QUARTERLY REPORT as at 31 march 2014

GRUPPO HERA

Hera Group –Consolidated quarterly report at 31 March 2014

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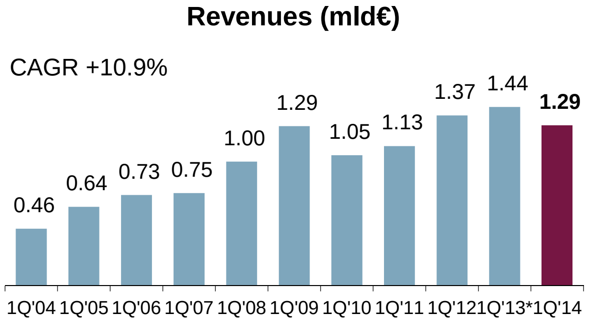
2 Financial statements and explanatory notes

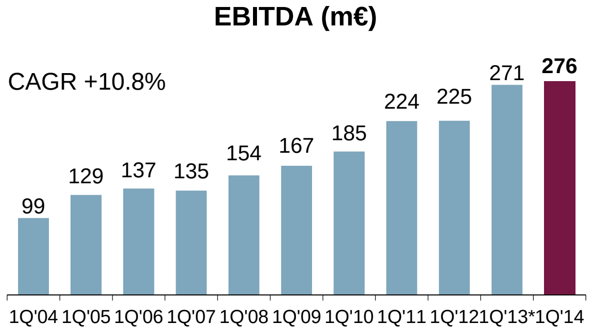
Mission

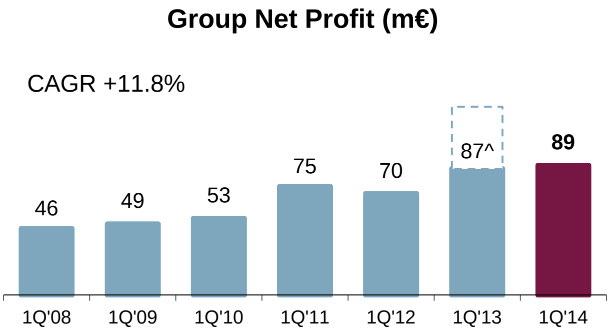
"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

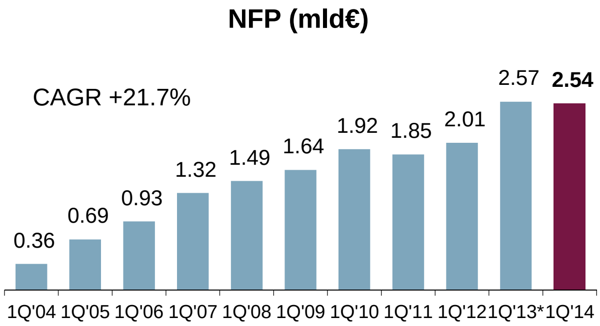
"For Hera to be the best means to represent a reason for pride and trust for*: customers, who receive, thanks to Hera's constant responsiveness to their needs, quality services that satisfy their expectations.* ***The women and men who work at Hera,*** *whose skills, engagement and passion are the foundation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

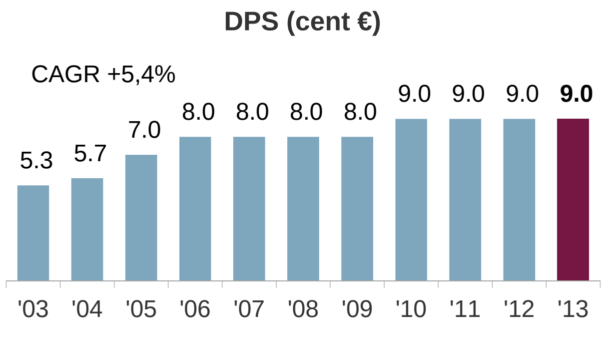
Key financial data

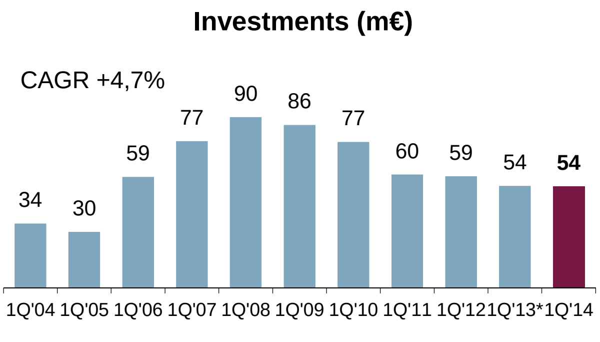












** 2013 data adjusted in compliance with IFRS11 regulation*

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

Hera's sector consolidation

Hera's strategy of progressive geographic expansion, through the consolidation of multi-utilities operating in areas adjoining its main market, led the Group to cover 70% of customers in Emilia-Romagna and to penetrate Le Marche region.
In 2012 Hera continued along its growth path with the acquisition of Acegas Aps, a multi-utility operating in the provinces of Padua and Trieste, in Italy's North-East, thus increasing its own sector consolidation opportunities. In fact, with the Acegas Aps business combination, the target geographic market has been enlarged to the contiguous regions of Veneto and Friuli, which feature a high degree of fragmentation, with a large number of small local operators. Between the end of 2013 and the beginning of the current year, Hera's consolidation process resulted in two further acquisitions, allowing the Group to establish a firmer footprint in the provinces of Gorizia and Udine, in the Friuli region.

In Gorizia, steps taken to rationalize some joint ventures between Acegas Aps and ENI, the former sold to the latter its share in the energy sales business, with the transfer of its 30% equity interest in Est Più, in exchange for ENI's 70% equity interest in the gas and electricity distribution business (resulting in Hera's full control of Isontina Reti Gas and Est Reti Elettriche). The transaction involved the payment of a cash balance of €8 million.

In the first quarter of 2014, in Udine - following the agreement with, Amga Udine – Hera approved the plan of merger with this local multi-utility; eventually the transaction was approved by the respective shareholders in the general meetings held in April. The merger will be effective 1 July 2014.
The merger will trigger the transfer of Amga's gas distribution assets to AcegasAps (which, following this transaction, will change its name to AcegasApsAgma) and the energy sales and heat management assets to Hera Comm. The companies managing commercial operations will continue to maintain their separate legal personalities, names and registered offices in Udine.
The Hera Group and the Amga Group share many common features: the industrial sector in which they operate, geographic proximity, shareholder structure and growth path. The business combination between the two will make it possible to harness the respective industrial structures in the gas, electric energy, public lighting, plant management and co-generation in terms of both economies of scale and control in the supply chain. This thanks also to the transfer to Amga of the technological platforms and know how developed by the Hera Group.
The Group resulting from the combination with Amga, with its 150,000 delivery points, will have a total of 1.7 million delivery points in gas distribution, of which nearly 500,000 in the Friuli Venezia Giulia and Veneto regions. The Hera Group's customer base for gas and electricity will exceed 2 million, while total public lighting points managed will amount to about 380,000, of which nearly 85,000 in Friuli Venezia Giulia and Veneto.
The geographical proximity created, as well as the fit in the sales area, will make it possible to achieve synergies for about €4 million; in addition, the Bulgarian operations will be optimized.
The plan of merger calls for, among others, Hera to increase its share capital by issuing 68,196,128 new shares, accounting for 4.6% Hera's post-merger share capital, based on the applicable share exchange ratio. Consolidation in the new areas continues to be a priority for the Group, which proceeds along the growth strategy that it has been pursuing since it was established, in view of attractive prospects.

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.

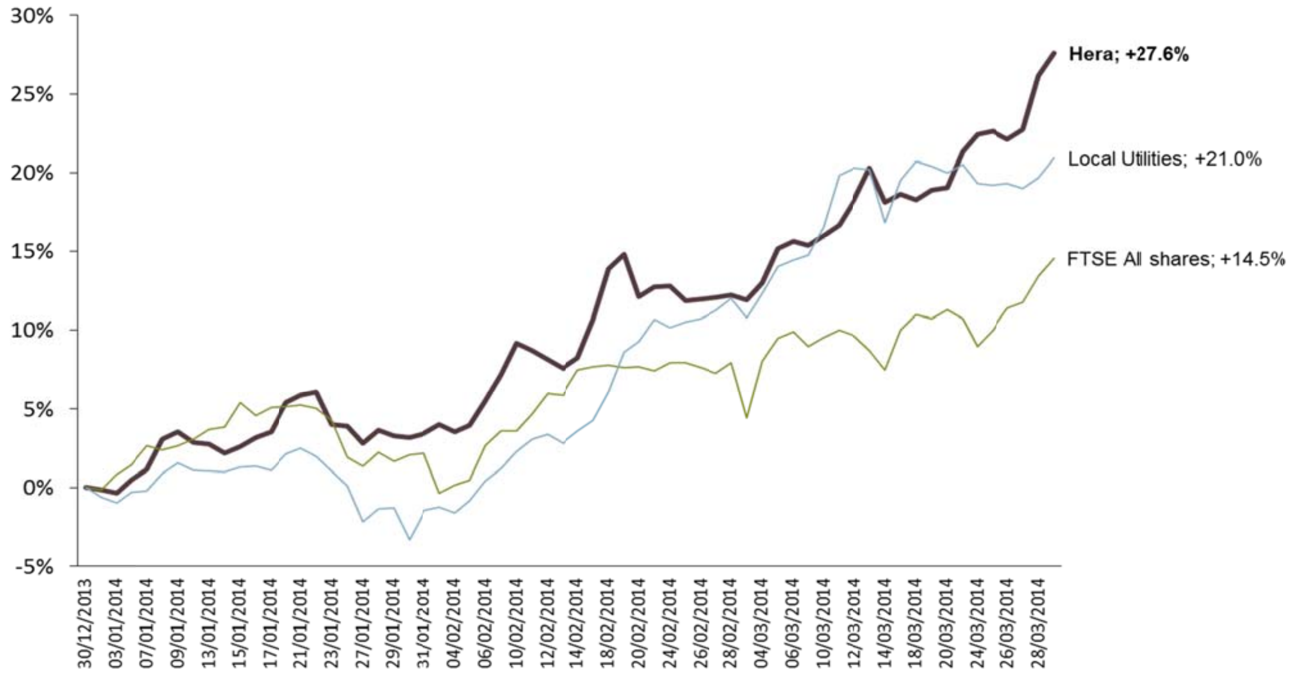
Electricity distribution has seen major development since Hera's establishment; the merger with the Modena multi-utility Meta Spa in 2005 and the acquisition of Enel's electrical network in the province of Modena contributed to expanding its grid, which is completely equipped with electronic meters and 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

In the first quarter of 2014, the share showed the performance depicted in the chart below, rising by 27.6% (from €1.65 to €2.14), outperforming both the overall market and the Italian local utilities index.

Performance of Hera share as at 31st March 2014

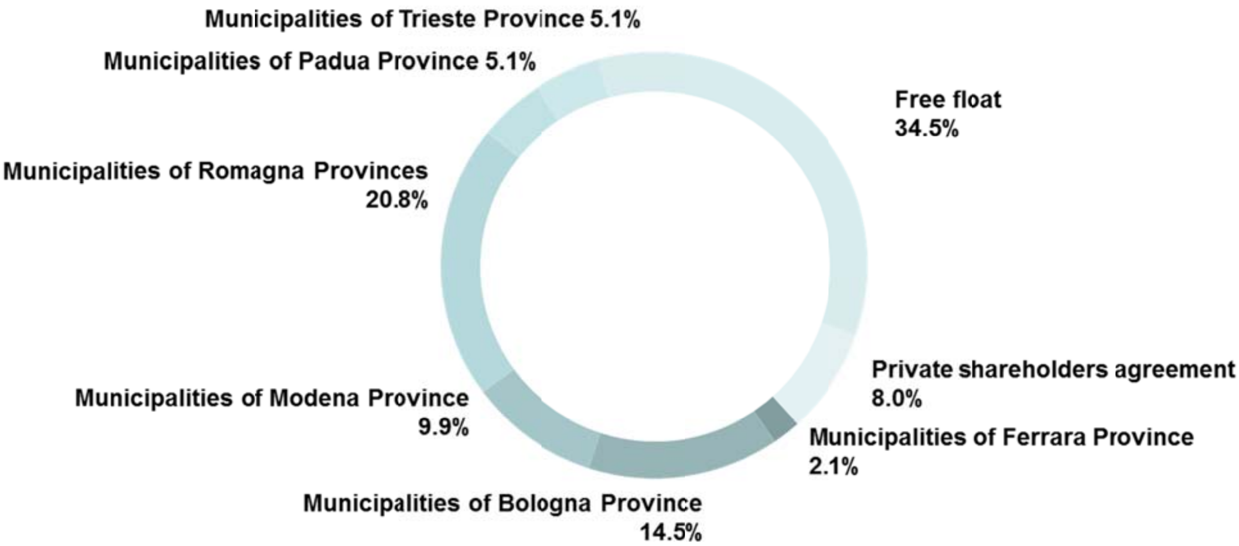


Despite the ongoing fiscal and political problems and their impact on the overall economy, the Italian market's index (which rose by 14.5% during the quarter) was driven by the inflow of liquidity coming from foreign investors into Europe's peripheral markets, which boosted all equities. The local utilities index (which was up 21% for the quarter) benefited substantially, as all its component shares rose. Against this positive backdrop, which is still unchanged, Hera's share was fueled by the good results for 2013, which were published at the end of March, and the road show conducted with international investors. Hera's share hovered around €2.15 also in the month following the closing of the quarter.

At 31 December 2013, Hera had among its shareholders 183 Municipalities in the area where it operates, which hold approximately 57.6% of the 1,421.3 million ordinary shares outstanding.

The shareholder base features 25,000 investors, none of whom has control over the company, and a shareholder agreement signed by all Municipalities that own, all together, 51% of all ordinary shares outstanding.

In the General Meeting held on 23 April 2014, the Shareholders extended the share buyback program for an additional 18 months, for a maximum amount of €80 million and for a total of 40 million shares. At 31 March 2014, Hera held about 8 million treasury shares.



In the past 11 years, shareholder returns have been either constant or growing, including in the most difficult times of the macroeconomic crisis of the past few years. The Board of Director's proposal for a €0.09 dividend (in line with past years) was approved at the General Meeting of Shareholders, with the Group fulfilling the commitments made with the business plan to 2017.

In the first quarter of 2014, analyst coverage expanded, as Goldman Sachs, Banca IMI and Mediobanca joined Banca Akros, Equita, ICBPI, Intermonte e Kepler-Cheuvreux. Hera is one of the most widely covered companies in the local-utilities index, with only buy/outperform recommendations, without any hold/neutral or negative opinions. The average target price for the next 12-18 months set by analysts is about €2.25 per share.
Goldman Sachs started coverage by inserting it in its "Conviction buy list", which includes the shares most recommended to investors.

Hera places high importance on direct interaction with investors, through the organization of road shows to introduce the share in Italy and abroad (Italy, United Kingdom, France, Switzerland, United States). Between the first and second quarter 2014, Hera organized meetings with European and U.S. investors, with a number of contacts in line with previous years.

CHAPTER 1

Directors’ report

Introduction

The quarterly financial statements show improved EBITDA, solely thanks to organic growth, and a further reduction in borrowings, thus attesting to the improved strength that marks the Group within its sector.

In the first quarter of 2014, gas sales were hit hard by the drop in demand compared to the same period of the previous year, due to one of the mildest winter ever recorded in the past thirty years (down 28% in terms of Degree Days). Domestic demand contracted by 18.1% (down 21.6% demand from the office and residential markets).

Electricity sales continued to show a growing number of customers (up 18,000 customers), reflecting the Group's commercial strength in an increasingly competitive retail market. This growth offset the drop in domestic consumption (around -4.5%) mainly due to the continuing negative conditions of the thermo-electric sector and the rather mild winter. The enlargement of the customer base concerned also a number of "last resort service" customers, a segment where the Group was awarded a number of contracts in new geographical areas, which contributed to the growth of the results for the quarter.
The waste collection business showed a slight increase in volumes, reflecting largely stable household consumption levels. Quantities coming from the free market for special waste continue to rise, as the first quarter witnessed a significant increase as a result of the commercial policies pursued by the Group with the intent to gain market share, thanks to the large system of facilities available, that make it a sector leader. During the quarter activities improved the efficiency of the waste management system: sorted waste collection concerned over 52% of urban collection, while treatments in all types of plants managed rose; electricity produced out of waste exceeded again 0.2 TWh.

Energy distribution, urban waste collection and integrated water service activities conducted under concession arrangements, which account for 57% of the Group's EBITDA, contributed to the growth of the results for the first quarter of 2014, thanks to the efficiency achieved, the investments made and the tariff adjustments approved by the Authority.
EBITDA for the first quarter of 2014 was slightly up, confirming the uninterrupted growth of the Group since it was established. This takes on added significance considering the negative effect on EBITDA determined by the adjustments to the results of joint ventures (IFRS 11), which was applied as of 1 January 2014. The size achieved by the Group, together with the balanced mix of the activities carried out, showed a low risk of volatility for results during the quarter in light of the negative scenario effects.

During the quarter, the Group generated positive cash flows, which resulted in the lowering of net borrowings from the comparable amount at 31 December 2012.

In light of these results and the hoped-for improvement of the macroeconomic scanrio, of which early signs are beginning to materialize, the Group continues along its growth path, in view of the targets set out in the business plan, which calls for further growth and value creation for all the stakeholders.

1.01 Group performance for the quarter ended 31 March 2014

Group consolidated highlights:

(millions of euro)	31 March 2013	% share	31 March 2014	% share	Absolute change	% change
Revenue	**1,393.1**		**1,226.6**		**-166.5**	**-12.0%**
EBITDA	**271.1**	**19.5%**	**275.6**	**22.5%**	**+4.5**	**+1.7%**
Operating profit	172.6	12.4%	172.9	14.1%	+0.3	+0.2%
Adjusted net profit	**86.7**	**6.2%**	**89.1**	**7.3%**	**+2.4**	**+2.8%**
Net profit	129.4	9.3%	89.1	7.3%	-40.3	-31.2%

1.01.01 Operating performance and investments

The first quarter of 2014 witnessed the Hera Group's commitment to constant growth. In fact, the Group's multi-business strategy shows that the good results of the main businesses – such as Electricity, Water and Environment – can not only offset the losses of the other businesses but also contribute to improve performance.

Key performance measures are all up, except net profit, considering that the comparable amount in 2013 was strongly affected by non-recurring items, of which more later.

Moreover, compared to the first quarter of 2013, the first quarter of 2014 was marked by the following transactions:

- Full acquisition of Isontina Reti Gas and Est Reti Elettriche, two companies operating in gas distribution and electric energy distribution, respectively, in the province of Gorizia.

- Sale, on 1 August 2013, of the equity interest in Hera Servizi Cimiteriali, consolidating however this company's results for 2013.

The income statement for the first three months of 2013 was adjusted by applying IFRS 11 for consistency with the income statement for the first quarter of 2014. This standard, which took effect as of 1 January 2014, requires the recognition of investments in joint ventures with the equity method, as opposed to the proportionate method applied until 31 December 2013. The investments concerned included the following companies: Estenergy S.p.a., Est reti elettriche S.p.A., Estpiù S.p.A., Isontina reti gas S.p.A., Aristea scarl and Enomondo S.r.L.
The table below shows the results for the first quarter of 2013 and 2014 which reflect the effects of IFRS 11; in particular, the income statement for the first quarter of 2013 was recast on a pro forma basis to reflect the amount of "Other non-operating, non-recurring income" reported at 31 December 2013 to account for the business combination with the AcegasAps Group for €42.7 million, compared to the temporary allocation made as of 31 March 2013, as permitted by IFRSs. For more information, reference is made to the explanatory notes.

As already shown in previous years, the consolidated income statement reflects the adoption of IFRIC 12 "Service Concession Arrangements" which changed the accounting treatment of transactions for companies that operate in sectors under concession arrangements. The effect of the application of this interpretation, which has no impact on the results, is the recognition in the income statement of capital expenditures on assets under concession, to the extent that such assets are part of network services. Thus, the period under review showed greater "Other operating income" for €32 million in 2014 and for €26.5 million in 2013, lower capitalized costs for €8.7 million in 2014 and €5.1 million in 2013, and greater service, material and other operating costs for €23.2 million in 2014 and €21.4 million in 2013.

Income statement (millions of euro)	March 2013	% share	March 2014	% share	Absolute change	% change
Revenue	1.393,1	0,0%	1.226,6	0,0%	-166,5	-12,0%
Other operating revenues	48,7	3,5%	65,9	5,4%	+17,2	+35,3%
Raw materials and other materials	(796,5)	-57,2%	(638,6)	-52,1%	-157,9	-19,8%
Service costs	(243,0)	-17,4%	(243,2)	-19,8%	+0,2	+0,1%
Other operating costs	(11,2)	-0,8%	(11,6)	-0,9%	+0,4	+3,6%
Personnel costs	(123,0)	-8,8%	(127,1)	-10,4%	+4,1	+3,3%
Capitalised costs	3,1	0,2%	3,7	0,3%	+0,6	+19,4%
EBITDA	**271,1**	**19,5%**	**275,6**	**22,5%**	**+4,5**	**+1,7%**
Depreciation, Amortisation and Provisior	(98,5)	-7,1%	(102,7)	-8,4%	+4,2	+4,3%
Operating profit	**172,6**	**12,4%**	**172,9**	**14,1%**	**+0,3**	**+0,2%**
Financial income/(expense), net	(28,6)	-2,1%	(32,4)	-2,6%	+3,8	+13,3%
Adjusted pre-tax profit	**144,0**	**10,3%**	**140,5**	**11,5%**	**-3,5**	**-2,4%**
Tax	(57,3)	-4,1%	(51,3)	-4,2%	-6,0	-10,5%
Adjusted net profit	**86,7**	**6,2%**	**89,1**	**7,3%**	**+2,4**	**+2,8%**
Other non-operating revenue	42,7	3,1%	-	0,0%	-42,7	-100,0%
Net profit for the period	**129,4**	**9,3%**	**89,1**	**7,3%**	**-40,3**	**-31,2%**
Attributable to:						
Shareholders of the Parent Company	**123,5**	**8,9%**	**83,2**	**6,8%**	**-40,3**	**-32,6%**
Non-controlling interests	5,9	0,4%	5,9	0,5%	+0,0	+0,2%

EBITDA grew from €271.1 million for the first quarter of 2013 to €275.6 million for the same period of 2014, reflecting an increase of €4.5 million, or 1.7%. EBIT went from €172.6 million to €172.9 million while adjusted pre-tax profit was 2.4% lower, as it fell from €144.0 to 140.5 million. Adjusted net profit rose from €86.7 million at 31 March 2013 to €89.1 million for the period ended 31 Mach 2014, up 2.8%. Net profit for the period dropped by €40.4 million from the comparable amount in 2013, due to the effects of non-recurring operating income a year ago.

Revenues declined by €166.5 million, from €1,393.1 million in the first quarter of 2013 to €1,226.6 million for the first quarter of 2014. The main reasons include: (i) lower revenues from gas sales, from district heating services and heat operations, due to the lower volumes sold as a result of a particularly mild weather in the first quarter of 2014; (ii) lower revenues from electric energy sales, due to a decrease in the price of raw material; these negative effects are partly offset by greater revenues from waste disposal and from regulated activities. For more details, reference is made to the analysis of the individual segments.

Other operating income rose by €17.2 million due to the increase in grants related to energy efficiency certificates, following resolution 13/2014/R/efr of the Authority for electricity, gas and the water system and for the rise in other revenues related to the application of IFRIC 12.

The €157.9 million decrease in Cost of commodities and materials, compared to the first quarter of 2013, was proportional to the decline in revenues resulting from lower gas volume sales (about €80 million) and lower cost of electric energy determined by both lower volumes sold and a lower price (about €70 million).

Other operating costs (Service costs and Other operating expenses up by €0.2 million and €0.4 million respectively) grew overall by €0.6 million (up 0.2%), and were virtually unchanged from the year earlier amount.

Personnel costs rose by 3.3%, from €123.0 million at 31 March 2013 to €127.1 million, at 31 March 2014. This increase was due to rising pay scales under the national labour agreement (CCNL) (up 2.9%), partly offset by the average headcount reduction.

Capitalized costs increased by €0.6 million, from €3.1 million in the first quarter of 2013 to €3.7 million in the first quarter of 2014, due to the increase in self-constructed assets.

Consolidated EBITDA for the quarter ended 31 March 2014 went from €271.1 million to €275.6 million, reflecting a €4.5 million increase (up 1.7%). For more details reference is made to the sections on the individual businesses.

Depreciation, amortization and provisions rose overall by €4.2 million (up 4.3%), from €98.5 million in the first quarter of 2013 to €102.7 million for the same period of 2014. The change was due mainly to: (i) greater depreciation due to new capital expenditures and greater quantities of waste from the market placed in landfills (about €7 million); (ii) greater depreciation and provisions due to the adjustment of the rates for some assets related to the gas concessions (about €2 million), offset by lower provisions for litigation with social security entities (about €2.5 million); (iii) lower provisions for other risks (about €2 million).

Operating profit for the first quarter of 2014 amounted to €172.9 million, up 0.2% on the comparable amount in 2013, which totalled €172.6 million, for the above reasons.

For the quarter under review, financial expense exceeded financial income by €32.4 million, compared to €28.6 million for the same period of the previous year.
The increase was due nearly entirely to the lower profit generated by associated companies and joint ventures, for a total of €4.2 million. Among the latter, in particular, Estenergy S.p.A., a sales company held by AcegasAps, was affected the most by the unusual thermal season in early 2014.

In light of the above, pre-tax profit went from €144.0 million as of 31 March 2013 to €140.5 million for the first quarter of 2014, down 2.4%.

Income taxes for the quarter, amounting to €51.3 million, reflect a tax rate of 36.5%, with a significant improvement on the comparable figure for the previous year (39.8%).
The reasons for this improvement are due mainly to the decrease of 4.0 percentage points of the so-called “Robin Hood Tax” applicable to the Group companies engaged in the energy sector, in line with current laws.

Therefore, adjusted net profit rose by €2.4 million, up 2.8%, from €86.7 million as of 31 March 2013 to €89.1 million as of 31 March 2014.

Earnings per share amount to €0.059 per share, substantially in line with expectations.

Lastly, the acquisition of AcegasAps in 2013 resulted in a bargain purchase of €42.7 million which was accounted for as other non-operating non-recurring income. This amount was determined as a result of the purchase price allocation process, where the purchase price of the individual assets and liabilities purchased was compared with the relevant fair value, as explained extensively in the 2013 annual report.

Thus, net profit for the quarter ended 31 March 2014 settled at €89.1 million, down from €129.4 million at 31 March 2013.

1.02 Analysis by segment

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

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

Breakdown of the Group's business portfolio

31-Mar-'13

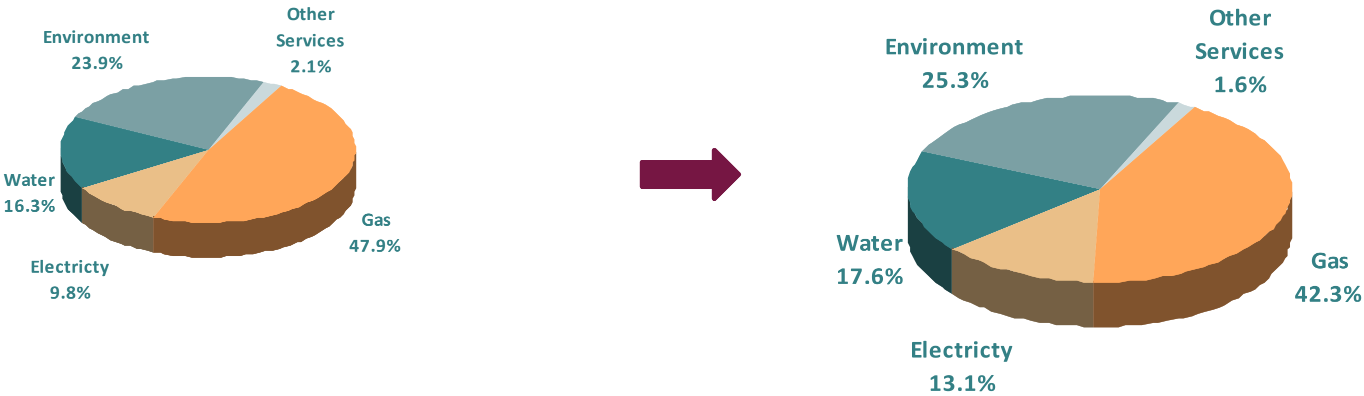
REVENUES

31-Mar-'14

31-Mar-'13

EBITDA

31-Mar-'14



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

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

Compared to 2013, change was introduced in the criteria for the allocation of corporate headquarter costs to the various segments, using a model that reflects the effects of internal organizational changes and the contributions of the individual companies to the results of the business areas; for consistency, this change was applied to both the first quarter of 2013 and the first quarter of 2014.

The analysis by business segment considers the increase in revenues and costs, without an impact on the EBITDA, relating to application of IFRIC 12, as shown in the Group's Consolidated Income Statement. The segments affected by the application of the above standard are: Methane distribution services, Power distribution services, all Integrated Water Cycle services and public lighting services.

1.02.01 Gas segment

Compared to the first quarter of 2013, for the quarter ended 31 March 2014 the Gas segment's contribution to the Group's EBITDA fell:

(millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Segment EBITDA	**130.0**	**116.6**	**-13.4**	**-10.3%**
Group's EBITDA	271.1	275.6	+4.5	+1.7%
Percentage weight	47.9%	42.3%	-5.6 p.p.	

The table below shows the key volumes for the first quarter of 2014 and the first quarter of 2013, which include also the volumes attributable to the AcegasAps Group. All the figures were adjusted to reflect application of IFRS11.

Quantitative data	31 March 2013	31 March 2014	Absolute change	% change
Volumes of gas distributed (millions of cubic	1,368.1	1,059.9	-308.2	-22.5%
Volumes of gas sold (millions of cubic metre	1,219.8	1,050.8	-169.0	-13.9%
- of which trading volumes	*235.0*	*311.7*	*+76.7*	*+32.6%*
Volumes of heat supplied (Gwht)	269.1	219.4	-49.7	-18.5%

Distributed volumes dropped from 1,368.1 million cubic metres for the quarter ended 31 March 2013 to 1,059.9 million for the first quarter of 2014, down 308.2 million cubic metres (down 22.5%). This was due mostly to the particularly mild weather of the first quarter of 2014, with rather high average temperatures that made the period in question the mildest for the past thirty years in terms of Degree Days (down 28% vis-à-vis the average for the last thirty years and down 30% compared to 31 March 2013). The decrease in distributed volumes was partly offset by the line-by-line consolidation of Isontina Reti Gas, with its contribution of 42 million cubic metres, up 3.3% on the previous year. As a reminder, the lower volumes distributed are an indicator of thermal conditions in the geographic area in which the Group operates; such decrease will be made up under the law and the company will collect "regulated" revenues, regardless of volumes for the period.

Gas volumes sold declined from 1,219.8 million cubic metres in the first quarter of 2013 to 1,050.8 million cubic metres for the period under review, reflecting a decrease of 169.0 million cubic metres (down 13.9%), due to the mentioned mild temperatures a 76.7 million cubic metre increase in trading volumes following sales to wholesalers.

Heat volumes sold went from 269.1 GWht in the first quarter of 2013 to 219.4 GWht for the period under review, (down 18.5%); this decrease was due to the abovementioned mild climate, offset only in a small part by an increase of 11,300 customers.

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

Income statement (millions of euro)	31-Mar-13	%share	31-Mar-14	%share	Absolute change	%change
Revenues	688.3		561.9		-126.4	-18.4%
Operating costs	(526.3)	-76.5%	(411.8)	-73.3%	-114.5	-21.8%
Personnel costs	(33.1)	-4.8%	(34.7)	-6.2%	+1.6	+4.8%
Capitalised costs	1.0	0.1%	1.1	0.2%	+0.1	+10.3%
EBITDA	**130.0**	**18.9%**	**116.6**	**20.7%**	**-13.4**	**-10.3%**

Segment revenues went down from €688.3 million in the first quarter of 2013 to €561.9 million for the period under review, down €126.4 million (down 18.4%); the main reasons are:

- lower revenues from methane gas sales to end customers (down around €144 million) due both to lower volumes sold (down around €113 million) and to the lower prices of raw materials as a consequence of the Authority for Power, Gas and Water's reform, which resulted in the progressive shift from oil indexing to spot market indexing;
- lower revenues from district heating sales due to lower volumes (€5 million);
- greater revenues from trading activities by about €16.0 million, related to greater volumes sold;
- greater revenues for the energy efficiency certificates, following the AEEGSI's resolution that redefines the price per unit of these certificates.

Lower gas volumes sold translate also into lower operating costs, which fell by €114.5 million, due to the combined effects of lower volumes sold for €128 million and higher costs for the increase in trading activities.

EBITDA for the segment declined by €13.4 million (down 10.3%), from €130.0 million to €116.6 million, as a result of the following: (i) lower trading margins due to the lower pricing mechanisms determined by the cited AEEGSI reform; (ii) slimmer margins on gas sales and district heating services due to the lower volumes for the cited weather effect, offset by (iii) higher margins for energy efficiency certificates and (iv) the acquisition of full control over Isontina Reti Gas.

1.02.02 Electric energy segment

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

(millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Segment EBITDA	**26.6**	**36.2**	**+9.6**	**+36.2%**
Group's EBITDA	271.1	275.6	+4.5	+1.7%
Percentage weight	9.8%	13.1%	+3.3 p.p.	

The table below, which does not include trading activities, shows the main volumes for the first quarter of 2014 and the first quarter of 2013; both sets of figures were adjusted to include the volumes generated by the AcegasAps Group and the changes introduced by the application of IFRS 11.

Quantitative data	31 March 2013	31 March 2014	Absolute change	% change
Volumes sold (Gw/h)	2,371.3	2,285.3	-86.0	-3.6%
Volumes distributed (Gw/h)	740.9	744.9	+4.0	+0.5%

The volumes of electric energy sold went from 2.371,3 GWh at 31 March 2013 to 2,2285.43 GWh at 31 March 2014, down 3.6%, in line both with domestic demand (down 3.7%) and the Group's main geographic market (down 4.8%), despite a 12.3% increase in the number of customers served.

Distributed volumes rose by 0.5%; the contribution of the full consolidation of Est Reti Elettriche amounts to 32.8 GWh, offsetting the decrease determined, on a like-for-like basis, of the decrease in demand.

Below, the key figures for this segment are provided:

Income statement (millions of euro)	March 2013	% share	March 2014	% share	Absolute change	% change
Revenues	422.1		372.0		-50.1	-11.9%
Operating costs	(389.1)	-92.2%	(327.6)	-88.1%	-61.5	-15.8%
Personnel costs	(7.7)	-1.8%	(9.7)	-2.6%	+2.0	+25.9%
Capitalised costs	1.2	0.3%	1.5	0.4%	+0.3	+24.9%
EBITDA	**26.6**	**6.3%**	**36.2**	**9.7%**	**+9.6**	**+36.2%**

Revenues went from €422.1 million for the first quarter of 2013 to €372.0 million for the period under review, down 11.9%, due to lower trading revenues, lower volumes sold and the 18.0% decrease in the price of energy (PUN - National Single Price) compared to the previous year. This decrease was offset by greater regulated revenues derived from the dispatching service market and the full consolidation of Est Reti Elettriche.

Operating costs fell by €61.5 million (down 15.8%), more than offsetting the decline in revenues from sales to final customers and trading.

EBITDA grew by €9.6 million (up 36.2%), going from €26.6 to €36.2 million, thanks to higher margins on sales activities, particularly in the free market and in the last resort service market, to greater revenues from the regulated distribution market, including the collection of amounts due from before 2014, and the contribution of Est Reti Elettriche.

1.02.03 Integrated water cycle

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

(millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Segment EBITDA	**44.1**	**48.5**	**+4.4**	**+10.0%**
Group's EBITDA	271.1	275.6	+4.5	+1.7%
Percentage weight	16.3%	17.6%	+1.3 p.p.	

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

Income statement (millions of euro)	31 March 2013	% share	31 March 2014	% share	Absolute change	% change
Revenues	165.0		170.4		+5.4	+3.3%
Operating costs	(88.4)	-53.6%	(89.2)	-52.4%	+0.8	+0.9%
Personnel costs	(32.8)	-19.9%	(33.0)	-19.3%	+0.2	+0.6%
Capitalised costs	0.4	0.2%	0.3	0.2%	-0.1	-28.3%
EBITDA	**44.1**	**26.7%**	**48.5**	**28.5%**	**+4.4**	**+10.0%**

Group revenues increased by €5.4 million (up 3.3%), due to greater revenues from sales determined by the application of the rules on the new national tariff method approved by AEEGSI, which calls for full cost coverage, and greater revenues resulting from the application of IFRIC 12 for €2.8 million.
Operating costs rose by €0.8 million (up 0.9%) on the first quarter of 2013, resulting from the combined effect of the increase in costs determined by IFRIC 12, lower electric energy costs to run the plants and lower concession fees.

The table below breaks down the volumes handled by this segment in the first quarters of 2014 and 2013, reflecting the volumes attributable to the AcegasAps Group and the application of IFRS 11.

Quantitative data	31 March 2013	31 March 2014	Absolute change	% change
Volumes sold (millions of cubic metres)				
Mains water	69.2	68.3	-0.9	-1.3%
Sewerage	57.1	56.5	-0.6	-1.1%
Purification	56.3	56.1	-0.2	-0.4%

The Group's volumes saw a fall of 0.9 million cubic metres in aqueduct, a decline of 0.6 million in sewerage and a decrease of 0.2 million in purification due to heavier rainfall in the first quarter of 2014, compared to the first quarter of 2013, and a drop in consumption.

The segment's EBITDA went up by €4.4 million (up 10.0%), from €44.1 million to €48.5 million, thanks to greater revenues from sales and lower operating costs, as indicated previously.

1.02.04 Environment

For the quarter ended 31 March 2014, the environment segment showed an increase in the relevant EBITDA margin, as indicated in the table below, and growth in absolute terms.

(millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Segment EBITDA	**64.7**	**69.8**	**+5.1**	**+7.9%**
Group's EBITDA	271.1	275.6	+4.5	+1.7%
Percentage weight	23.9%	25.3%	+1.4 p.p.	

The Group applies integrated waste full-cycle processing in 71 treatment and disposal plants managed by HERAmbiente, besides 3 more plants managed by Gruppo Marche Multiservizi and two AcegasAps waste-to-energy plants.

An analysis of the operating results achieved in the segment is shown below:

Income statement (millions of euro)	31 March 2013	% share	31 March 2014	% share	Absolute change	% change
Revenues	205.7		222.7		+17.0	+8.3%
Operating costs	(98.0)	-47.6%	(108.3)	-48.6%	+10.3	+10.5%
Personnel costs	(43.4)	-21.1%	(45.1)	-20.2%	+1.7	+3.9%
Capitalised costs	0.4	0.2%	0.5	0.2%	+0.1	+27.5%
EBITDA	**64.7**	**31.5%**	**69.8**	**31.4%**	**+5.1**	**+7.9%**

For the quarter under review, the Group's revenues rose by €17.0 million (up 8.3%) on the comparable year-earlier period, going from €205.7 million to €222.7 million. Such increase was due to the greater volumes disposed of, thanks to the development of the commercial activity in the areas of central and northern Italy, higher average waste disposal prices and greater revenues from urban hygiene activities to cover the greater services required.

The segment's operating costs increased by €10.3 million, in keeping with the larger amount of waste handled and thanks to the collection and sweeping services provided.

Overall, sorted waste handled by Hera S.p.A. and Marche Multiservizi, accounted for 52.5% of total waste collected in the quarter ended 31 March 2014, compared to 52.0% in the corresponding quarter of 2013. For AcegasAps, sorted waste represented 43.5% of the total for the quarter under review compared to 41.7% for the first quarter of 2013. Overall, the Hera Group showed a rising percentage of sorted waste, which was 51.4% in the first quarter of 2014, compared to 50.7% in the first quarter of 2013.

The table below breaks down the volumes handled for the first quarters of 2014 and 2013, which include the volumes of the AcegasAps Group as adjusted due to the application of IFRS 11.

Quantitative data (thousands of tonnes)	31 March 2013	% share	31 March 2014	% share	Absolute change	% change
Urban waste	445.3	29.5%	454.9	26.9%	+9.6	+2.2%
Market waste	410.8	27.2%	561.9	33.3%	+151.1	+36.8%
Waste marketed	**856.1**	**56.7%**	**1,016.8**	**60.2%**	**+160.7**	**+18.8%**
Plant by-products	654.9	43.3%	671.9	39.8%	+17.0	+2.6%
Waste treated by type	**1,511.1**	**100.0%**	**1,688.7**	**100.0%**	**+177.6**	**+11.8%**
Landfills	234.3	15.5%	310.1	18.4%	+75.8	+32.4%
Waste-to-energy plants	349.6	23.1%	373.8	22.1%	+24.2	+6.9%
Selecting plant and other	87.1	5.8%	96.5	5.7%	+9.4	+10.8%
Composting and stabilisation plants	93.2	6.2%	121.3	7.2%	+28.1	+30.2%
Imp. Stabilisation and chemical-physical plants	313.0	20.7%	340.7	20.2%	+27.7	+8.8%
Other plants	433.8	28.7%	446.2	26.4%	+12.4	+2.9%
Waste treated by plant	**1,511.1**	**100.0%**	**1,688.7**	**100.0%**	**+177.6**	**+11.8%**

Quantitative data analysis shows an 18.8% increase in Group-marketed waste, due to both urban waste, particularly sorted waste, and market waste, thanks to the cited marketing effort undertaken. The increase in by-products is due instead to greater production, especially composting/stabilization and sorting plants, due to the higher volumes handled.

Concerning the flow of waste treated by plant, the increase in waste affects all the processes, particularly the landfills due to waste coming from the market, while composting plants benefited as the biodigestion plants became fully operational.

The segment's EBITDA grew by €5.1 million (up 7.9%), from €64.7 million in the first quarter of 2013 to €69.8 million for the quarter under review, thanks mainly to the increase in waste disposed.

1.02.05 Other services

This segment's EBITDA for the quarter ended 31 March 2014 was down to €4.5 million, from €5.8 million for the first quarter of 2013.

(millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Segment EBITDA	**5.8**	**4.5**	**-1.3**	**-21.6%**
Group's EBITDA	271.1	275.6	+4.5	+1.7%
Percentage weight	2.1%	1.6%	-0.5 p.p.	

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

Income statement (millions of euro)	31 March 2013	% share	31 March 2014	% share	Absolute change	% change
Revenues	33.4		28.5		-4.9	-14.7%
Operating costs	(21.7)	-65.1%	(19.5)	-68.4%	-2.2	-10.1%
Personnel costs	(6.1)	-18.2%	(4.7)	-16.6%	-1.4	-23.1%
Capitalised costs	0.2	0.6%	0.2	0.9%	+0.0	+0.0%
EBITDA	**5.8**	**17.2%**	**4.5**	**15.8%**	**-1.3**	**-21.6%**

Revenues decreased by €4.9 million due mainly to the disposal of the companies devoted to cemetery services.

The €1.3 million EBITDA decline was due to public lighting, which was affected by the termination of a number of service contracts and fewer work contracts awarded, due to budget pressures for municipalities, and the cited sale of cemetery services.

The table below breaks down quantitative data for the first quarters of 2014 and 2013, which include the details of the AcegasAps Group as adjusted due to the application of IFRS 11.

Quantitative data	31 March 2013	31 March 2014	Absolute change	% change
Public lighting				
Lighting points (thousands)	459.1	443.2	-15.9	-3.5%
Municipalities served	114.0	120.0	+6.0	+5.3%

Lighting points decreased by 15.9 thousand units while the municipalities served rose by 6. These contrasting data can be explained with the loss of contracts from larger municipalities compared to others with lower public lighting requirements.

1.03 Hera Group's investments

The Group's investments amount to a total of €56.2 million, including €2.7 million in capital grants, of which €2.4 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 amount to €53.5 million.

Gross investments in tangibles and intangibles, inclusive of capital grants, amounted to €56.2 million, compared to €53.3 million, plus €0.4 million to acquire minor equity interests, in the corresponding quarter of 2013.

As of the 2013 financial year, particular attention is given to capital grants, in that the new tariff method for the Integrated Water Cycle sets aside part of the tariff as a share reserved for new investments (FoNI: New Investment Fund). 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, with capital grants shown as a separate item.

Total Investments (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Gas segment	8,1	10,4	+2,3	+28,4%
Electricity segment	3,4	4,6	+1,2	+35,3%
Integrated water cycle segment	18,0	21,2	+3,2	+17,8%
Environment segment	8,1	8,5	+0,4	+4,9%
Other services segment	4,7	3,7	-1,0	-21,3%
Corporate headquarters	11,0	7,8	-3,2	-29,1%
Total capital expenditure	**53,3**	**56,2**	**+2,9**	**+5,4%**
Total equity investments	0,4	0,0	-0,4	-100,0%
Total investments, gross	**53,7**	**56,2**	**+2,5**	**+4,7%**
Capital grants	-0,1	2,7	+2,8	+100,0%
of which for FoNI (New Investment Fund)	-	*2,3*	*+2,3*	+100,0%
Total investments, net	**53,8**	**53,5**	**-0,3**	**-0,6%**

The gross investments in the Gas sector amount to €10.4 million, reflecting an increase on the €8.1 million for the same period of the previous year.

Gas (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Networks	6,8	9,2	+2,4	+35,3%
District heating/Heat management	1,3	1,2	-0,1	-7,7%
Total Gas, gross	**8,1**	**10,4**	**+2,3**	**+28,4%**
Capital grants	0,0	0,0	+0,0	-
Total Gas, net	**8,1**	**10,4**	**+2,3**	**+28,4%**

The €2.3 million increase on 2013 was due to a greater amount of work on the networks and plants of the gas distribution, in addition to the regulatory upgrade under Legislative Decree 155/08 concerning the extensive replacement of meters.

The effects of the overall economic situation continue to be felt, with the further decrease, compared with the first quarter of 2013, in applications for new interconnections in the Gas service.

In the District Heating service, investments were substantially in line with the previous year, despite the delay in the start of Ferrara's renewable Energies Hub and other minor maintenance activities. Applications for new interconnections were unchanged.

The investments in the Electricity service amount to €4.6 million, up €1.2 million on the €3.4 million for the first quarter of 2013.

Electricity (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Networks	3,3	4,5	+1,2	+36,4%
Industrial cogeneration	0,1	0,1	+0,0	+0,0%
Total Electric Energy, gross	**3,4**	**4,6**	**+1,2**	**+35,3%**
Capital grants	0,0	0,0	+0,0	-
Total Electric Energy, net	**3,4**	**4,6**	**+1,2**	**+35,3%**

Hera's interventions concern mainly the extension of the service and the extraordinary maintenance of plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas for a total amount of €4.0 million, interconnections for €0.5 million. Interconnections, in particular, were down by €0.2 million from the first quarter of 2013.
Attention is called, in particular, to the increase in maintenance activities on the Cogen in Imola (up €0.7 million) on the New AT-MT station in via Selice in Imola.
Emphasis is placed also on the inclusion of Est Reti Elettriche in the scope of consolidation, with total intervention activities amounting to €0.2 million.

As regards the Integrated Water Cycle, investments principally concern extensions, network and plant decontaminations and enhancements, as well as regulatory compliance regarding above all purification and sewerage. On the whole, interventions in the Integrated Water Cycle amount to €21.2 million, compared to €18.0 million in investments carried out in the first quarter of 2013.

Integrated water cycle (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Mains water	9,4	11,1	+1,7	+18,1%
Purification	3,8	3,8	+0,0	+0,0%
Sewerage	4,8	6,2	+1,4	+29,2%
Total Integrated Water Cycle, gross	**18,0**	**21,2**	**+3,2**	**+17,8%**
Capital grants	0,0	2,7	+2,7	+100,0%
of which for FoNI (New Investment Fund)	*0,0*	*2,3*	*+2,3*	+100,0%
Total Integrated Water Cycle, net	**18,0**	**18,5**	**+0,5**	**+2,8%**

Investments amounting to €11.1 million were made in the Aqueduct, €3.8 million in Purification and €6.2 million in Sewerage.

The €3.2 million increase on the previous year was due to greater works on the aqueduct, mainly due to planned maintenance activities on the networks and the sewers, where discharges are constantly upgraded as per Legislative Decree no. 152/2006.

Also in the water sector, due to the persistence of the crisis in the property sector, applications for new interconnections were lower than in the first quarter of 2013.

Capital grants, which concern mainly the Integrated Water Service, are due mainly to the tariff components contemplated by the tariff method for the New Investment Fund (FoNI).

In the Environment area, interventions in maintenance and enhancement of existing plants across the Group's reference area amount to €8.5 million .

Environment (millions of euro)	31 March 2013	31 March 2014	Absolute change	%change
Waste composting/Digesters	2,7	0,3	-2,4	-88,9%
Landfills	1,2	2,8	+1,6	+133,3%
WTE	2,0	1,2	-0,8	-40,0%
Special waste plants	0,6	0,3	-0,3	-50,0%
Market	0,0	0,0	+0,0	-
Drop-off point and collecting equipment	0,4	1,1	+0,7	+175,0%
Transshipment, screening and other equipment	1,1	2,9	+1,8	+163,6%
Total Environment, gross	**8,1**	**8,5**	**+0,4**	**+4,9%**
Capital grants	-0,1	0,0	+0,1	+100,0%
Total Environment, net	**8,2**	**8,5**	**+0,3**	**+3,7%**

Compared to the first quarter of 2013, investments fell in composting and digesters (- €2.4 million), mainly due to the completion of the plants with dry fermentation technology in Rimini and Lugo in 2013; such plants will involve just maintenance activities in 2014.

The increase in relation to Landfills (up €1.6 million) was due to the enlargement of the Cà Asprete landfill in Tavullia (Pesaro Urbino) by Marche Multiservizi.

The decrease in investments in WTE plants is mainly due to the completion of civil and infrastructural works occurred in 2013 in Ferrara, which service the new Akron selection plant; such decrease was only in part offset in 2014 by the activities on the new electric configuration of Ravenna's new incinerator and plant maintenance activities.

Concerning Special Waste Plants, the difference with the comparable year-earlier quarter was due to diminished investments in relation to the maintenance of the plants for the treatment of industrial waste water in Lugo in 2014 and completion of the Mud Dehydration plant in Ravenna in 2013.

With respect to Trans-shipment and Selection, in 2014 investments grew (up €1.8 million) following near-completion of the Akron Bologna selection plant and the plant maintenance activities, in addition to the start of the trans-shipment plant in the district of Cervia.

Investments in the Other Services area amounted to €3.7 million, compared to €4.7 million in the corresponding quarter of 2013.

Other services (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
TLC	3,1	2,6	-0,5	-16,1%
Public lighting and traffic lights	1,4	1,1	-0,3	-21,4%
Other	0,2	0,0	-0,2	-100,0%
Total Other Services, gross	**4,7**	**3,7**	**-1,0**	**-21,3%**
Capital grants	0,0	0,0	+0,0	-
Total Other Services, net	**4,7**	**3,7**	**-1,0**	**-21,3%**

In the Telecommunications segment, attention is called to the €2.6 million invested in networks and TLC and IDC services and the €1.1 million in the public lighting service; the sub-item "Other" reflects, for the previous year, investments in Cemetery Services no longer included in the scope of consolidation.

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

Corporate headquarters (millions of euro)	31 March 2013	31 March 2014	Absolute change	% change
Property	7,1	3,2	-3,9	-54,9%
Information systems	1,6	2,1	+0,5	+31,3%
Fleets	1,4	1,8	+0,4	+28,6%
Other investments	1,0	0,6	-0,4	-40,0%
Total Corporate Headquarters	**11,0**	**7,8**	**-3,2**	**-29,1%**
Capital grants	0,0	0,0	+0,0	-
Total Corporate Headquarters, net	**11,0**	**7,8**	**-3,2**	**-29,1%**

Overall, capital expenditure for headquarters fell by €3.2 million from the comparable amount in the first quarter of 2013, mainly due to a decline in property activities as a result of the completion of the new corporate offices.

1.04 Analysis of net cash/(net borrowings)

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

millions of euro		31-mar-2014	31 December 2013 as adjusted
a	**Cash**	**836.3**	**926.9**
b	**Other current financial receivables**	**78.4**	**84.9**
	Current bank debt	(102.2)	(227.6)
	Current portion of bank debt	(284.6)	(110.5)
	Other current financial liabilities	(25.8)	(23.7)
	Finance lease payables due within 12 months	(2.0)	(2.0)
c	**Current financial debt**	**(414.6)**	**(363.8)**
d=a+b+c	**Net current financial debt**	**500.1**	**648.0**
e	**Non-current financial receivables**	**46.0**	**52.6**
	Non-current bank debt and bonds issued	(3,063.9)	(3,243.3)
	Other non-current financial liabilities	(7.5)	(8.5)
	Finance lease payables due after 12 months	(15.0)	(15.5)
f	**Non-current financial debt**	**(3,086.4)**	**(3,267.3)**
g=e+f	**Net non-current financial debt**	**(3,040.4)**	**(3,214.7)**
h=d+g	**Net financial debt**	**(2,540.3)**	**(2,566.7)**

Net borrowings at 31 March 2014 amounted to €2,540.3 million, in line with the €2,566.7 million a 31 March 2013.

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

Hera Spa has a "Baa1" rating with a negative outlook by Moody's, which was confirmed on 3 December 2013, and a "BBB" rating with a stable outlook by Standard & Poor's, which was confirmed on 6 May 2014.

1.05 Human resources

As of 31 March 2014, the Hera Group had 8,150 permanent employees (consolidated companies), with the following breakdown by role: managers (151), middle managers (465), clerks (4,173) and workers (3,361). This headcount was the result of the following changes: new hires (44), addition of Fucino Gas to scope of consolidation (2), departures (30), exit from scope of consolidation of Est Energy, Enomondo, Herasocrem (85).

	31 December 2013	31 December 2013 proforma	31-mar-14
Senior managers	154	153	151
Middle managers	458	450	465
Office workers	4,211	4,087	4,173
Operai	3,396	3,381	3,361
Total	**8,219**	**8,071**	**8,150**

Work force as at 31 dicember 2013	8,219
Change in scope of consolidation due to application of IFRS11(*)	-112
Workforce as at 31 December 2013 – pro forma	8,107
Additions for the period	44
Exits for the period	-30
Net flows	14
Additions due to change in scope of consolidation (Fucino Gas, Iso	34
Exits due to change in scope of consolidation (Hera Socrem)	-5
Work force as at 31 march 2014	**8,150**

New hires were due mainly to:

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

The cost of labour rose by 3.3%, due to rising pay scales under the national labour agreement (CCNL), which accounted for 2.9% while the remaining 0.6% was due to personnel policies in place. This increase was partly offset by the average headcount reduction.

CHAPTER 2

Hera Group Consolidated Financial Statements

2.01 Consolidated financial statements

2.01.01 Income statement

thousands of euros	31 March 2014 (3 months)	31 March 2013 (3 months) adjusted*	31 December 2013 (12 months) adjusted*
Revenue	1,226,575	1,393,091	4,456,932
Other operating revenues	65,852	48,703	270,607
Use of raw materials and consumables	(638,610)	(796,519)	(2,367,770)
Service costs	(243,202)	(243,039)	(1,029,318)
Personnel costs	(127,125)	(123,032)	(478,609)
Amortisation, depreciation,provisions	(102,708)	(98,474)	(410,519)
Other operating costs	(11,551)	(11,178)	(59,903)
Capitalised costs	3,669	3,086	18,240
Operating profit	**172,900**	**172,638**	**399,660**
Share of profits (losses) of jont ventures and associated cc	2,150	6,281	11,501
Financial income	45,510	22,635	109,376
Financial expense	(80,109)	(57,545)	(265,938)
Total financial operations	**(32,449)**	**(28,629)**	**(145,061)**
Other non-recurring non-operating income		42,709	45,225
Pre-tax profit	**140,451**	**186,718**	**299,824**
Taxes for the period	(51,333)	(57,347)	(118,116)
Net profit for the period	**89,118**	**129,371**	**181,708**
Attributable to:			
Shareholders of the Parent Company	83,215	123,480	164,934
Non-controlling interests	5,903	5,891	16,774
Earnings per share			
basic	**0.059**	**0.093**	**0.122**
diluted	**0.059**	**0.088**	**0.118**

** The comparative data were adjusted to reflect the changes outlined in the paragraph "Adjustment summary" in the explanatory notes.*

2.01.02 Statement of comprehensive income

thousands of euros	31 March 2014 (3 months)	31 March 2013 (3 months) adjusted	31 December 2013 (12 months) adjusted
Net profit / (loss) for the period	**90,118**	**129,371**	**181,708**
Items reclassifiable to the income statement			
Change in the fair value of derivatives for the period	908	1,694	5,342
Tax effect related to the other reclassifiable items of the comprehensive income statement	(251)	(490)	(1,681)
Other components of OCI - investments accounted for with equity method	21	89	435
Items not reclassifiable to the income statement			
Actuarial gains/(losses) post-employment benefits	(28)		(7,024)
Tax effect related to the other not reclassifiable items of the comprehensive income statement			1,722
Other components of OCI - investments accounted for with equity method			(9)
Total comprehensive income/(loss) for the period	**90,768**	**130,664**	**180,493**
Attributable to:			
Shareholders of the Parent Company	84,692	124,373	162,988
Non-controlling interests	6,076	6,291	17,505

2.01.03 Earnings per share

thousands of euros	*31 March 2014 (3 months)*	*31 March 2013 (3 months) adjusted*	*31 December 2013 (12 months) adjusted*
Profit (loss) for the period attributable to the shareholders of the parent company (A)	83,215	123,480	164,934
Interest expense related to the debt component of convertible bonds		599	1,824
Adjusted profit (loss) for the period attributable to the shareholders of the parent company (B)	83,215	124,079	166,758
Weighted average shares outstanding to calculate earnings (loss) per share:			
- basic (C)	1,410,793,744	1,326,786,645	1,349,443,805
- diluted (D)	1,410,793,744	1,407,993,142	1,411,280,502
Earnings (loss) per share (in euros)			
- basic (A/C)	**0.059**	**0.093**	**0.122**
- diluted (B/D)	**0.059**	**0.088**	**0.118**

2.01.04 Statement of financial position

thousands of euros	31-Mar-2014	31-Dec-2013 adjusted*
ASSETS		
Non-current assets		
Property,plant and equipment	2,085,559	2,104,981
Intangible assets	2,560,587	2,529,962
Property investments	2,972	2,999
Goodwill	378,564	378,564
Non-controlling interests	161,050	170,271
Financial assets	45,985	52,640
Deferred tax assets	156,236	149,028
Financial instruments - derivatives	65,148	37,560
Total non-current assets	**5,456,101**	**5,426,005**
Current assets		
Inventories	31,869	77,512
Trade receivables	1,628,223	1,357,196
Contract work in progress	21,568	22,830
Financial assets	78,420	84,851
Financial instruments - derivatives	18,776	11,385
Current tax assets	23,349	29,143
Other current assets	290,654	231,165
Cash and cash equivalents	836,248	926,933
Total current assets	**2,929,107**	**2,741,015**
Non-current assets held for sale		**3,300**
TOTAL ASSETS	**8,385,208**	**8,170,320**

thousands of euros	31-Mar-2014	31-Dec-2013 adjusted*
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,412,917	1,410,357
Reserves	751,720	585,115
Profit / (loss) for the period	83,215	164,934
Group equity	**2,247,852**	**2,160,406**
Non-controlling interests	151,310	145,317
Total equity	**2,399,162**	**2,305,723**
Non-current liabilities		
Borrowings – maturing beyond 12 months	3,109,455	3,267,422
Post-employment benefits	144,727	144,924
Provisions for risks and charges	317,693	314,871
Deferrred tax liabilities	73,599	74,500
Finance lease payments - maturing beyond 12 months	15,023	15,527
Financial instruments - derivatives	30,862	30,321
Total non-current liabilities	**3,691,359**	**3,847,565**
Current liabilities		
Banks and other borrowings – maturing within 12 months	412,574	361,874
Finance lease payments - maturing within 12 months	1,961	1,972
Trade payables	1,174,523	1,167,920
Current tax liabilities	57,474	5,946
Other current liabilities	618,802	463,999
Financial instruments - derivatives	29,353	15,321
Total current liabilities	**2,294,687**	**2,017,032**
TOTAL LIABILITIES	**5,986,046**	**5,864,597**
TOTAL EQUITY AND LIABILITIES	**8,385,208**	**8,170,320**

** The comparative data were adjusted to reflect the changes outlined in the paragraph “Adjustment summary” in the explanatory notes.*

2.01.05 Cash flow statement

thousands of euros	31-Mar-2014	31-mar-2013 adjusted*
Pre-tax profit	**140,451**	**186,718**
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	41,785	37,839
Amortisation and impairment of intangible assets	37,745	34,527
Effect of valuation using the equity method	(2,150)	(6,281)
Allocations to provisions	23,269	27,171
Financial expense / (Income)	34,598	34,910
Bargain purchases	0	(42,709)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	1,451	198
Change in provisions for risks and charges	(6,705)	(12,642)
Change in provisions for employee benefits	(1,581)	(2,588)
Total cash flow before changes in net working capital	**268,863**	**257,143**
(Increase) / Decrease in inventories	47,070	46,764
(Increase) / Decrease in trade receivables	(283,457)	(338,802)
Increase / (Decrease) in trade payables	935	28,002
(Increase) / Decrease in other current assets/ liabilities	99,858	179,488
Change in working capitals	**(135,594)**	**(84,548)**
Dividends collected	1,977	45
Interests income and other financial income collected	8,050	6,647
Interests expense and other financial charges paid	(73,209)	(42,410)
Taxes paid	12	544
Cash flow from (for) operating activities (a)	**70,099**	**137,421**
Investments in property, plant and development	(20,850)	(23,587)
Investments in intangible fixed assets	(35,441)	(29,767)
Investments in companies and business units net of cash and cash equivalents	(7,725)	12,818
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	3,723	238
Divestments of investments	1,957	42
(Increase) / Decrease in other investment activities	4,502	1,922
Cash flow from (for) investing activities (b)	**(53,834)**	**(38,334)**
New issues of long-term bonds	5,000	37,748
Repayments and other net changes in borrowings	(114,011)	(34,063)
Lease finance payments	(699)	(879)
Dividends paid out to Hera shareholders and non-controlling	(980)	(364)
Change in treasury shares	3,687	1,477
Other minor changes	52	(132)
Cash flow from (for) financing activities (c)	**(106,951)**	**3,787**
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(90,686)**	**102,874**
Cash and cash equivalents at the beginning of the year	926,934	424,121
Cash and cash equivalents at the end of the year	836,248	526,995

** The comparative data were adjusted to reflect the changes outlined in the paragraph "Adjustment summary" in the explanatory notes.*

2.01.06 Statement of changes in equity

thousands of euros	Share capital	Reserves	Reserves for derivative instruments recognised at fair value	Reserve for actuarial gains/(losses) post-employment benefits	Profit for the year	Equity	Non-controlling interests	Total
Balance as at 1 January 2013	**1,101,201**	**507,608**	**-5,993**	**15,205**	**118,658**	**1,736,679**	**141,306**	**1,877,985**
Retrospective application IFRS 11		-408	408					
Balance as at 1 January 2013 (*as adjusted*)	**1,101,201**	**507,200**	**-5,585**	**15,205**	**118,658**	**1,736,679**	**141,306**	**1,877,985**
Profit for the period					123,480	**123,480**	5,891	**129,371**
Other components of OCI at 31 March 2013:								
fair value of derivatives, change in the year			804			**804**	400	**1,204**
Actuarial gains/(losses) post-employment benefits				0		**0**	0	**0**
Other components of OCI - investments accounted for with equity method		89				**89**		**89**
Total comprehensive income for the period		**89**	**804**	**0**	**123,480**	**124,373**	**6,291**	**130,664**
change in treasury shares	216	524				**740**		**740**
Acquisition of AcegasAps Group	225,235	51,159				**276,394**	4,125	**280,519**
variation in scope		-47				**-47**	47	**0**
change in scope of consolidation						**0**		**0**
other movements		-11				**-11**	5	**-6**
Allocation of 2012 profit:								
- dividends paid out		0			0	**0**	-56	**-56**
- allocation to other reserves		116,171			-116,171	**0**		**0**
- undistributed profits to retained earnings		2,487			-2,487	**0**		**0**
Balance as at 31 March 2013 (*as adjusted*)	**1,326,652**	**677,572**	**-4,781**	**15,205**	**123,480**	**2,138,128**	**151,718**	**2,289,846**
Balance as 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					83,215	**83,215**	5,903	**89,118**
Other components of OCI at 31 March 2014:								
fair value of derivatives, change in the year			484			**484**	173	**657**
Actuarial gains/(losses) post-employment benefits				-28		**-28**		**-28**
Other components of OCI - investments accounted for with equity method		21				**21**		**21**
Total comprehensive income for the period		**21**	**484**	**-28**	**83,215**	**83,692**	**6,076**	**89,768**
change in treasury shares	2,560	1,179				**3,739**		**3,739**
change in scope of consolidation						**0**	-41	**-41**
other movements		15				**15**	-42	**-27**
Allocation of 2012 profit:								
- dividends paid out						**0**		**0**
- allocation to other reserves		143,647			-143,647	**0**		**0**
- undistributed profits to retained earnings		21,287			-21,287	**0**		**0**
Balance as at 31 March 2014	**1,412,917**	**773,830**	**-2,579**	**-19,531**	**83,215**	**2,247,852**	**151,310**	**2,399,162**

2.02 Explanatory notes

Accounting policies and significant accounting estimates

The consolidated quarterly report for the three months to 31 March 2014 was prepared in accordance with Article 154-*ter* of Legislative Decree 58/1998 and Article 82 of Consob's Regulation on Issuers. This report has not been audited.

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

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

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

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

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

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

Financial statements

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

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

The comprehensive income statement reports separately income and expenses arising from transactions with "non-shareholders", distinguishing between items that might be recycled subsequently to profit or loss and those that will not be recycled subsequently to profit or loss. These changes are also reported separately in the statement of changes in consolidated equity.

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

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

Scope of consolidation

This interim report includes the financial statements of the Parent Company, Hera Spa, and its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operating policies of a company in such a way as to benefit from its activities. Subsidiary companies which are not significant in size and those in which voting rights are subject to severe long-term restrictions are excluded from the scope of line-by-line consolidation and are carried at cost.

Investments

Investments in joint ventures (as defined by IFRS 11), which the Group controls jointly with other companies, are accounted for with the equity method. In addition, investments in large companies on which significant influence is exercised are also accounted for with the equity method.

Companies held for sale are excluded from consolidation and measured at the lower of cost and fair value. These investments are recorded as separate items.

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

Subsidiaries

Consolidated companies	Companies no longer consolidated	Notes
Isontina Reti Gas Spa		Line-by-line consolidation
Fucino Gas Srl		Line-by-line consolidation
	Herasocrem Srl	Sold

Joint ventures and associated companies

Companies accounted for with the equity method	Companies no longer accounted for with the equity method	Notes
Enomondo Srl		Application IFRS 11
Esil Scarl		Application IFRS 11
EstEnergy Spa		Application IFRS 11
	Isontina Reti Gas Spa	Application IFRS 11

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

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

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

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

Summary adjustment

As of 1 January 2014 the Group applies IFRS 11 "Joint Arrangements", introduced by EU Regulation 1254/2012, which replaced IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities–Non-monetary Contributions by Venturers". The new standard draws a distinction between joint operation and joint venture, emphasizing the rights and obligations of the parties to the arrangement, rather than the legal form of the agreement. In the case of joint ventures, in particular, proportionate consolidation – which was previously contemplated as an alternative to the equity method of accounting – has been abolished. This is the most significant change for the Group, considering that as of 1 January 2014 several joint ventures were consolidated with the proportionate method, i.e. Enomondo S.r.l., Esil Scarl, Est Energy S.p.A..
Given that these changes are applicable retrospectively, as required by IAS 8 "Accounting policies, changes in accounting estimates and errors", the income statement and cash flow statement for the three months ended 31 March 2013 were restated, as were the income statement and the statement of financial position for the year ended 31 December 2013. Thus, the restated consolidated financial statements do not include the joint ventures (including those that exited the scope of consolidation in previous periods); in addition, intercompany transactions with these companies were not eliminated while investments in them were accounted for with the equity method, recognizing the share of profit (loss) attributable to them under "Share of profits (losses) of joint ventures and associated companies".

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

The restated financial statements are shown below.

Restated income statement for the three months ended 31 March 2013

thousands of euros	31 March 2014 (3 months)	adjustments IFRS 11	pro forma IFRS 3	31 March 2013 (3 months) rettificato
Revenue	1,450,827	(57,736)		1,393,091
Other operating revenues	48,583	120		48,703
Use of raw materials and consumables	(834,493)	37,974		(796,519)
Service costs	(251,000)	7,961		(243,039)
Personnel costs	(124,075)	1,043		(123,032)
Amortisation, depreciation,provisions	(99,694)	1,220		(98,474)
Other operating costs	(11,399)	221		(11,178)
Capitalised costs	3,086	0		3,086
Operating profit	**181,835**	**(9,197)**		**172,638**
Share of profit (losses) of joint ventures and associated coı	1,759	4,522		6,281
Financial income	22,729	(94)		22,635
Financial expense	(58,768)	1,223		(57,545)
Total financial operations	**(34,280)**	**5,651**		**(28,629)**
Other non-recurring non-operating income	73,810		(31,101)	42,709
Pre-tax profit	**221,365**	**(3,546)**	**(31,101)**	**186,718**
Taxes for the period	(60,893)	3,546		(57,347)
Net profit for the period	**160,472**	**0**	**(31,101)**	**129,371**
Attributable to:				
Shareholders of the Parent Company	154,581	(31,101)		123,480
Non-controlling interests	5,891	0		5,891
Earnings per share				
basic	**0.117**			**0.093**
diluted	**0.110**			**0.088**

Restated income statement for the year ended 31 December 2013

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

Restated statement of financial position as of 31 December 2013

thousands of euros	31 December 2013	Adjustments IFRS 1	31 December 2013 Adjusted
ASSETS			
Non-current assets			
Property,plant and equipment	2,129,221	(24,240)	2,104,981
Intangible assets	2,546,160	(16,198)	2,529,962
Property investments	2,999		2,999
Goodwill	378,564		378,564
Investments	140,114	30,157	170,271
Financial assets	52,640		52,640
Deferred tax assets	152,006	(2,978)	149,028
Financial instruments - derivatives	37,560		37,560
Total non-current assets	**5,439,264**	**(13,259)**	**5,426,005**
Current assets			
Inventories	77,813	(301)	77,512
Trade receivables	1,397,839	(40,643)	1,357,196
Contract work in progress	22,835	(5)	22,830
Financial assets	72,229	12,622	84,851
Financial instruments - derivatives	11,385		11,385
Current tax assets	29,919	(776)	29,143
Other current assets	237,246	(6,081)	231,165
Cash and cash equivalents	942,347	(15,414)	926,933
Total current assets	**2,791,613**	**(50,598)**	**2,741,015**
Non-current assets held for sale	**3,300**		**3,300**
TOTAL ASSETS	**8,234,177**	**(63,857)**	**8,170,320**

thousands of euros	31 December 2013	Adjustments IFRS 1	31 December 2013 Adjusted
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	1,410,357		1,410,357
Reserves	585,115		585,115
Profit / (loss) for the period	164,934		164,934
Equity attributable to parent company's shareholders	**2,160,406**		**2,160,406**
Non-controlling interests	145,317		145,317
Total equity	**2,305,723**		**2,305,723**
Non-current liabilities			
Borrowings – maturing beyond 12 months	3,277,462	(10,040)	3,267,422
Post-employment benefits	145,355	(431)	144,924
Provisions for risks and charges	315,067	(196)	314,871
Deferrred tax liabilities	74,716	(216)	74,500
Finance lease payments - maturing beyond 12 months	15,527		15,527
Financial instruments - derivatives	30,828	(507)	30,321
Total non-current liabilities	**3,858,955**	**(11,390)**	**3,847,565**
Current liabilities			
Banks and other borrowings – maturing within 12 months	383,181	(21,307)	361,874
Finance lease payments - maturing within 12 months	1,972		1,972
Trade payables	1,192,426	(24,506)	1,167,920
Current tax liabilities	6,722	(776)	5,946
Other current liabilities	469,877	(5,878)	463,999
Financial instruments - derivatives	15,321		15,321
Total current liabilities	**2,069,499**	**(52,467)**	**2,017,032**
TOTAL LIABILITIES	**5,928,454**	**(63,857)**	**5,864,597**
TOTAL EQUITY AND LIABILITIES	**8,234,177**	**(63,857)**	**8,170,320**

Restated cash flow statement for the three months ended 31 March 2013

thousands of euros	31 March 2013	Adjustments IFRS 11	Pro forma IFRS 3	31 March 2013 adjusted
Pre-tax profit	**221.365**	**(3.546)**	**(31.101)**	**186.718**
Adjustments to reconcile net profit to the cashflow from operating activities:				
Amortisation and impairment of property, plant and equipment	38.312	(473)		37.839
Amortisation and impairment of intangible assets	34.818	(291)		34.527
Effect of valuation using the equity method	(1.759)	(4.522)		(6.281)
Allocations to provisions	27.668	(497)		27.171
Financial expense / (Income)	36.039	(1.129)		34.910
Bargain purchases	(73.810)		31.101	(42.709)
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	240	(42)		198
Change in provisions for risks and charges	(12.740)	98		(12.642)
Change in provisions for employee benefits	(2.620)	32		(2.588)
Total cash flow before changes in net working capital	**267.513**	**(10.370)**		**257.143**
(Increase) / Decrease in inventories	46.792	(28)		46.764
(Increase) / Decrease in trade receivables	(340.501)	1.699		(338.802)
Increase / (Decrease) in trade payables	11.487	16.515		28.002
(Increase) / Decrease in other current assets/ liabilities	189.653	(10.165)		179.488
Change in working capital	**(92.569)**	**8.021**		**(84.548)**
Dividends collected	45			45
Interests income and other financial income collected	6.754	(107)		6.647
Interests expense and other financial charges paid	(43.488)	1.078		(42.410)
Taxes paid	544			544
Cash flow from (for) operating activities (a)	**138.799**	**(1.378)**		**137.421**
Investments in property, plant and development	(23.920)	333		(23.587)
Investments in intangible fixed assets	(29.494)	(273)		(29.767)
Investments in companies and business units net of cash and cash equivalents	16.968	(4.150)		12.818
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	192	46		238
Divestments of investments	42			42
(Increase) / Decrease in other investment activities	(548)	2.470		1.922
Cash flow from (for) investing activities (b)	**(36.760)**	**(1.574)**		**(38.334)**
New issues of long-term bonds	37.748			37.748
Repayments and other net changes in borrowings	(26.874)	(7.189)		(34.063)
Lease finance payments	(879)			(879)
Dividends paid out to Hera shareholders and non-controlling interests	(364)			(364)
Change in treasury shares	1.477			1.477
Other minor changes	(132)			(132)
Cash flow from (for) financing activities (c)	**10.976**	**(7.189)**		**3.787**
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	**0**		**0**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**113.015**	**(10.141)**		**102.874**
Cash and cash equivalents at the beginning of the year	424.162	(41)		424.121
Cash and cash equivalents at the end of the year	537.177	(10.182)		526.995

Other information

These interim financial statements for the three months ended 31 March 2014 were prepared by the Board of Directors and approved by it in the meeting of 14 May 2014.

2.03 Consolidated net borrowings

millions of euro		31 March 2013	31 December 2013 as adjusted
a	**Cash**	**836.3**	**926.9**
b	**Other current financial receivables**	**78.4**	**84.9**
	Short-term bank borrowings	(102.2)	(227.6)
	Current portion of bank borrowings	(284.6)	(110.5)
	Other current borrowings	(25.8)	(23.7)
	Finance lease payments - due within 12 months	(2.0)	(2.0)
c	**Current borrowings**	**(414.6)**	**(363.8)**
d=a+b+c	**Net current borrowings**	**500.1**	**648.0**
e	**Non-current financial receivables**	**46.0**	**52.6**
	Non-current bank borrowings and bonds issued	(3,063.9)	(3,243.3)
	Other non-current borrowings	(7.5)	(8.5)
	Finance lease payments - due beyond 12 months	(15.0)	(15.5)
f	**Non-current borrowings**	**(3,086.4)**	**(3,267.3)**
g=e+f	**Net non-current borrowings**	**(3,040.4)**	**(3,214.7)**
h=d+g	**Net borrowings**	**(2,540.3)**	**(2,566.7)**

2.04 Investments

Subsidiaries

Name	Registered office	Share capital	% held		Total equity investment
			direct	indirect	
Parent company: Hera Spa	**Bologna**	**1,421,342,617**			
Acantho S.p.A.	Imola (BO)	23,573,079	77.36%		77.36%
AcegasAps Spa	Trieste	283,690,763	100.00%		100.00%
AcegasAps Service Srl	Padua	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%
CST Srl	Pordenone	104,000		100.00%	100.00%
Est Reti Elettriche Spa	Gorizia	17,450,000		100.00%	100.00%
Feronia Srl	Finale Emilia (MO)	2,430,000		52.50%	52.50%
Fucino Gas Srl	Luco dei Marsi (AQ)	10,000		100.00%	100.00%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
HeraAmbiente Spa	Bologna	271,148,000	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	89.58%		89.58%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
Iniziative Ambientali Srl	Padua	110,000		100.00%	100.00%
Insigna Srl	Padua	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%
Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
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	Padua	11,168,284		100.00%	100.00%
Società Italiana Lining Srl	Padua	90,000		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	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

* Paid-in capital of Trigenerazione Srl amounts to €25,000

Jointly controlled associated companies

Name	Registered office	Share capital	% held		Total equity investment
			direct	indirect	
E.S.I.L Scarl	Bologna	10,000		44.79%	44.79%
Enomondo S.r.l.	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		Total equity investment
			direct	indirect	
Aimag Spa	Mirandola (MO)	78,027,681	25.00%		25.00%
Elettrogorizia Spa	Trieste	5,600,000		33.00%	33.00%
FlameEnergy Trading Gmbh in liquidation	Vienna	3,000,000		50.00%	50.00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (MO)	60,000		33.00%	33.00%
Q.Thermo Srl	Florence	10,000		39.50%	39.50%
Set Spa	Milan	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 Aimag's share capital is composed of € 67,577,681 ordinary shares and € 10,450,000 of related shares

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