclassification of the loans issued by Unicredit Bulbank to the subsidiary Rilagas AD for a total amount of €36.8 million from medium/long financing to short-term financing.

As of 30 June 2014, the portion of the item "Other borrowings" due beyond the end of the financial cycle includes the debt totalling €6,899 thousand owed to the municipal pension fund by AcegasAps Spa.
The current portion, totalling €3,753 thousand, includes, among other elements:

- current portion of the debt that AcegasAps Spa owes to the municipal pension fund, totalling €1,046 thousand;
- debts owed to municipalities for Tares proceeds registered by the subsidiary Marche Multiservizi Spa in the amount of €446 thousand;
- a portion of the outstanding debt of €1,100 thousand owed to UNIECO Costruzioni Meccaniche Srl for the purchase of the minority interest of 49% in the subsidiary Nuova Geovis Spa (subsequently merged into Herambiente).

As of 30 June 2014 the Hera Group provided the following security interests for certain bank loans, including among others:

- mortgages and special liens on property, plant and equipment by the Hera Group to the syndicate of banks that extended a loan to the subsidiary Fea S.r.l. whose nominal amount outstanding is now €42,900 thousand;
- mortgages to secure the loan provided to the subsidiary Herambiente S.p.A., whose balance outstanding is now €594 thousand
- mortgages on the buildings of Pesaro and Urbino in favour of a bank that extended a loan whose balance outstanding is now €4.109 thousand.
- mortgages to secure the loan provided to the subsidiary AcegasAps Spa, with a nominal outstanding value of €3,272 thousand.

The table below shows the bonds and loans as at 30 June 2014, with an indication of the portion expiring within 12 months, within 5 years and after 5 years:

Type	Residual amount 30-jun-14	Portion due within the period	Portion due within 5° year	Portion due beyond 5° year
Bond	2,489,290		499,507	1,989,783
Loans e mortgages	838,833	301,463	240,353	297,017
Overdrafts and interest expense	150,884	150,884		
Other financial liabilities	10,652	3,753	6,899	
Total Loans and mortgages	**3,489,659**	**456,100**	**746,759**	**2,286,800**

The main terms and conditions of the bonds outstanding as of 30 June 2014 are shown below:

Bonds		Tenor (years)	Maturity	Nominal Value (€/mm)		Coupon	Annual interest
Eurobond	Luxembourg stock exchange	10	15-Feb-16	500	EUR	Fixed annual	4.13%
Eurobond	Luxembourg stock exchange	10	3-Dec-19	500	EUR	Fixed annual	4.5%
Bond	EuroTLX Markets	13	17-Nov-20	100	EUR	ed, six-mon	6.32%
Bond	Not listed	15	5-Aug-24	20,000	JPY	ed, six-mon	2.93%
Bond	Luxembourg stock exchange	10	22-mag-2023	68	EUR	Fixed annual	3.375%
Bond	Luxembourg stock exchange	12	22-mag-2025	32	EUR	Fixed annual	3.50%
Bond	Not listed	15/20	14-mag-2027/2032	102.5	EUR	Fixed annual	5.25%
Bond	Luxembourg stock exchange	15	29-gen-2028	700	EUR	Fixed annual	5.20%
Bond	Luxembourg stock exchange	8	04-ott-2021	500	EUR	Fixed annual	3.25%

At 30 June 2014, the total bonds outstanding, with a nominal value of €2,652 million, had a fair value of €3.074 million, as determined on the basis of market quotations, when available. There are no covenants on the debt except that, for some loans, which requires the company not to have even one agency lower its rating below investment grade (BBB-). As of the balance sheet date this covenant was met.

Liquidity risk

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

Current cash, cash equivalents, and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. In particular, at 30 June 2014 unused lines of credit amounted to approximately €1,000 million while available committed credit lines amounted to €450 million.

The analysis of cash flows, broken down by maturity date, related to borrowings outstanding at the balance sheet date is illustrated in the Report on operations in the section “Financial policy and rating”.

33 Post-employment and other benefits

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

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

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

	31-dic-13	Allocation to provisions		Actuarial gains/ losses	Uses and other movements	Changes in the scope of	30-giu-14
		service cost	Financial charges				
Employee leaving indemnity	127,781	214	1,467	11,400	(2,772)	510	138,600
Provision for tariff reduction	7,515	285	97	1,034	(210)		8,721
Premugas Fund	5,084	127	23	41	(324)		4,951
Gas discount	4,544	58	26	518	(138)		5,008
Total	**144,924**	**684**	**1,613**	**12,993**	**(3,444)**	**510**	**157,280**

“Actuarial gains/(losses)” reflect the re-measurement of the liabilities for employee benefits arising from changes in actuarial assumptions. These components are recognized directly in the comprehensive income statement (paragraph 2.01.02).

The item “Uses and other movements” mainly includes the amounts paid to employees.

The item “Changes in the scope of consolidation” reflects mainly:

- complete consolidation of Isontina Reti Gas Spa in the amount of €641 thousand;
- deconsolidation following the sale of Herasocrem Srl for €140 thousand.

The main assumptions used in the actuarial estimate of the employee benefits are as follows:

	30-giu-14
Annual discount rate	2.99%
Annual rate of inflation	2.10%
Annual salary increases	3.90%
Annual rate of increase of employee leaving indemnity	3.08%
Annual employee departure for reasons other than death	1.10%
Annual usage rate of employee leaving indemnity	1.50%

In interpreting said assumptions, account is taken of the following:

- for probabilities of death, those relating to Istat SIMF 2009 tables;
- for probabilities of disability, reference was made to the INPS projections to 2010, distinguishing by gender;
- regarding pensionable age, reference was made to the pensions treatments provided for by Law Decree no. 201 dated 6 December 2011 on “Urgent provisions for growth, equity and fiscal consolidation”, as well as the rules on the new requirements for access to the pension system and the increase in life expectancy pursuant to article 12 of Law Decree no. 78 of 31 May 2010, which was signed into law no. 122 of 30 July 2010 as amended.
- for probabilities of employment termination for reasons other than death, account was taken of the annual frequencies by professional macro-category, age, sex, setting and average percentage for the Hera group as a whole.

Lastly, actuarial projections were made on the basis of the Euro Composite AA yield curve.

34 Provisions for risks and charges

	31-dic-13	Allocation to provisions		Uses and other movements	Changes in the scope of	30-giu-14
		Allocation to provisions	Financial charges			
Provisions for landfill post-closure and closure expenses	97,772	585	3,830	(6,414)	-	95,773
Provision for restoration of third-party assets	124,509	7,194	1,352	-	-	133,055
Provisions for labour disputes	26,160	1,522	-	(1,927)	-	25,755
Other provisions for risks and charges	66,430	5,642	72	(5,228)	2	66,918
Total	**314,871**	**14,943**	**5,254**	**(13,569)**	**2**	**321,501**

The provision for landfill closure and post-closure expenses, equal to €95,773 thousand, represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently in use. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component derived from the discounting and provision procedure due to changes in the assumptions on future outlays, following the change in estimates both on current and closed landfills. Uses represents the effective outlays during the year. Changes in estimated closure and post-closure costs in relation to active or new landfills, which entailed adjustments to property, plant and equipment for the same amount, were classified under “Other movements”. "Uses and other movements" decreased by €6,414 thousand, which is solely due to actual cash outlays for the management of landfills, €3,233 thousand of which were accounted for with the offsetting entry "Other revenues" (see Note5 in particular).

The provision for restoration of third-party assets, totalling €133,055 thousand, includes provisions made in relation to law and contractual requirements for Hera S.p.A. and Group companies as lessees of the distribution networks of the entity that owns the assets. The allocations are made on the basis of depreciation rates held to be representative of the remaining useful life of the assets in question in order to compensate the lessor companies for the wear and tear of the assets used for business activities. The provision reflects the present value of these outlays which will be determined in future periods (usually on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted to present value, and the financial charges for the period associated with the cash flows discounted to present value.

The “provision for legal cases and disputes brought by personnel”, totalling €25,755 thousand, reflects the valuation of the outcome of lawsuits and disputes brought by employees. The provision includes the €6.9 million relating to the dispute with INPS (7 million euro as of 31 December 2013), which mainly involves the subsidiary AcegasAps Spa. It should be noted that some Group companies have taken part in proceedings against INPS concerning the verification of groundlessness of the obligation to pay INPS contributions for temporary unemployment benefits (CIG), Extraordinary unemployment benefits (CIGS), redundancy, involuntary unemployment, sick leave benefits and the failure to pay the entirely of the family benefits (CUAF) and maternity leave benefits. With reference to Hera Spa and certain Group companies, the dispute has been permanently resolved following an agreement signed 25 January 2013 with INPS and Equitalia and the payment of the benefits owed with relative fees and interest. Civil legal penalties remain to be paid, for which a decrease and deferment request has been presented. This provision should be considered adequate based on the information currently available to the company, the likely development of litigation in progress and legal opinions obtained over time.

The item “Other provisions for risks and charges”, amounting to €66,918 thousand, comprises provisions made against sundry risks. Below, there is a description of the main items:

- €19,500 thousand, related to potential greater costs that might be incurred for non-routine maintenance activities in the landfill in Pnte San Nicolò (Padua). This amount was recorded as a contingent liability when the business combination with the AcegasAps Group was accounted for;
- €11,300 thousand, due to the contingent liability related to existing obligations (guarantee on financial exposure given by Acegas S.p.A.) in case of abandonment of the operations run by the foreign subsidiaries Rilagas (Bulgaria) and Sigas (Serbia). This amount was recorded as a contingent liability when the business combination with the AcegasAps Group was accounted for;
- €1,743 thousand, related to the potential unfavourable resolution of certain commercial disputes with PP1 and Demetra. This amount was recorded as a contingent liability when the business combination with the AcegasAps Group was accounted for;
- €6,440 thousand, for the future decommissioning of the WTE plants of Trieste and Padua. This provisions includes financial charges deriving from the discounting process;
- €3,250 thousand, reflecting provisions made in connection with potential future charges for the landfill in Ponte San Nicolò of the AcegasAps Group;
- €2,938 thousand, for the risk associated with the enactment of the Decree of the Ministry of Economic Development of 20 November 2012 “New procedures to determine the component of the avoided fuel cost (CEC), under measure CIP6/92, and determination of the adjustment amount of CEC for 2011”, which introduced new procedures for the determination of the component of avoided fuel cost (CEC) for 2010, 2011 and 2012;
- €1,506 thousand, related to costs for the disposal of waste stored in the Group’s facilities;
- €2,020 thousand, related to the costs to restore assets of the waterworks system of the Rosola river under concession arrangements to be handed over and additional provisions for a modest amount linked to environmental issues, such as occupation of government land, disputes with AASS-RSM, and fees for water derivation year 2005;
- €1,433 thousand, for any reclamation of cemetery land in Trieste;
- €1,100 thousand, for any penalties required by the Authority for Electric Energy and Gas for the failure to replace 30% of the grey cast iron tubes in the area of Trieste, pursuant to Resolution no. 168/2004 of the Authority
- €1,604 thousand, related to the provisions made to cover actual losses considering the prospects of Oikothen Scarl in liquidation;
- €2,544 thousand, for penalties related to the gas service;
- €783 thousand, for penalties related to the electricity service

With regard to environmental inconveniences to be paid to the Municipality of Forlì, following the municipality's explicit waiver of any further claim for damages incurred in previous years contained within the new 2014 - 2020 agreement, Herambiente has agreed to pay an additional compensation. This out of court agreement involved using the provision set aside in the previous fiscal year, totalling 492 thousand euros

35 Finance lease payables

	30-giu-14	31-dic-13	Change
Finance leases payable beyond the period	15,099	15,527	(428)
Finance leases payable within the period	1,782	1,972	(190)
Total	**16,881**	**17,499**	**(618)**

This item represents the recording of debts as a result of accounting for leases using the financial method.

During the 2013, Akron S.p.A. signed a new lease finance agreement – a sale and leaseback contract – covering the building of the new plant in Granarolo dell'Emilia (Bo). This building, which is still under construction, was recognized for the amount of the capital expenditure completed to date.

Details of finance lease payables, broken down by asset category, are shown below:

Financial leasing payables	31-Dec-13			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-termpayables beyond 5 years	Payments not yet due
Land and buildings			3,681	
Plants and machinery	1,396	3,102	8,281	16,586
Other moveable assets	576	463		1,071
Total	**1,972**	**3,565**	**11,962**	**17,658**

Financial leasing payables	30-Jun-14			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-termpayables beyond 5 years	Payments not yet due
Land and buildings			4,101	
Plants and machinery	1,424	2,678	7,985	17,604
Other moveable assets	358	335		
Total	**1,782**	**3,013**	**12,086**	**17,604**

The net value of assets recorded in the financial statements is shown below (please refer to the values indicated in note 17 "Property, plant and equipment").

Net carrying amount	31-dic-13	Assets held through finance lease		30-giu-14
		Increases	Decreases	
Land and buildings	4,156	420		4,576
Plants and machinery	16,228		(892)	15,336
Other moveable assets	1,456		(285)	1,171
Total assets held through finance lease arrangements	**21,840**	**420**	**(1,177)**	**21,083**

The above data reflect solely assets utilized in connection with lease agreements still in place.

36 Trade payables

	30-giu-14	31-dic-13	Change
Trade payables	542,503	618,316	(75,813)
Trade payables – invoices receivable	393,029	523,732	(130,703)
Payables for advances received	8,973	14,300	(5,327)
Due to associated companies and joint ventures	6,956	11,572	(4,616)
Total	**951,461**	**1,167,920**	**(216,459)**

The majority of trade payables are the result of transactions carried out in Italy.

"Payables for advances received" reflects advances received in relation to contracts for environmental decontamination and gas supply services. The changes as compared to 31 December 2013 are due to lower advances received by the subsidiary Akron for work in progress and a reduction of the advances received by the subsidiary Hera Trading Srl from its associate company Set Spa for the 2013 and 2014 green and grey certificates, which were physically transferred to this company.

Details of the main debts outstanding with associated companies and joint ventures are shown below:

	30-giu-14	31-dic-13	Change
EstEnergy Spa	1,140	3,722	(2,582)
Service imola Srl	1,058	964	94
SO. SEL Spa	1,002	1,333	(331)
Estense Global Service Scarl	972	1,113	(141)
Enomondo Srl	921	1,142	(221)
Esil Scarl	793	1,281	(488)
Aimag Spa	537	582	(45)
Elettrogorizia Spa	331	199	132
Centro Idrico di Novoledo Srl	114	301	(187)
SET Spa	-	758	(758)
Other minor companies	88	177	(89)
Total	**6,956**	**11,572**	**(4,616)**

37 Other current liabilities

	30-giu-14	31-dic-13	Change
Capital grants	119,482	113,244	6,238
Security deposits	83,755	81,390	2,365
VAT, excise and additional taxes	75,688	22,796	52,892
Personnel	46,454	42,654	3,800
Due to social security institutions	38,285	31,682	6,603
Equalisation Fund	38,047	47,050	(9,003)
Payables due to advances to the Equalisation Fund	26,005	18,684	7,321
Rvenues paid in advance other expense	15,703	16,481	(778)
Municipalities for environmental inconveniences and guarantees	15,588	11,926	3,662
]Payables for tariff components	13,956	4,946	9,010
Employee withholdings	12,410	15,014	(2,604)
Due to shareholders for dividends	11,587	5,719	5,868
Insurance and deductibles	8,207	7,098	1,109
Other taxes payable	4,581	3,107	1,474
Customers	3,970	3,381	589
Debito per consolidato fiscale	2,337	675	1,662
Certificates of energy efficiency and emission trading	779	1,461	(682)
Fees for sewage and purification	702	719	(17)
Payables for Tares	-	2,163	(2,163)
Other payables	32,779	33,809	(1,030)
Total	**550,315**	**463,999**	**86,316**

Comments are provided below on the most significant items and changes as at 31 December 2013.

"Capital grants", mainly related to investments made in the water and environmental sectors; this item has decreased in proportion to the depreciation rate calculated on the assets in question. The increase as compared to 31 December 2013 is attributable to the impact of the main contributions received as a result of applying the AEEG Resolution concerning the integrated water service, which established the new investment fund (Fo.NI) as a rate policy component to be used for investment and rate subsidies in the water sector.

“Guarantee deposits” reflect the sums paid by customers for gas, water and electricity supply agreements.

"Excise and additional taxes" shows a balance of €31,288 thousand of value added tax (€10,093 thousand as of 31 December 2013), an increase of €21,195 thousand due mainly to the fact that the annual advance is paid at the end of December, thereby reducing the outstanding debt on this date; In addition, a balance of €44,400 thousand of excise and additional taxes (€12,703 thousand at 31 December 2013), an increase of €31,697 thousand as explained in Note 29 "Other current assets" should be read bearing in mind the procedures that govern financial relations with the tax authorities, due to which credit/debit positions may arise involving significant differences, even between one period and another.

"Personnel" concerns holiday days accrued but not taken as of 30 June 2014 as well as the productivity and targets bonus and salaries accounted for on an accrual basis. The increase primarily reflects holiday days accrued but not taken.

"Due to social security institutions" refers to the contributions owed to institutions for the month of June 2014.

"Equalization fund for the Electricity and Gas sectors" reflects the outstanding debit position in relation to the equalization fund for the electricity and gas sectors for the equalization of gas distribution/metering, for some components of the gas services system and the equalization of the electricity service.

"Payables due to advances from the equalization fund" is comprised of the following:

- €24,422 thousand at 30 June 2014 (€18,864 thousand at 31 December 2013) equal to the debt recorded in relation to non-interest-bearing advances granted to the electricity sector equalization fund in accordance with the integration mechanism established by Aeeg resolutions n. 370 of 20 September 2012 and n. 519 of 6 December 2012, in relation to past and uncollected due amounts owed by customers, handled under a "safeguard" regime until 31 December 2011;
- The remaining €1,583 thousand involve debts related to the Csal component to be paid to the equalization fund to cover charges for Safeguard customers in arrears, in accordance with AEEG Resolution 456/13.

"Municipalities for environmental inconveniences and guarantees" concerns the contributions to be paid to municipalities by way of compensation for environmental damages in proportion to the waste delivered to the plants as of June 30, 2014.

The significant increase of "Payables for tariff components" from the comparable amount at 31 December 2013 was due to the time lag in billing between sales companies and distribution companies. All this gives rise to changes in credit/debit positions due also to the effects of seasonality between one year and the next. Accordingly, it should be noted that this item needs to be linked to the change of the similar item accounted for under "Other current assets".

The amount of "Payables to shareholders for dividends" reflects the debt towards non-controlling shareholders of the following subsidiaries:

- Fea S.R.L., €5,390 thousand (€5,390 thousand at 31 December 2013);
- Romagna Compost S.R.L., €388 thousand (€329 thousand at 31 December 2013).
- Sinergia Srl, €184 thousand;
- Herambiente Spa, €4.252 thousand;
- Marche Multiservizi Spa, €1.195 thousand;
- Feronia Srl,1€78 thousand.

"Certificates of energy efficiency and emission trading" refer to:

- grey certificates for €567 thousand (€948 thousand at 31 December 2013);
- green certificates for €212 thousand (€513 thousand at 31 December 2013).

This item reflects the obligation to return the certificates to the competent authorities on the basis of the applicable rules.

38 Comments to the consolidated cash flow statement

Investments in companies and business operations

During the first half of 2014, control was acquired over the distribution company Isontina Reti Gas SpA and the sales company Fucino Gas Srl. Minor investments were also made in unconsolidated non-relevant subsidiaries. The table below details the cash outlays and cash equivalents obtained:

thousands of euros	
Transactions where the Group acquired contol	
Cash outlay for the acquisition of Isontina Reti Gas Spa	(9,367)
Cash outlay for the acquisition of Fucino Gas Srl	(204)
Investments in non-consolidated subsidiaries and joint ventures	
Other minor investments	(3)
Total cash outlays	**(9,574)**
Cash and cash equivalents from Isontina Reti Gas Spa	1,657
Cash and cash equivalents from Fucino Gas Srl	190
Total cash and cash equivalents obtained	**1,847**
Investments in companies and business units net of cash and cash equivalents	**(7,727)**

The table also includes non-current financial receivables, mainly made up of interest-bearing loans towards associated companies and the municipality of Padua, regulated at market rates.

Disposals of equity investments

During the first half of 2014, Hera Spa sold the controlling share in the company Herasocrem Srl. On 14 February 2014, the subsidiary Calenia Energia Spa proportionately paid back to its shareholders, including Hera Spa, part of the amounts paid in the previous fiscal years as part of the share capital increase. The table below details the proceeds and cash equivalents sold:

thousands of euros	
Divestments of consolidated companies	
Cash received sale of Herasocrem Srl	46
Divestment of unconsolidated companies	
Restituzione versamenti conto aumento capitale Calenia Energia Spa	2,073
Total cash received for sale of investments	**2,119**
Cash and cash equivalents of companies sold	(162)
Total cash and cash equivalents transferred	**(162)**
Divestments net of cash and cash equivalents	**1,957**

Purchase of equity investments in consolidated companies

This amount represents the cash outlay related to Hera Spa's purchase of the entire minority share in Hera Luce Srl, amounting to 10.42% of the share capital.

IFRS 8

Income statement as at June 2014

	Gas	Elec.	Water cycle	Environment	Other services	Structure	Total	Consolidated Financial Statements
Direct revenues	741.4	650.3	359.4	411.8	48.2	17.2	2,228.3	2,228.3
Intra-cycle revenues	37.7	41.2	4.2	19.0	7.9	9.2	119.2	
Total direct revenues	**779.1**	**691.5**	**363.6**	**430.8**	**56.2**	**26.4**	**2,347.6**	**2,228.3**
Indirect revenues	6.5	2.1	8.4	9.2	0.3	-26.4	0.0	
Total revenues	**785.6**	**693.5**	**372.0**	**440.0**	**56.4**	**0.0**	**2,347.6**	**2,228.3**
EBITDA	**151.1**	**62.7**	**105.3**	**122.4**	**9.4**	**0.0**	**450.9**	**450.9**
Direct depr. amort. and alloc.	38.1	31.4	49.2	65.1	7.7	16.5	208.1	208.1
Indirect depr. amort. and alloc.	5.0	2.5	8.0	0.8	0.2	-16.5		
Total depr. amort. and alloc.	**43.1**	**33.9**	**57.2**	**65.8**	**7.9**	**0.0**	**208.1**	**208.1**
EBIT	**107.9**	**28.8**	**48.0**	**56.6**	**1.4**	**0.0**	**242.8**	**242.8**

Income statement as at June 2013 as ajusted

	Gas	Elec.	Water cycle	Environment	Other services	Structure	Total	Consolidated Financial Statements
Direct revenues	941.9	715.6	332.6	395.5	59.5	15.0	2,460.0	2,460.0
Intra-cycle revenues	7.4	45.0	3.4	23.9	4.6	1.0	85.3	
Total direct revenues	**949.3**	**760.7**	**335.9**	**419.3**	**64.1**	**16.0**	**2,545.4**	**2,460.0**
Indirect revenues	5.7	1.3	4.4	4.6	0.0	-16.0	0.0	
Total revenues	**955.0**	**762.0**	**340.3**	**423.9**	**64.1**	**0.0**	**2,545.4**	**2,460.0**
EBITDA	**167.4**	**46.0**	**86.8**	**119.6**	**12.1**	**0.0**	**431.8**	**431.8**
Direct depr. amort. and alloc.	32.5	29.8	45.0	61.9	8.5	18.5	196.3	196.3
Indirect depr. amort. and alloc.	5.1	3.1	8.5	1.6	0.2	-18.5		
Total depr. amort. and alloc.	**37.6**	**32.9**	**53.5**	**63.6**	**8.7**	**0.0**	**196.3**	**196.3**
EBIT	**129.7**	**13.1**	**33.3**	**56.0**	**3.3**	**0.0**	**235.5**	**235.5**

Balance sheet as at June 2014

	Net working capital	Net fixed assestss	Provisions	Shareholders' Equity	NFP	Consolidated Financial Statements
Total Assets	**1,811.0**	**5,338.4**	**0.0**	**0.0**	**801.1**	**7,950.5**
Financial assets and cash and cash equivalents					801.1	801.1
Tax assets	76.5	160.3				236.8
Unallocated group assets		438.3				438.3
Sector activities	**1,734.5**	**4,739.8**	**0.0**	**0.0**	**0.0**	**6,474.3**
- of which:						
GAS	568.8	1,165.8				1,734.6
El. En.	423.8	647.5				1,071.3
Water cycle	272.7	1,520.3				1,792.9
Environment	410.4	1,261.9				1,672.4
Other services	58.8	144.4				203.2
Total liabilities	**1,604.3**	**3.4**	**551.6**	**2,259.6**	**3,531.5**	**7,950.5**
Financial liabilities and loans					3,531.5	3,531.5
Tax liabilities	175.3		72.9			248.2
Unallocated group liabilities		3.4	7.5	2,259.6		2,270.5
Sector liabilities	**1,429.0**	**0.0**	**471.3**	**0.0**	**0.0**	**1,900.2**
- of which:						
GAS	389.6		129.6			519.2
El. En.	332.4		24.0			356.4
Water cycle	275.6		102.2			377.7
Environment	369.2		203.9			573.1
Other services	62.2		11.7			73.9
Comprehensive total	**206.7**	**5,335.0**	**-551.6**	**-2,259.6**	**-2,730.5**	**0.0**

Balance sheet as at Dicember 2013 as adjusted

	Net working capital	Net fixed assestss	Provisions	Shareholders' Equity	NFP	Consolidated Financial Statements
Total Assets	**1,732.5**	**5,335.8**	**0.0**	**0.0**	**1,102.0**	**8,170.3**
Financial assets and cash and cash equivalents					1,102.0	1,102.0
Tax assets	58.0	149.0				207.0
Unallocated group assets		429.3				429.3
Sector activities	**1,674.6**	**4,757.4**	**0.0**	**0.0**	**0.0**	**6,432.0**
- of which:						
GAS	578.6	1,174.8				1,753.4
El. En.	444.1	661.4				1,105.5
Water cycle	234.1	1,507.8				1,741.9
Environment	357.1	1,294.1				1,651.2
Other services	60.7	119.3				180.0
Total liabilities	**1,653.2**	**8.4**	**534.3**	**2,305.7**	**3,668.7**	**8,170.3**
Financial liabilities and loans					3,668.7	3,668.7
Tax liabilities	47.6		74.5			122.1
Unallocated group liabilities		8.4	8.2	2,305.7		2,322.3
Sector liabilities	**1,605.6**	**0.0**	**451.6**	**0.0**	**0.0**	**2,057.2**
- of which:						
GAS	468.9		119.9			588.8
El. En.	379.3		21.2			400.4
Water cycle	282.7		94.9			377.6
Environment	407.9		202.7			610.6
Other services	66.8		12.9			79.8
Comprehensive total	**79.3**	**5,327.4**	**-534.3**	**-2,305.7**	**-2,566.7**	**0.0**

2.03.02 Explanatory notes – resolution 15519 of 2006 – Related Parties

Management of the services

The Hera Group, through Parent Company Hera S.p.A., has public service concession arrangements in place (distribution of natural gas via local gas pipelines, integrated water service and waste management services, including sweeping, collection, transport and waste recovery and disposal) in a large part of the area where it operates and in almost all of the shareholder municipalities (provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna and Rimini).

The electricity distribution service is carried out in Modena and Imola. Other public utility services (including district heating, heat management and public lighting) are provided at arm's length, through special agreements with the local authorities concerned. Through special agreements with local authorities, Hera S.p.A. is responsible for the waste treatment and disposal service excluded from the regulatory activity carried out by the local competent authority Atersir.

Under regional and national legislation governing the sector, the local competent authority is responsible for awarding service contracts, planning and controlling the area of integrated water services and urban cleaning services.

In accordance with said regional law and related national legislation, the Hera Group entered into special arrangements with Atersir, which establish the entry into effect of the local technical and tariff plan.

Water sector

The water service managed by Hera in its area of competence is carried out on the basis of agreements entered into with Atersir, of varying duration, normally twenty years. The assignment to Hera of management of the integrated water service includes all activities involving the capture, purification, distribution and sale of drinking water for civil and industrial use, and the sewerage and purification service. The agreements also provide for the operator's execution of new network design and construction activities and the building of new plants to be used in managing the service. The management of the service is assigned exclusively to Hera for the different area municipalities involving the obligation of the Municipality not to grant to third parties usage of the subsoil of its property to lay pipelines without the prior consent of the company.

The agreements regulate the economic aspects of the contractual relationship, the forms of management of the service, as well as service and quality standards.

However, as of 2012 tariffs fall within the purview of the Authority for Electric Energy, Gas and Water Services (AEEGSI) which, in connection with its new duties, set a 2012-2013 initial transitory tariff period and a 2014-2015 consolidation period. The unit rates applied in 2014 are the temporary rates set forth by Atersir (until the ultimate resolution by AEEGSI is reached) based on 2014-2015 rate method. The local authorities awarding the concession give the manager the right - still free of charge - to use the network and plants for the provision of integrated water supplies. In most cases, for the areas managed by Hera the local authorities have conferred the ownership of networks and plants to special asset companies. At the end of the concession, Hera is obliged to hand over the assets used to provide the service to the asset companies, or to the municipal authorities.

Any works carried out to upgrade or expand the networks must be compensated upon expiry of the concession through the payment of the residual value of the assets. Hera's relations with users are regulated by sector laws and by the provisions set out by the regional councils and environmental agencies. The duties of the operator in terms of service quality and resources and the users' rights are illustrated in the specific Service Charters drafted by the operator based on templates approved by Atesir.

Waste management sector

Hera manages municipal waste management services; the agreements drawn up between Hera and Atesir covers the exclusive management of waste management services, street sweeping and washing, initial recycling and waste disposal, etc. The agreements with the Atesir govern the financial aspects of the contract, the forms of organization and management of the service, as well as the levels of service quality and quantity. The amount payable to the operator for services rendered was set every year until 2012, in keeping with Presidential Decree 158/1999, where the tariff had been established. Starting in 2013, the reference rules to determine the fees for the services rendered are those on Tares. For the operations of waste treatment plants, the Hera Group must obtain authorisations from the Italian provinces authorities.

Management of the networks, plants and equipment

The infrastructure required for the provision of services whose management has been assigned to Hera, including local gas pipelines and waterworks and sewage systems, are partly owned by Hera and partly owned by third parties (municipalities, asset companies owned by local authorities).

More specifically, the asset companies own the capital assets used to manage services following their direct contribution by the Municipalities (generally Hera shareholders) or following the assignment to the asset companies of business units which took place, in almost all cases, at the time of business combinations involving companies in the Emilia-Romagna region with Seabo Spa (then Hera Spa).

In the case of assets owned by local entities and asset companies, relations between the service operator and the owners are governed by service award agreements or business unit lease contracts and, for anything not covered thereunder, by prevailing industry rules.

As regards the financial aspect, business unit lease contracts fix the amount due from the operator to the owners for the use of networks and plants. On the basis of these contracts Hera must carry out, at its own cost and expense, routine and non-routine maintenance as well as the expansion of the networks, as provided for in the investment plans agreed with the asset companies and, where relevant, by the area plans defined by Atersir.

Upon expiry of the lease contracts, provision is made for the handover of the business units to the owner, in a normal state of repair. All works performed by Hera, involving expansion and extraordinary maintenance, will be similarly handed over to local authorities in return for the payment to the operator of compensation/supplement equal, as a general rule, to the net book value or residual value of the associated assets.

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market quoted in the part "Regulations" of the report on operations. Hera S.p.A. has longer residual terms than those set out for managing entities that have promoted partial privatisations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing.

The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Tariffs for the distribution of gas are set pursuant to the regulations in force and AEEG's periodic resolutions. The territory in which Hera carries out the gas distribution services consists of "tariff areas" in which a distribution tariff is uniformly applied to the various categories of customers.

The tariff rules in force at the time of approval of the consolidated annual accounts containing this report is AEEG's resolution ARG/gas no. 159/2008 as amended and supplemented, which was due to expire in 2012 but was in fact extended throughout 2013 [Consolidated regulation on the quality and tariffs of gas distribution and measurement services for the 2009-2012 regulatory period (TUDG): approval of Part II “Rules on tariffs for gas distribution and measurement services for the 2009-2012 regulatory period (RTDG). Transitory provisions for 2009”].

In the case of electricity, the purpose of the concessions (30 years in duration and renewable according to current regulations) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, ordinary and extraordinary maintenance and programming and identification of development initiatives and measurement. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner.

The concessionaire is required to apply the tariffs set by regulations in force and resolutions adopted by AEEG. The tariff regulation in force when the consolidated annual financial statements for the year were approved, to which this report is attached, was resolution ARG/elt no. 199/2011 of AEEG and subsequent amendments and additions (“Provisions of AEEG for carrying out electricity transmission, distribution and measurement services for the regulatory period 2012/2015 and provisions regarding the economic conditions regulating the provision of the connection service”).

2.04 Net borrowings

2.04.01 Consolidated net borrowings

millions of euros		30-giu-2014	31-dic-2013
a	**Cash**	**580.3**	**926.9**
b	**Other current financial receivables**	**76.3**	**84.9**
	Current bank debt	(150.9)	(227.6)
	Current portion of bank debt	(300.6)	(110.5)
	Other current financial liabilities	(4.6)	(23.7)
	Finance lease payables due within 12 months	(1.8)	(2.0)
c	**Current financial debt**	**(457.9)**	**(363.8)**
d=a+b+c	**Net current financial debt**	**198.7**	**648.0**
e	**Non-current financial receivables**	**42.2**	**52.6**
	Non-current bank debt and bonds issued	(2,949.1)	(3,243.3)
	Other non-current financial liabilities	(7.2)	(8.5)
	Finance lease payables due after 12 months	(15.1)	(15.5)
f	**Non-current financial debt**	**(2,971.4)**	**(3,267.3)**
g=e+f	**Net non-current financial debt**	**(2,929.2)**	**(3,214.7)**
h=d+g	**Net financial debt**	**(2,730.5)**	**(2,566.7)**

** The table also includes non-current financial receivables, mainly made up of profitable financing towards joint companies and the municipality of Padua, regulated at market rates.*

2.04.02 Net borrowings – Resolution 15519 of 2006

(€/milioni)		30-giu-14	A	B	C	D	31-dic-13	A	B	C	D
a	**Cash**	**580,3**					**926,9**				
	Of which related										
b	**Other current financial assets**	**76,3**					**84,9**				
	Of which rrelated			**51,0**	**0,7**				**60,5**	**0,5**	
	Current bank debt	(150,9)					(227,6)				
	Current portion of bank debt	(300,6)					(110,5)				
	Other current financial liabilities	(4,6)		(0,8)	(1,0)		(23,7)		(0,8)	(1,1)	
	Finance lease payables due within 12 month	(1,8)					(2,0)				
c	**Current financial debt**	**(457,9)**					**(363,8)**				
	Of which related		-	**(0,8)**	**(1,0)**	-		-	**(0,8)**	**(1,1)**	-
d=a+b+c	**Net current financial debt**	**198,7**					**648,0**				
	Of which related		-	**50,2**	**(0,3)**	-		-	**59,7**	**(0,6)**	-
e	**Non current financial receivables**	**42,2**					**52,6**				
	Of which related			**16,9**	**21,4**				**27,2**	**22,5**	
	Non current bank debt and bonds issued	(2.949,1)					(3.243,3)				
	Another non current financial liabilities	(7,2)			(7,0)		(8,5)			(7,4)	
	Finance lease payables due after 12 months	(15,1)					(15,5)				
f	**Non current financial debt**	**(2.971,4)**					**(3.267,3)**				
	Of which related		-	**0,0**	**(7,0)**	-		-	-	**(7,4)**	-
g=e+f	**Net non current financial debt**	**(2.929,2)**					**(3.214,7)**				
	Of which related		-	**16,9**	**14,4**	-		-	**27,2**	**15,1**	-
h=d+g	**Net financial debt**	**(2.730,5)**					**(2.566,7)**				
	Of which related		-	**67,1**	**14,1**	-		-	**86,9**	**14,5**	-

2.05 Investments: list of consolidated companies

Subsidiaries

Name	Registered office	Share capital	% held direct	% held indirect	Total interest
Capogruppo: Hera Spa	**Bologna**	**1.421.342.617**			
Acantho Spa	Imola (BO)	23.573.079	77,36%		77,36%
AcegasAps Spa	Trieste	283.690.763	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%
ASA Scpa	Castelmaggiore (BO)	1.820.000		38,25%	38,25%
Consorzio Akhea Fondo Consortile	Bologna	200.000		59,38%	59,38%
Est Reti Elettriche Spa	Gorizia	17.450.000		100,00%	100,00%
Feronia Srl	Finale Emilia (MO)	2.430.000		52,50%	52,50%
Frullo Energia Ambiente Srl	Bologna	17.139.100		38,25%	38,25%
Fucino Gas Srl	Luco dei Marsi (AQ)	10.000		100,00%	100,00%
HeraAmbiente Spa	Bologna	271.148.000	75,00%		75,00%
Herambiente Servizi Industriali Srl	Bologna	1.748.472		75,00%	75,00%
Hera Comm Srl	Imola (BO)	53.136.987	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%
Isontina Reti Gas Spa	Gradisca D'Isonzo (GO)	17.450.000		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)	33.337.000 lev		100,00%	100,00%
Romagna Compost Srl	Cesena	3.560.002		45,00%	45,00%
SiGas d.o.o	Pozega (Serbia)	162.260.057,70 RSD		95,78%	95,78%
Sinergia Srl	Forlì	579.600		59,00%	59,00%
Sinergie Spa	Padova	11.168.284		100,00%	100,00%
Sotris Spa	Ravenna	2.340.000	5,00%	52,50%	57,50%
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%

Jointly controlled companies

Name	Registered office	Share capital	% held direct	% held indirect	Total interest
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	Registered office	Share capital	% held direct	% held indirect	Total interest
Aimag Spa*	Mirandola (MO)	* 78.027.681	25,00%		25,00%
Elettrogorizia Spa	Trieste	5.600.000		33,00%	33,00%
FlameEnergy Trading Gmbh	Vienna	3.000.000		50,00%	50,00%
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 is composed of € 67.577.681 ordinary shares and € 10.450.000 of related share

2.06 Attestation pursuant to Article 154bis of Legislative Decree no. 58/98

1 – The undersigned Mr. Stefano Venier in his capacity as Managing Director, and Mr. Luca Moroni in his capacity as Manager in Charge of the preparation of the corporate accounting documents of Hera Spa, hereby certify, also in consideration of the provisions of article 154 bis, paragraphs 3 and 4, of the Legislative Decree no. 58 dated 24 February

1998

- the adequacy with reference to the nature of the company; and
- the actual application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for the first half of 2014.

2 – We also declare that:

2.1 – the consolidated financial statements:

a. were prepared in compliance with the applicable International Accounting Standards recognised by the European Community pursuant to Regulation 1606/2002 (EC) of the European Parliament and the Council of 19 July 2002;

b. are consistent with the data contained in the accounting books and entries;

c. provide a true and accurate representation of the balance sheet and income statement of the issuer and of all its consolidated companies.

2.2 – The Directors' Report includes a reliable analysis of the trend and of the operating profit in the first half-year and their effect on abbreviated consolidated half-year balance sheet. Furthermore, it includes an analysis of the situation of the issuer and all of the consolidated companies, together with the description of the major risks and uncertainties to which they exposed. It also includes a reliable analysis of the main transactions with related parties .

The Managing Director

Stefano Venier

The Manager in charge of the corporate accounting statements

Luca Moroni

Bologna, 27 August 2014

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders of
Hera SpA

1 We have reviewed the consolidated condensed interim financial statements of Hera SpA (hereinafter also "Company") and its subsidiaries (jointly, "Hera Group") as at 30 June 2014 and for the six months period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity and cash flows and the related selected explanatory notes. Hera SpA Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard (IAS 34) applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the consolidated condensed interim financial statements.

The consolidated condensed interim financial statements show as comparatives the amounts of the prior year consolidated financial statements, of the prior year consolidated condensed interim financial statements and of the statement of financial position as at 1 January 2013. As described in the explanatory notes, the Directors restated the comparative amounts of the prior year consolidated financial statements, of the prior year consolidated condensed interim financial statements and of the statement of financial position as at 1 January 2013, which derives from the consolidated financial statements as at 31 December 2012, on which we issued our reports dated 1 April 2014, 28 August 2013 and 8 April 2013, respectively. We have reviewed the method applied to restate the amounts and the disclosures made in the explanatory notes for the purposes of issuing our report on the consolidated condensed interim financial statements for the six months ended 30 June 2014.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Hera Group as at 30 June 2014 and for the six months then ended have not been prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union.

Bologna, 27 August 2014

PricewaterhouseCoopers SpA

Signed by
Edoardo Orlandoni
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

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