CONSOLIDATE HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2013

GRUPPO HERA

Hera Group – Consolidated half-year financial report as at 30 June 2013

0 Introduction

1 Directors' reports

2 Abbreviated consolidated half year financial statements

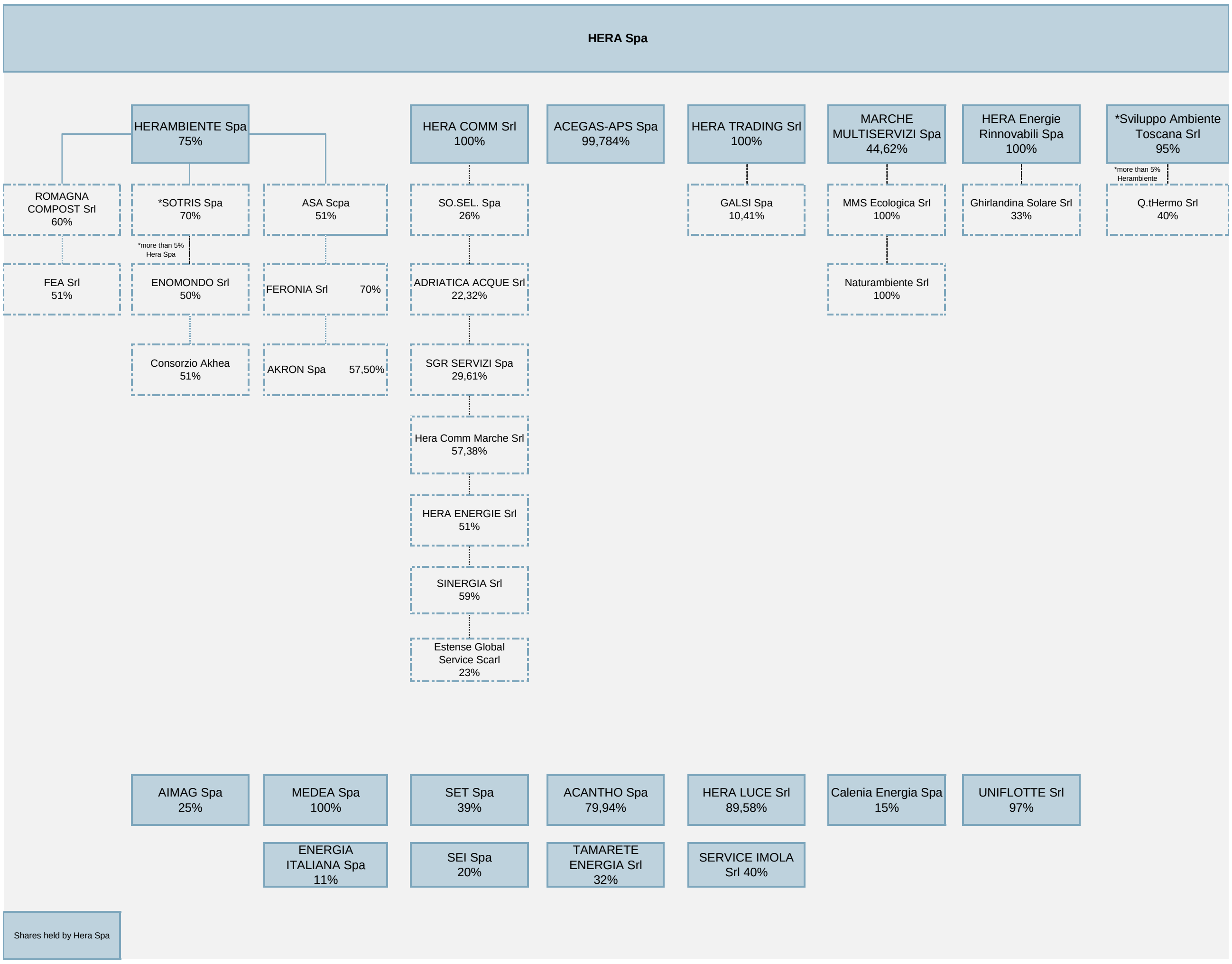
0
introduction

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".*

Group structure



The acquisition of Acegas Aps Spa by Hera Spa has become effective beginning on 1 January 2013 and its subsidiaries are the following: Centro Idrico di Novoledo Srl, Isontina Reti Gas Spa, Trieste Onoranze Trasporti Funebri Srl, Amga Spa, NestambienteSrl and its subsidiary EnergeicaSrl, Adria Link Srl, Rilegas EAD, Acegas Aps Service Srl, La Dolomiti Ambiente Spa, SIL Srl and its subsidiary CST Srl, Elettrogorizia Spa, SIGAS Doo, Estenergy Spa, Est Reti Elettriche Spa, Iniziative Ambientali Srl, Estpiù Spa, Sinergie Spa and its subsidiaries Veneta Sanitaria Finanza di Progetto Spa, InsignaSrl, Tri-Generazione Srl, Aristea Sinergie Illuminazione Scarl.
A process of rationalisation involving the aforementioned subsidiaries is ongoing.
Energonut Spa merger with Herambiente Spa has become effective beginning on 1 July 2013.
Nuova Geovis Spain merger with Herambiente Spa is expected to become effective beginning on 31 December 2013.
After the acquisition of the entire GAL.A Spa share capital, its merger with Herambiente Spa is expected to become effective by 31 December 2013.
The merger of Modena Network Spa with Acantho Spa is expected to become effective by 31 December 2013.
The FlameEnergy Trading Gmbh wind-up is expected to become effective by 31 December 2013.
The transfer of the equity investment held by Hera CommSrl in ErisScarl is expected to become effective by 31 October 2013.

Administrative and control bodies

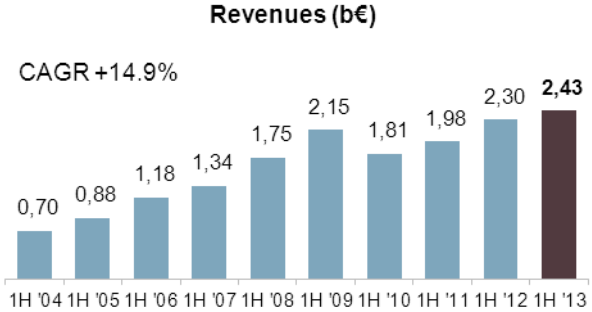
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
CEO	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Marco Cammelli
Director	Luigi Castagna
Director	Pier Giuseppe Dolcini
Director	Valeriano Fantini*
Director	Enrico Giovannetti
Director	Fabio Giuliani
Director	Luca Mandrioli
Director	Daniele Montroni**
Director	Mauro Roda
Director	Roberto Sacchetti
Director	Rossella Saoncella
Director	Bruno Tani
Director	Giancarlo Tonelli
Director	Giovanni Perissinotto
Director	Cesare Pillon
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Antonio Venturini
Standing Auditor	Elis Dall'Olio
Internal and Risk Control Commitee	
Chairman	Giorgio Razzoli
Member	Fabio Giuliani
Member	Luca Mandrioli
Member	Rossella Saoncella
Remuneration Commitee	
Chairman	Giorgio Razzoli
Member	Marco Cammelli
Member	Daniele Montroni**
Member	Bruno Tani
Executive Commitee	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Member	Giovanni Perissinotto***
Ethics Commitee	
Chairman	Giorgio Razzoli
Member	Filippo Bocchi
Member	Mario Viviani
Indipendent auditing firm	
	PricewaterhouseCoopers

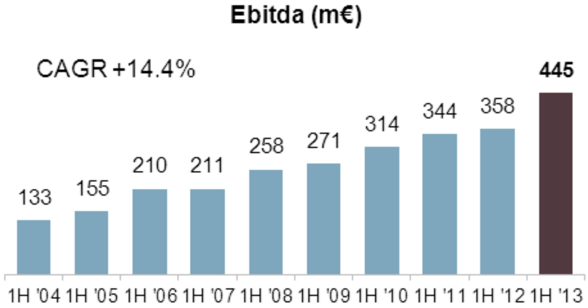
** Died 18 March 2013*

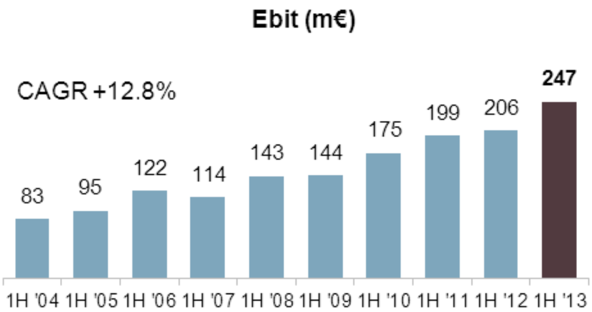
*** Resigned 14 March 2013*

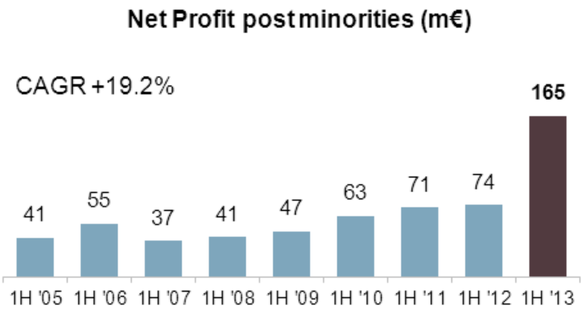
**** In office since 24 January2013*

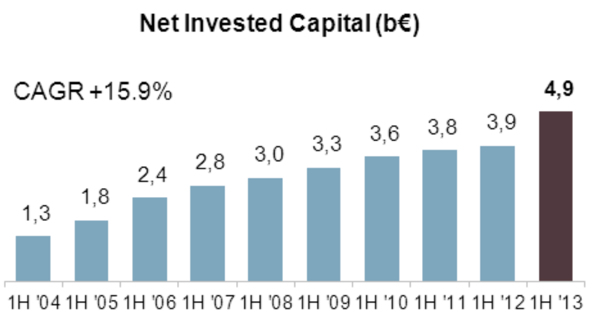
Key financial information

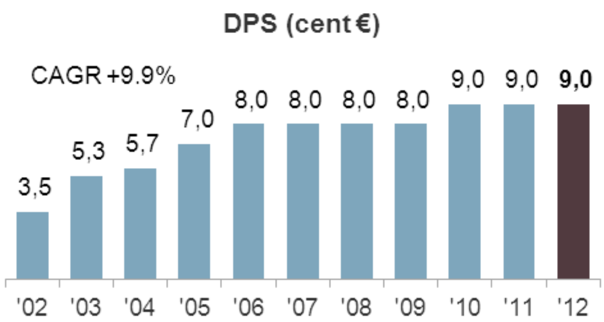












History

The aggregation with Acegas Aps

Hera's strategy of progressive territorial expansion, through consolidation of multi-utility companies in the areas surrounding the reference territory, has led the Group to cover 70% of the customers in Emilia-Romagna and to penetrate into the Marche Region.
Hera continued its expansion in the previous financial year by way of an aggregation with Acegas Aps, an operation that was without doubt the most significant realised by the Group to date.
The business presence of Acegas Aps is focused on the Energy, Water Cycle and Environment sectors and contributes both to the dimensions of each of Hera's main businesses and those of the supervision of the units. The aggregation with Acegas Aps reinforces all of the Group's competitive positions on liberalised markets: the new Group is now the confirmed leader in the environment sector, the third in the gas sector and fifth in the electricity sector, expanding its presence on regulated markets. This is the best way to meet both the competitive challenges of a market that covers the North-East and the prospect of future tenders for service concessions.

Furthermore, the Group's new condition can be proposed with greater vigour as an aggregation pole in neighbouring areas, characterised by a high fragmentation of companies supplying utility services.
The aggregation with Acegas Aps, effective as of 1 January 2013, brings the Group to a "adjusted" 2012 production value level of 5.3 billion Euro, a "adjusted" EBITDA of about 794.8 million Euro and a "adjusted" net profit of about 145.2 million Euro, with a financial solidity attested to by the ratio between net borrowings and a "adjusted" EBITDA of around 3.3x, confirming it as the second national group among Local Utilities, with leadership and positioning of unquestionable significance in all businesses and the first by market capitalisation.

The potential synergy of the operation that is expressed by the new organisational structure was preliminarily estimated as roughly Euro 25 million/year, achievable in the various operational areas when fully operative, given the complementary business portfolio, which will be added to the effects of the Group's possible further developments after the merger, both at a territorial level and in single business areas. The attainment of these synergies will make the aggregation a definitive improvement as regards earnings per share for the entire shareholding.

At the beginning of May, the delisting procedure anticipated after the positive result of the OPAS began, which led to obtaining complete control of Acegas Aps shares. The reorganisation and integration of Acegas Aps' operations were also activated at the beginning of the 2013 fiscal year. Biannual performance indicators already show an improvement in the Company's financial data.

The merger with Acegas Aps was the sole significant aggregation recently carried out in the multi-utility field, and gained the praise of the Italian Strategic Fund, intent on supporting the process of consolidation of the sector. In July 2013, the agreement that foresees an entry in Hera's share capital by the Italian Strategic Fund, and was signed by the parties in September 2012, was revised following the occurrence of a few events that represented elements of uncertainty as to its application. The revision also introduced a clause for a 24 month lock-up on the shares that will be subscribed by the Italian Strategic Fund itself.

Strategic approach and business plan

Hera's strategic objective has always consisted in the creation of value from a multi-stakeholder perspective in the medium-and long-term, by competing autonomously and **efficaciously** in liberalised markets. The objective is to replicate a "unique" business model intended to expand the Group and **manage primary services** in an **increasingly efficient manner** in order to **satisfy the main stakeholders**. This strategy has continued, from 2002, to sustain uninterrupted growth in results through all the main levers available. The **strategy is based on the Group's strong points**, in other words an "open" organisational model that is able to provide for efficient increase in size through external lines, a national leadership in the waste sector and a loyal, and an extensive customer base concentrated in the reference area.

The Group's strategic imperative is to preserve its customer base by giving a great deal of attention to service quality, after-sales support service and an integrated offer of a complete set of the multi-business portfolio's primary services. Furthermore, development strategies are aimed at maintaining a balance between the various activities, in order to conserve a low variability/risk profile as regards the Group's results.

Hera's strategic plan has been articulated into five priorities, which led the Group's management to follow a continuous and linear path throughout its first eleven-year period:

1) Pursuing a process of **extracting synergies** from business combinations, through the complete integration of the companies incorporated into Hera;
2) Implementing the plan for **large plant construction** and developing networks, by balancing the growth of all the businesses so as to increase efficiency and service quality;
3) **Preserving a solid, low-risk economic-financial profile**, capable of satisfying stakeholders through a sustainable approach in the medium to long-term;
4) Pursuing **merger and acquisition opportunities in liberalised sectors** (waste processing, energy sales and generation), both to consolidate its leadership in the environmental sector and expand, in a defensive perspective, the offer to customers with electricity services in line with the development directives pursued by large international groups. The acquisition of assets needed to achieve the goal has thus supported growth in the electricity business, which was present only in an embryonic stage at the birth of the Group;
5) **Applying Hera's innovative aggregation model for multi-utility businesses in neighbouring areas** according to a rationale of territorial continuity, focused on compatible activities and economic-financial profiles capable of guaranteeing the Group's financial soundness.

To ensure greater efficiency and to exploit scale economies, the **mergers** were integrated in the original model based on an industrial holding company. At the same time, "direct operational supervision" of all local territories was ensured to preserve the crucial competitive advantages deriving from customer proximity and local roots. A reorganisation of the activities was implemented in the first semester of 2013, through a corporate structure consisting of vertical units, which is capable of further improving the management of the businesses with respect to the preceding organisation, that followed a territorial model. The new vertical unit organisation has proved to be functional in maintaining the solid traditional connections that have always constituted one of the Group's competitive advantages, through the establishment of organisational structures dedicated to territorial relations.
The strategy of focusing on core activities led to a rationalisation of the portfolio, with the consequent disposal of minor businesses and the sale of assets not held to be strategic, as well as a

corporate rationalisation involving a much thinner organisation, which currently responds better to the Group's management rationale.

The Group's development strategies in energy businesses have always aimed at consolidating its significant position in the "core" sectors (gas distribution and sales) of its reference area, both by improving networks and service quality and by improving after-sales support services. The dual-fuel strategy, an expansion of the offer of electricity services to existing customers, was supported by a parallel and **prudent upstream strategy** of self-generation development complementing the market procurement sources. All of this maintained low risk-exposure in an area in which the Group did not have distinctive capabilities.

In the waste disposal market, in which Hera is **the market leader in Italy,** strategies were aimed at strengthening the plant structure for sustainable operations and respect for the environment. In a sector featuring seriously underdeveloped infrastructures, the Group's goal was to develop a fully integrated plant system, capable of reusing waste materials and extracting energy, through an ambitious investment policy involving the improvement of efficiency and rationalisation of operations.

In its regulated businesses Hera adopted a strategy for greater efficiency and plant development by creating infrastructures in the reference areas, strengthening positions in local markets and consolidating strong points with a view to gaining contracts when the present concessions expire and are put to tender.

These underlying strategies, even considering the new forms they take with respect to toady's reference scenario, have been confirmed once again in the **2012-2016 business plan**.
This plan, approved by the Company's board of directors on 22 October 2012, is currently being updated, with an extension of its validity to 2017, following developments that have come about in the market contexts of the various businesses and a few modifications introduced and expected in the regulatory framework, the most significant of which include (i) AEEG resolution n. 196/2013 issued on 13 May 2013 that modified calculation procedures for sales of gas in the standard offer market and that will be fully effective as of 1st October 2013 with a reduction of marginality with respect to the previous system; (ii) the expected change in procedures for calculating regulated revenues in gas distribution for the fourth regulatory period, anticipated in their basic contents by the AEEG consultation documents DCO 56/2013 and 359/2013, that highlight both a rationale of updating invested capital remuneration and covering operational costs, as well as indications as to the outcome of tenders for service management to be held in the near future, whose development has been the object of recent government measures (for more details, concerning other regulatory interventions as well, see the chapter on regulation).
The new business plan, whose approval is foreseen within the month of September 2013, will furthermore take into account the revision of Acegas-Aps's Business Plan, that above and beyond the effects previously mentioned will also reflect recent accomplishments in the area of synergies, that came about during the first 8 months of integration, and the effects of the provision issued on 17 April 2013 by AGCM concerning the prohibition of acquisition of joint control over Isontina Rete Gas on the part of Acegas-Aps and Italgas.
Expectations for future growth rest primarily on continuity in processes of efficiency improvement, contributions deriving from the Acegas Aps merger, predictable further expansion by way of external growth lines that have already been identified and set under way, (operation with the multi-utility Aimag and continued coverage of the area as regards gas distribution services) and, lastly, continuity in expansion strategies in liberalised markets. The cash generation foreseen by these "organic, internal- and external-line" growth initiatives satisfies the strategic objective of improving financial solidity and

maintaining a policy of constant dividends distribution per share throughout the period covered by the plan.

Expansion strategies for external lines also continue to be part of the rationale applied until present in the business plan to 2016, with a focus on neighbouring territories for strategies of multi-business expansion, and with a domestic prospective of expansion on free markets.

Developpement of the business

Hera is the leading domestic operator in the **environment sector** by quantity of waste collected and treated.
Waste collection, regulated by concession contracts, has expanded over the years through subsequent company mergers, and now covers all of the areas from Modena to Pesaro-Urbino. Thanks to both a constant rise in customer awareness and the support of local institutions, Hera's waste collection system is based on recycling the majority (over 50%) of waste materials (glass, paper, plastic, metals and biomasses) and on the valorisation of the energy content of the remaining part, using waste-to-energy production and extraction of biogases.
This efficient system has made a considerable contribution to the decrease in the amount of urban waste disposed of directly in landfills, thereby reducing soil pollution.

Waste treatment and disposal activities have benefited over time from significant expansion and renovation of the asset base. A multi-year plan for modernising 7 WTE plants was completed in 2011. In 2013, the plant base is being enriched with 3 additional WTEs: one in Trieste, one in Padua (with the aggregation of Acegas Aps), and one WTE in Molise (Energonut, acquired from Veolia during the course of the previous financial year). Furthermore, the Group has begun procedures to request authorisation for the construction of a WTE in Florence. Hera's asset base has also been enriched and completed by other types of plants for biomass treatment and selection of material coming from separate waste collection. Today's asset of over 80 plants (excluding the contribution of Acegas Aps), which is able to satisfy requests for treatment and optimisation of any kind of waste, represents one of the Group's points of excellence on a national scale, and has supported the considerable expansion in volume of activity over the decade, satisfying complex needs in disposal and decontamination of production sites.
With a generation of over 0.7 TWh the Group has became one of the leading operators committed to the recovery of electricity from waste.
In order to best rationalise its activities, in 2010 Hera established Herambiente, to which all the liberalised waste disposal, treatment and recovery operations were transferred. In the same year, the Group opened the shareholding structure of Herambiente in the same year to the Eiser infrastructure investment fund, thus ensuring financial support for future development. Integration with Acegas Aps further reinforced the Group's leadership in the sector with an expansion of its range of action, given that the bases situated in the North-East of the country give Hera greater competitive strength in those markets.

Since its establishment, Hera has also operated in **integrated water service** management, from the distribution of drinking water to collection and purification of waste water, and has the exclusive right to these services in seven provinces of Emilia-Romagna and the north of the Marche, on the basis of long-term concessions (on average until 2023).

Following the mergers that have taken place since its establishment, and the physiological development of the activities and investments carried out, the Group, excluding the contribution of Acegas Aps, has substantially doubled its customers, strengthened its purification plants, expanded its distribution and drainage system networks by roughly 10 thousand linear km and increased its business volume by an average annual rate of 4%. The water network, like all Group networks, is currently controlled by a single remote control system created in 2007 and deemed to be one of the most advanced in Europe. Remote monitoring of networks has made it possible to optimise maintenance and supervision processes, ensuring greater efficiency and lower running costs. Thanks to these systems and the modernisation of the networks, recorded performance (in terms of average leaks per kilometre of network) has been counted among the nation's most efficient.

The entire system of environmental control, from the analysis of water before distribution, to the collection and purification systems for waste water, has shown major progress and guaranteed a high quality of service and maximum customer safety.
The Group is the second largest operator in Italy by volume of sales, with a continuous and extensive presence in the reference market. Following the aggregation with Acegas Aps, Hera reached 1.44 million users in the sector.
At the end of the financial year, the AEEG Authority defined a transitory tariff system for 2012-2013, which put an end to the regulatory uncertainty of the last 18 months. The fundamental principles of the tariff system allow the plant modernisation and activity development plan to continue with greater ease.
The Group covers the reference territory almost completely in the **gas sector** as well. This includes services in distribution and in methane gas sales and trading, as well as district heating management. Hera is currently among the leading “local” firms, and the third nationally in terms of sales volume. In spite of the liberalisation of the sales market, the Group has maintained and developed its original customer base, reaching 1.12 million users, in other words almost doubling it in ten years, thanks to a series of mergers. The contribution of Acegas Aps permits a significant further widening of the customer base; its openings in interesting new markets (such as those of North-East Italy) will take the Group to the third place in the Italian market as early as 1 January 2013, with over 1.5 million customers.
Sales have also more than doubled over time, bringing the volumes handled to over 3.5 billion cubic metres. The distribution network, developed through direct investment and the acquisition of companies, has reached 14 thousand km. Acegas Aps also brings an important contribution of asset bases that allow the Group to look optimistically towards future tenders for gas distribution concessions in all reference areas.
The unstable situation of energy markets has led the Group to follow prudent and flexible procurement policies, seizing the opportunities deriving from the slow process of opening the possibility of importing raw materials, and of the development of the Italian and international wholesale market. Hera has a multi-year capacity of gas importation that reaches almost 500 million cubic metres per annum, through the TAG gas pipeline (Russian gas). It has also gradually diversified internal (domestic) sources, striving for maximum flexibility through annual agreements (multi-year contracts currently cover 10% of overall supplies). Lastly, there has been an organisational redistribution that has led to the establishment of a sales company (Heracomm) and a trading company (Heratrading), thanks to which Hera has launched its own direct operations on a number of European hubs. This asset of Hera’s supply portfolio has protected it from the risks derived from “pre-determinate” material purchase commitments many years in advance.
The volume of sales relating to district heating has also almost doubled in the last 10 years; as is well known, this is a way of transforming energy into heat more efficiently and with less impact on the environment than independent home heating systems.
The district heating network has been developed in various urban areas across the territory, including near the large waste-to-energy and cogeneration plants built in the last ten years, thereby exploiting heat sources that would otherwise not be used.

The “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 been capable of defending existing customers in the gas sector, as previously shown (and achieving important domestic market shares), with annual sales of roughly 10 TWh, on a base - that has increased tenfold - of over 560 thousand customers (733 thousand customers including the contribution of Acegas Aps).

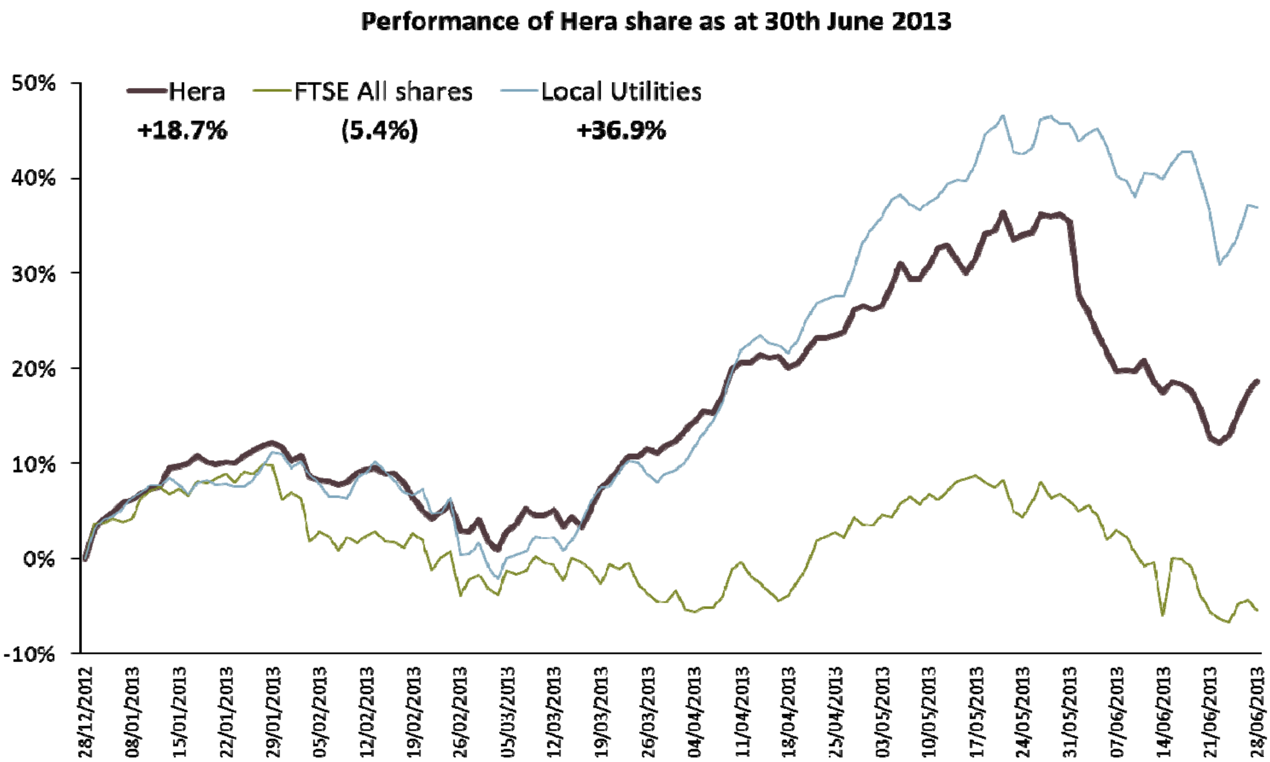
Commercial development in the electricity sector has been accompanied by a parallel cautious development in electricity generation, for a sustainable management of customer demand. Over the

years, Hera has been involved in the construction of two new generation base-load CCGT plants in Campania (an area with a poor infrastructure), with a capacity of 1,200 MW installed.
In this field, since its establishment the Group has held an investment in Tirreno Power, through Energia Italiana, equivalent to 5.5% of share capital.
These plants have been created through joint ventures with the purchase of minority stakes by foreign partners of international standing. Some mention should also go to the acquisition of 32% of Tamarete Energia, a company based in Ortona (CH) that in 2013 completed construction of a combined cycle plant with 104 MW installed.

A 80 MW gas cogeneration plant was completed in Imola in 2008, which ensures self-sufficiency for the province in the event of a national grid blackout. Lastly, Hera's generation equipment saw the development of over 110MW of clean energy from incineration plants, a further 13 MW from biomass waste-to-energy plants, as well as the recent development of small biogas and photovoltaic generation plants, which complete the diversified portfolio of the Group's sources.
Hera continues to be an operator with a relatively contained presence in generation activities; the greater part of the demand for electricity from end customers is in fact prevalently covered by a widely diversified portfolio of bilateral supply contracts and by activities in market trading.
Electricity distribution had seen major development ever 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 the expansion of the grid until it reached a dimension of almost 10 thousand kilometres that, thanks to the investments made, is completely equipped with electronic meters and managed remotely by a single technologically advanced remote control centre. The contribution resulting from the Acegas Aps aggregation is important in this sector as well, in particular for the commercial development potentiality that these markets can offer to the integrated status of the dimensions of the new Group.

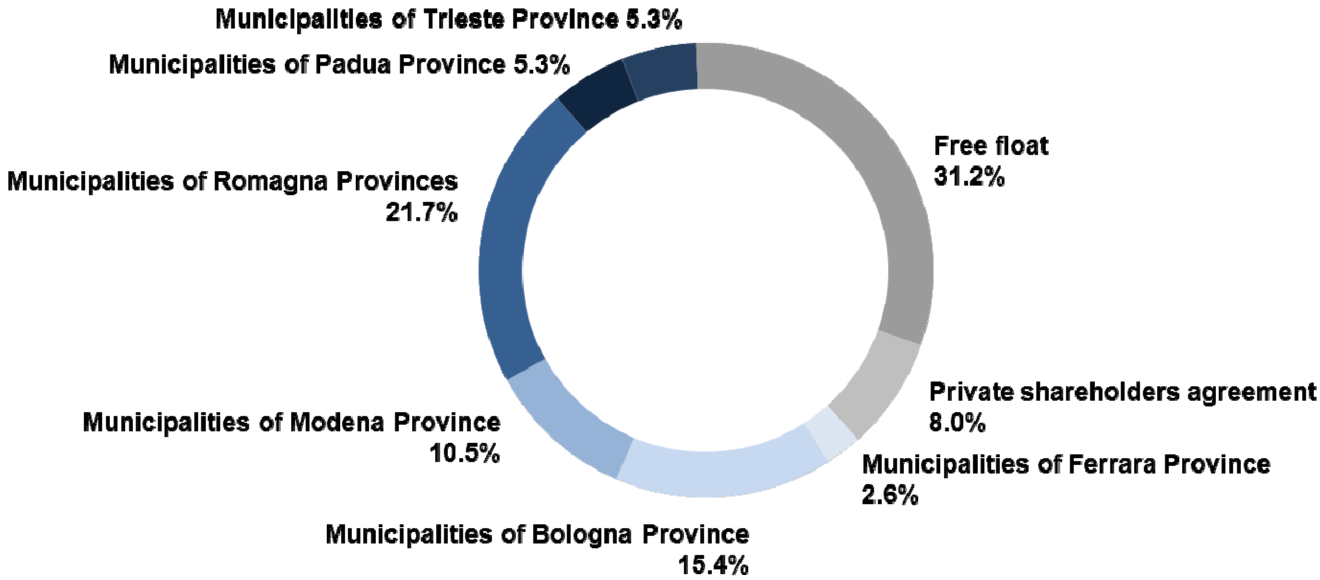
Share performance on the Stock Exchange and shareholder relations

During the first semester of 2013, the stock recorded the market performance illustrated in the following chart, which shows a performance of +18.7% (passing from 1.22€ at the end of 2012 to 1.4519€ at 29 June 2013), exceeding the equity market (-5.4%) and continuing the upwards trend shown in 2012. The share performance also showed greater stability than the Italian local-utilities index, which recorded a performance of +36.9% in 2013, a recovery with respect to the notable negative oscillations of the previous financial year.



Despite the persistence of both political and financial macro-economic difficulties, the Hera stock, supported by a revaluation of the local utilities sector and thanks also to the good 2012 annual results published at the end of March, maintained a positive performance in the first part of the year. The better performance also coincided with the good outcome of the OPAS on Acegas Aps, which allowed the company delisting procedure to begin, which was brought to conclusion during the first semester of 2013.

Today, public shareholders are represented by 189 reference territory municipalities holding 61.0% of Hera's ordinary share capital, made up of 1,342,876,078 ordinary shares. The number of shares increased during the semester by 227,862,324, among which 143,380,7651 shares assigned to the Municipalities of Trieste and Padua, against the merger with Acegas Aps Holding S.r.l., with effect from 1 January 2013. The remainder (84,481,673 shares) was assigned to the Acegas Aps private shareholders who endorsed the OPAS. Following these non-recurring transactions, the Hera Group gained complete control of Acegas Aps ordinary shares, whose share was, consequently, delisted from the Italian Stock Exchange.



Since 2006, Hera has conducted a buyback programme of treasury shares with a maximum of 15 million shares, for a total amount of €60 million. This programme aims to finance any opportunities to buy small companies and to rectify any unusual movements in the Group's share price compared to its major domestic competitors.
The Shareholders' Meeting held on 30 April 2013 renewed the treasury share purchase plan for a further18 months, for a maximum overall amount of €40 million and a maximum of 25 million shares. Hera held approximately 13.8 million treasury shares in its portfolio as at 30 June 2013.
Over the course of the last ten years, **shareholders remuneration** has always shown constant or increasing dividends, even at the most delicate times during the macro-economic crisis of recent years. The Board of Directors' proposal, submitted to and approved by the Shareholders' Meeting, is a dividend per share of 9 euro cents.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Dividends approved (ml€)	27.6	42.0	48.2	71.2	81.3	82.5	82.5	88.9	99.9	100.4	100.4
DPS (€)	0.035	0.053	0.057	0.070	0.080	0.080	0.080	0.080	0.090	0.090	0.090

The Group has, from its listing, promoted and increased relations with financial analysts to ensure investors have a plurality of independent opinions. Over time, this coverage has increased to 15 studies, with international brokers such as Citigroup and Merrill Lynch. The financial crisis of recent years has caused profound restructurings in the banks, reducing the number of the Hera stock studies to 7 (in the last 2 years the studies of Banca Aletti, Banca IMI, Centrobanca, Deutsche Bank, Exane, Merrill Lynch, Mediobanca, Sogen and Unicredit were interrupted); despite this, Hera still enjoys a "coverage", among the widest of the local-utilities sector: Alpha Value, Banca Akros, Citi, Equita, ICBPI, Intermonte and KeplerCheuvreux. At the end of the semester, Hera enjoys a balance between "Buy"/"Outperform" valuations and "Hold/Neutral" opinions and there were no negative opinions. The 12-18 month average stock target price, expressed by analyst evaluations, is around €1.63 per share.

The Hera stock is included in many "SRI" indices: in fact, it has formed part of the "Kempen SNS Smaller Europe SRI Index" for years. In 2008, it was also included in the "ECPI Euro Ethical Index". In 2009, it was included in the "ECPI EMU Ethical Index", consisting of 150 companies with sustainability characteristics consistent with the “ECPI SRI” methodology and listed on the European Union economic/monetary market.

The Group’s main means of communication with shareholders and stakeholders is its website **www.gruppohera.it.** During the last ten years, the section dedicated to shareholders/financial operators (“Investor Relations” section) has seen continuous improvement. For the fourth consecutive year, Hera’s on-line financial communication rose onto the podium of the domestic Webranking classification, styled by KWD, relating to the major domestic listed companies: in 2012, the Group's site in fact conquered second place, positioning itself ahead of many larger Italian concerns and was the best communication instrument of the Italian utilities.

Since its establishment in 2002, Hera has placed special emphasis on direct communication with investors, culminating in a Road Show introducing the stock in Italy and abroad (United Kingdom, France, Switzerland, the Netherlands, Germany, Austria, Scandinavian countries, Belgium, Luxembourg and the United States). Hera organised meetings with European and American investors in the first semester of 2013, maintaining a number of contacts in line with previous years. Timeliness of reports and communication transparency was also maintained in the first part of the 2013 financial year, as a response to the growing uncertainty perceived by the stakeholders in this time of profound systematic discontinuity that our country is still passing through

Directors' reports

1.01 Introduction

The 2013 interim financial statements once again confirm rising financial results, which validate the strategic multi-ultility plant in a long-term multi-stakeholder perspective pursued by the Group. In fact, since its incorporation, Hera has always shown itself to be capable of achieving growth even in crisis scenarios such as those currently...

The macro context continues to show unfavourable conditions, although the strongly negative trend already seems to have passed and the political situation appears to be in a phase of greater stability. The wider sovereign debt crisis, which has led to the credibility of Italy being at historical lows during the course of 2012 (the Italian Spread towards the German Bund exceeded 520 basis points) showed continuous improvement in 2013, as the slow but accentuated decrease of the spread records, falling to about 250 basis points. Nevertheless, the macro-economic data still reflects a currently difficult scenario, although an improvement is forecasted around the end of the calendar year. The Gross Domestic Product (GDP) for the first half year of 2013 shows a -1.7% fall with respect to -2.4% in 2012. In Italy industrial output marked a negative trend of -4.0% with respect to -6.7% in 2012. Exports reduced by -0.4% (with respect to +3.7% in 2012), as did imports by -7.0% with respect to -5.7% in 2012. This context also influenced the fall in energy consumption of 6.8% compared to -3.9% for gas and a slowdown in electricity demand (-3.9% compared to -2.8% in 2012).

In this difficult context the results achieved with the strategy carried out are even more appreciable: the half-yearly figures reflect the positive contribution of all the organic growth factors and that deriving from the Acegas Aps, aggregation, which became part of the Hera Group at the beginning of the year.

The liberalised markets strategy continued to sustain growth of customers in the **electricity** sector in the first half of 2013, confirming the efforts of the Group's sales force in an increasingly competitive market and controlling the effect of reduction of the consumption that is still influenced by the negative macro-economic trend of the country. The impact of the macro-economic crisis was particularly visible during the half year with decreased volumes of 6%. Nevertheless the Group achieved better results compared to last year, thanks to a more selective marketing policy that also led to obtainment of wider margins.

The Group reported sales volumes substantially in line with the previous financial year on the **gas market** in the first half of 2013, while the trading business suffered from the regulatory amendment introduced on the protected market on 1 April 2013. This significantly nullified the free competition mechanisms on the commodities wholesale market.

The **urban waste collection business** recorded a slight contraction of the volumes in the initial part of the financial year, reflecting household consumption levels still influenced by the negative Italian economic trend, while the quantities originating from the **special waste** open market continued to indicate positive trend in the last 4 quarters and showed a double figures percentage growth in the second half of 2013, even without considering AcegasAps' contribution. These results follow marketing policies, already applied in 2012, directed at increasing the market shares, prevalently in the non-dangerous solid waste. The overall volumes from third parties have, in summary, finalised growth that positively reflected on the results even disregarding the contribution coming from the AcegasAps aggregation. Action to improve the efficiency of the waste management system continued in the period of interest. Sorted collection amounted to over 56% of the urban collection, treatment increased through incineration and incentivised electricity production was up.

The activities in integrated water services managed in concession in the distribution of energy, urban waste collection and integrated water service, which represent 54% of the Group's gross operating margin, contributed to the growth of the results realised in the first half of 2013, thanks also to the investments made and tariff updates recognised by the Authorities.

The financial statements for the period show a major increase in net profits, thanks also to the contribution deriving from the positive differential between the consolidated net asset value of Acegas Aps and the value paid for the aggregation to the Hera Group. The results in any event show positive growth, even with respect to the comparison with the 2012 adjusted figures and without the positive contribution of the non-recurring effects of the aggregation with Acegas Aps. The final results from Acegas Aps in the first half year show clear progress with respect to the first half of last year, prevalently as an effect of the positive synergies deriving from the aggregation and the industrial growth anticipated by thee business plan.

From the financial viewpoint we record net debt levels consistent with the end of the previous financial year, despite having distributed over 120 million euro in dividends. The operation has accordingly generated the financial resources not to only support the investments, prevalently for plant maintenance, but also to finance part of the dividends.

1.02 Corporate and significant events subsequent to the end of the first half of the year

Corporate events

The first half of 2013 was characterised by the continuation of corporate rationalisation of the Group's structure, which has led to the disposal / liquidation of 4 companies, cancellation from the Register of Companies of 1 company and the acquisition of further holdings in 3 investee companies.
The corporate rationalisation had already led during 2012 to the disposal / liquidation of 7 companies, cancellation from the Register of Companies of 4 companies, withdrawal from 1 company and acquisition of 5 new equity investments, constitution of 2 new companies, the acquisition of further holdings in 2 investee companies, as well as 1 merger that resulted in the extension of 4 companies.
In this connection, the principal M&A operations that took place are noted below:

Merger of Acegas Aps Srl with Hera Spa OPAS Hera Spa acquired all the listed shares of Acegas APS Spa

On 2 January 2013, Hera Spa, following completion of the merger of Acegas APS Holding Srl, launched an obligatory public offer to acquire and exchange all the Acegas APS Spa ordinary shares, directed at the latter's delisting.
On 3 May 2013, the closing date of the OPAS, Hera Spa became the sole shareholder of Acegas APS Spa, increasing its equity investment in the latter from 62.69% to 99.784%, the residual part of the share capital being represented by treasury shares.

Modena Formazione Srl

On 17 January 2013 the equity investment, corresponding to 7% of the share capital, held by Hera Spa in Modena Formazione Srl was sold. This company operates in the professional training sector.

Famula On-line Spa

On 19 December 2012 the extraordinary shareholders' meeting of Famula On-line Spa, a company operating in the organisation, design, production, marketing and consultancy in the information systems sector, approved the voluntary dissolution of the company commencing from 1 January 2013, simultaneously with the sale of the business to the parent company Hera Spa. The liquidation procedure was concluded on 25 June 2013 with cancellation of the company from the Bologna Register of Companies.

Nuova Geovis Spa – Refri Srl – Herambiente Spa

On 19 June 2013, in compliance with the provisions of the agreement entered into between Unieco Costruzioni Meccaniche Srl (abbreviation "UCM") and Herambiente Spa, the corporate restructuring inherent to Nuova Geovis Spa and Refri Srl was concluded.
With reference to Nuova Geovis Spa, a company operating in the composting sector, Herambiente which already held 51% of the share capital, acquired the remaining 49% from UCM, consequently becoming the sole shareholder. The merger of the company with Herambiente Spa is anticipated with effects commencing from 31 December 2013.
With reference to Nuova Refri Srl, a company operating in the RAEE sector, Herambiente which held 20% of the share capital, sold its equity investment to UCM, thus is consequently no longer a shareholder.

Modena Network Spa

On 19 April 2013 Acantho Spa, a Group company in which Hera Spa holds 79.936%, acquired all the shares held by Sorgea Spa in Modena Network Spa, a Group company operating in the telecommunications sector , corresponding to 10% of the share capital. Following this transaction Hera

continues to directly hold 14% of Modena Network and indirectly, through Acantho Spa, increased its stake from 30% to 40%.
On 25 July 2013 the extraordinary shareholders' meetings of Modena Network Spa and Acantho Spa approved the draft terms of merger of Modena Network Spa, which will be effective by 31 December 2013.

Solhar Alfonsine Srl
On 25 June 2013 the shareholders' meeting of Solhar Alfonsine Srl, a company operating in connection with the production of energy from renewable sources, approved the voluntary dissolution of the company.

Significant events subsequent to the end of the first half of the year

Energonut Spa
The merger of Energonut Spa with Herambiente Spa became effective on 01 July 2013. This company is fully held by Herambiente Spa and operates in the environment sector. It owns a waste co-incineration facility situated in the Pozzilli industrial area in the Isernia Province (Molise).

Solhar Piangipane Srl – Solhar Ravenna Srl – Solhar Rimini Srl
On 12 July 2013 Herambiente Spa, already a 51% shareholder of Solhar Alfonsine Srl, Solhar Ravenna Srl and Solhar Rimini Srl, acquired the remainder of the share capital, consequently becoming the sole shareholder of the three companies. Rationalisation of the aforesaid corporate equity investments is anticipated by 31 December 2013.

Gal.A Spa – Herambiente Spa
On 5 August 2013, the acquisition of the Gal.A Spa shares was completed by Herambiente Spa. These shares were previously held by the Baricella and Galliera Municipalities and Herambiente Spa consequently became the sole shareholder of Gal.A Spa.
The merger of Gal.A Spa with Herambiente Spa is anticipated by 31 December 2013.

Hera Servizi Cimiteriali Srl – Hera Servizi Funerari Srl
Following the conclusion of the public procedure arranged by the Bologna Municipality and consequent selection of a private partner for the management of the cemetery and funeral services, the transfer to the Bologna Municipality of the equity investments held by Hera Spa in Hera Servizi Cimiteriali Srl and Hera Servizi Funerari Srl. was completed on 1 August 2013.

Herasocrem Srl
The disposal of the 51% equity investment held by Hera Spa in Socrem Srl or, alternatively, the placement of the company into liquidation, is anticipated.

FlameEnergy Trading Gmbh
The placement of the company, the share capital of which is 50% held by Hera Trading Srl, into liquidation is anticipated by 31 December 2013.

Eris Scarl
The disposal of the 51% equity investment held by Hera Comm in this company is anticipated by 31 October 2013.

1.03 Hera Group performance as at 30 June 2013:

Consolidated summary results of the Hera Group:

(milions of Euro)	30-Jun-2013 as ajusted	Inc.%	30-Jun-2013	Inc.%	Abs. Change	Change%
Revenues	**2.298,9**		**2.429,4**		**+130,5**	**+5,7%**
EBITDA	**357,6**	**15,6%**	**445,3**	**18,3%**	**+87,7**	**+24,5%**
EBIT	206,0	9,0%	246,6	10,2%	+40,6	+19,7%
Net profit	**80,3**	**3,5%**	**172,9**	**7,1%**	**+92,6**	**+115,3%**

1.03.01 Economic – financial results and investments

The Hera Group's results for the first semester of 2013 registered growth with respect to the corresponding period in 2012. This performance is due to both the excellent results of Hera's operating area and the integration of the AcegasAps Group.

Following the integration, the Hera Group ranks as the first operator by waste treated at national level, the second in the integrated water cycle, the third in gas distribution and the fourth in sales of electricity to end users.

As has been shown in the financial statements for previous years, the consolidated income statement acknowledges the interpretation of the accounting standard Ifric 12 "Service concession arrangements" which altered methods for recording company events for companies that operate in sectors regulated by specific concessions. In accounting terms, the effect of the application of this principle, which does not alter the results, is the representation in the income statement of the investment work carried out on assets under concession, limited to grid services. Therefore, the first semester of 2013 recorded higher other operating revenues of €61.2 million (the contribution of AcegasAps was €14.5 million) and of €55.4 million for the corresponding period of 2012, lower capitalised costs of €13.4 million in 2013 and €16.1 million in 2012, and higher operating costs for services, materials and other operating expenses of €47.7 million in 2013 (the contribution of AcegasAps was €14.5 million) and €39.3 million in the first six months of 2012.

From this point on, the AcegasAps Group will be referred to simply as "AcegasAps" and the operating area of the Hera Group as defined in 2012 as "Hera".

The table on the following page shows the economic results of the 2012 and 2013 financial years; regarding the first semester of 2012, the following adjustments have been made:

1) since 1st January 2013 the Hera Group has applied the IAS 19 revised principle, which eliminates the "corridor method" for actuarial gain and loss accounting. This produces the benefits registered in the income statement for the first six months of 2012, for "personnel costs" of €613 thousand, net of tax effects, recorded under "income tax for the fiscal year" of €276 thousand;

2) furthermore, the income statement for the first six months of 2012 has been reproduced in order to account for the lack of a conclusion in the sale of the Berti Pichat area. This operation had led to recording a capital gain counted among "other operating revenues" of €6,625 thousand; in particular, in the light of this representation, the "other operating revenues" have been decremented by the same amount, and consequently the net profit for the first six months of 2012 was €3,480 thousand lower, net of tax effects, recorded under "income tax for the fiscal year" of €3,146 thousand.

For further details, consult the paragraph "Summary of adjustments" contained in the chapter "Consolidated explicated notes" of the additional note in the half-year statement dossier.

Income statement (millions of euro)	30-giu-2012 as ajusted	Inc.%	30-giu-13	Inc%	Abs. Change	VChange. %
Revenues	2.298,9	0,0%	2.429,4	0,0%	+130,5	+5,7%
Other operating income	84,4	3,7%	107,5	4,4%	+23,1	+27,4%
Commodities and materials	(1.399,8)	-60,9%	(1.330,8)	-54,8%	-69,0	-4,9%
Service cost	(427,5)	-18,6%	(496,8)	-20,4%	+69,3	+16,2%
Other operating costs	(19,3)	-0,8%	(25,3)	-1,0%	+6,0	+31,0%
Personnel costs	(192,2)	-8,4%	(246,4)	-10,1%	+54,2	+28,2%
Capitalised costs	13,1	0,6%	7,8	0,3%	-5,3	-40,6%
EBITDA	**357,6**	**15,6%**	**445,3**	**18,3%**	**+87,7**	**+24,5%**
Depreciation amortisation and provision	(151,5)	-6,6%	(198,7)	-8,2%	+47,2	+31,1%
Operating profit (EBIT)	**206,0**	**9,0%**	**246,6**	**10,2%**	**+40,6**	**+19,7%**
Financial operations	(61,8)	-2,7%	(70,9)	-2,9%	+9,1	+14,7%
Other non operating revenues	-	0,0%	74,8	3,1%	+74,8	+100,0%
Pre-tax profit	**144,3**	**6,3%**	**250,6**	**10,3%**	**+106,3**	**+73,7%**
Taxes	(64,0)	-2,8%	(77,7)	-3,2%	+13,7	+21,4%
Net profit for the period	**80,3**	**3,5%**	**172,9**	**7,1%**	**+92,6**	**+115,3%**
Attributable to:						
Shareholders of the Parent Company	**73,8**	**3,2%**	**165,2**	**6,8%**	**+91,4**	**+123,9%**
Non-controlling interests	6,5	0,3%	7,7	0,3%	+1,2	+17,7%

EBITDA increased from €357.6 million in the first half of 2012 to €445.3 in the first half of 2013, +24.5%; operating profits rose from €206.0 million to €246.6 million; pre-tax profits rose by 73.7%, up from €144.3 to €250.6 million; net profits increased from €80.3 million as at 30 June 2012 to €172.9 in the same period in 2013, +115.3%.

Revenues rose by €130,5 million, +5.7%, up from €2,298.9 million as at 30 June 2012 to €2,429.4 million in 2013. The main factors involved are:
(a) a €267.4 million contribution derived from the integration with AcegasAps;
(b) a €136.9 million reduction of Hera's revenues, mainly due to lower volumes of activity in gas brokerage and lower volumes of electricity sold.

Other operating revenues rose by €23.1 million, mainly on account of AcegasAps' contribution of €26.3 million.

The decrease of €69.0 million in the costs of raw materials and consumable materials compared to the 2012 financial year is a result of the performances whose details are as follows:
(a) a €100.7 million contribution derived from the integration with AcegasAps;
(b) a €169,7 million decrease, prevalently tied to the lower amount of gas trading and the lower purchasing costs of electricity raw materials, a consequence of the lower volumes sold.

Other operating costs (service costs up €69.3 million and other operating expenses up €6.0 million) rose by a total of €75.3 million (+16,9%); this increase is almost entirely due to the integration with AcegasAps, equivalent to €73.2 million.

Personnel costs rose by 28.2%, from €192.2 million as at 30 June 2012 to €246.4 million at 30 June 2013. Of this increase, €48.9 is due to the entry of AcegasAps, and the remainder is due to the salary increases set out in the national labour contract, partially offset by reducing the average presence of the resources.

The decrease in capitalised costs from €13.1 million to €7.8 million is mainly due to lesser work on plants and intercompany works.

The Group's consolidated EBITDA as at 30 June 2013 registered growth, up from €357.6 million to €445.3 million, with an increase of €87.7 million (+24.5%), to which the entry of AcegasAps contributed with €71.0 million, and Hera's growth with €16.7 million (+4,7%). All of Hera's main business areas recorded growth with respect to the first six months of 2012; see the chapters dedicated to the single business areas for further details.

Amortisation, depreciation and provisions saw an overall increase of €47.2 million (+31.1%), rising from €151.5 million in the first semester of 2012, to €198.7 million in the corresponding period of the 2013 financial year. The integration with AcegasAps brought about an increase in amortisation, depreciation and allocations of €34.8 million (+23.0%), while Hera's operating area shows an increase of €12.3 million, due to: (i) amortisation for new investments and for the enlarged waste to energy plant base with the Energonut plant; (ii) higher allocations to the bad debt provision; (iii) higher allocations to risk funds for disputes with social security bodies.

The operating profit for the first six months of 2013 stood at €246.6 million, up by 19.7% over the corresponding period in 2012, for the reasons outlined previously. The contribution of AcegasAps as at 30 June 2013 is €36.2 million.

Income from financial operations stood at €70.9 million as at 30 June 2013, up compared to €61.8 million in the first half of 2012. Higher charges are mainly due to the incorporation within the consolidated operational area of AcegasAps for roughly €8.1 million. Hera's financial management, with respect to the same period in the previous year, shows a slight increase prevalently due to capital losses for the deconsolidation of investments in companies active in the funeral service sector.

It should be noted that the acquisition of the AcegasAps Group, effective as of 1 January 2013, involved an accounting difference in the income statement of €74.8 million, recorded among other non-operating and non-recurring forms of income. This provisionally determined amount was arrived at through a comparison between the cost of acquisition and the net assets purchased expressed at "fair value". As allowed for by the Ifrs 3, this process of evaluation is still underway; further adjustments may therefore concern the assets and liabilities acquired, that may be adopted successively with retroactive effect, bringing about a modification of the value of the accounting difference currently recorded.

In the light of the above, pre-tax profit increased from €144.3 million as at 30 June 2012 to €250.6 million in 2013, marking an increase of 73.7%.

Taxes rose from €64.0 million in the first half of 2012 to €77.7 million in 2013. The tax rate, calculated without re-including the extraordinary effect generated by the integration of the Acegas Group and recorded at the entry "other non-operating income", stood at 44.21% compared to the 44.34% of the first semester of 2012.

Net profit as at 30 June 2013 therefore amounted to €172.9 million, an increase compared to €80.3 million at 30 June 2012. The growth in the new result (+ €92.6 million) is due to: (i) a recorded accounting difference of €74.8 million, (ii) integration with AcegasAps for €16.2 million and (iii) growth within Hera for €1.6 million (+2.0%).

Profit pertaining to the Group stood at €165.2 million, up compared to €73.8 million as at 30 June 2012.

Here below a management synthesis of the main economic indicators is proposed, that highlights Hera's growth, the integration of AcegasAps and the impact of other non-operating income on net profit:

Management income statement (mln/€)	Hera as at 30/06/2012	Hera as at 30/06/2013	Hera Abs. change	AcegasAps as at 30/06/2103	Group as at al 30/06/2013	Group abs. change	Group Change %
EBITDA	**357,6**	**374,3**	**+16,7**	**71,0**	**445,3**	**+87,7**	**+24,5%**
EBIT	**206,0**	**210,5**	**+4,5**	**36,2**	**246,6**	**+40,6**	**+19,7%**
Adjusted pre-tax profit	**144,3**	**147,7**	**+3,4**	**28,1**	**175,8**	**+31,5**	**+21,8%**
Adusted net profit	**80,3**	**81,9**	**+1,6**	**16,2**	**98,1**	**+17,8**	**+22,2%**
Other non operating income	-	74,8	+74,8	-	74,8	+74,8	+100,0%
Net profit for the period	**80,3**	**156,7**	**+76,4**	**16,2**	**172,9**	**+92,6**	**+115,3%**

Analysis of the Group's financial structure:

Details are provided of changes in net invested capital and the sources of funds for the Group for the year ended 31 December 2012 and the six months ended 30 June 2013:

Capital employed and sources of financing (millons of euro)	31-dic-2012 as adjusted	Inc%	30-giu-2013	Inc%	Abs. change	Change %
Net non-current assets	4,418.7	107.9%	5,290.1	107.0%	871.4	19.7%
Net working capital	114.2	2.8%	137.2	2.8%	23.0	20.1%
(Provisions)	(438.9)	-10.7%	(481.9)	-9.7%	(43.0)	9.8%
Net capital employed	**4,094.0**	**100.0%**	**4,945.4**	**100.0%**	**851.4**	**20.8%**
Shareholders' equity	1,877.4	45.9%	2,199.6	44.5%	322.2	17.2%
Long term financial payables	2,366.8	57.8%	2,574.3	52.1%	207.5	8.8%
Net short term position	(150.2)	-3.7%	171.5	3.5%	321.7	-214.2%
Net financial position	2,216.6	54.1%	2,745.9	55.5%	529.3	23.9%
Total sources of financing	**4,094.0**	**100.0%**	**4,945.5**	**100.0%**	**851.5**	**20.8%**

In the first six months of 2013, net invested capital rose by 20.8%, going from Euro 4,094.0 million to Euro 4,945.4 million, mainly due to the inclusion of the Acegas APS Group in the Hera Group's scope of consolidation.

At 30 June 2013, net non-current assets amounted to Euro 5,290.1 million compared to Euro 4,418.7 million at 31 December 2012, reflecting a 19.7% increase due both to the investments made in the first half of the year and the enlargement of the scope of consolidation.

Working capital rose by Euro 23.0 million.

At 30 June 2013 provisions amounted to Euro 481.9 million, up 9.8% on the Euro 438.9 million at 31 December 2012.

Equity increased from Euro 1,877.4 million to Euro 2,199.6 million mainly following the capital increase to pay for the acquisition of the Acegas Group.

Reconciliation statement

The table below reconciles the Parent Company's financial position with the consolidated financial position at 31 December 2013:

Valuation with the equity method of companies recognised at cost	(592)	20,085
Carrying amount of consolidated companies		(868,812)
Equity and net profit for the period of consolidated companies	82,956	949,939
Allocation of differences to consolidated companies and related amortisation and depreciation:		
- Goodwill arising on consolidation		54,965
- Intangible assets	(275)	4,120
- Property, plant and equipment	(119)	1,099
- Gain on bargain purchase	74,806	(12,345)
Other eliminations of intercompany transactions	324	(29,335)
Total	**165,199**	**2,062,161**
Amount attributable to non-controlling interests	7,676	137,455
Balances as per consolidated financial statements	**172,875**	**2,199,616**

Analysis of Group's net borrowings

millions of euros		30-giu-2013	31-dic-2012
a	**Cash**	**483,3**	**424,2**
b	**Other current financial receivables**	**62,8**	**47,3**
	Current bank debt	(375,0)	(74,7)
	Current portion of bank debt	(297,8)	(225,7)
	Other current financial liabilities	(41,9)	(17,1)
	Finance lease payables due within 12 months	(2,9)	(3,8)
c	**Current financial debt**	**(717,6)**	**(321,3)**
d=a+b+c	**Net current financial debt**	**(171,5)**	**150,2**
e	**Non-current financial receivables**	**46,6**	**17,6**
	Non-current bank debt and bonds issued	(2.597,9)	(2.371,0)
	Other non-current financial liabilities	(10,2)	0
	Finance lease payables due after 12 months	(12,8)	(13,4)
f	**Non-current financial debt**	**(2.620,9)**	**(2.384,4)**
g=e+f	**Net non-current financial debt**	**(2.574,3)**	**(2.366,8)**
h=d+g	**Net financial debt**	**(2.745,8)**	**(2.216,6)**

The Group' net borrowings went from Euro 2,216 million at 31 December 2012 to Euro 2,745.8 million at 30 June 2013, reflecting an increase of Euro 592.2 million due mainly to the inclusion of the Acegas APS Group in the Hera Group's scope of consolidation.

Debt consists mainly of medium- and long-term debt, which account for 79% of total indebtedness, balancing the Group's asset structure, which is characterized by a high level of non-current assets.

Hera S.p.A. has long-term ratings by Moody's - "Baa1" with negative outlook – and Standard & Poor's - "BBB" with stable outlook.

Hera Group investments

At 30 June 2013, the Group's investments, following the merger of Acegas Aps, amounted to Euro 120.5 million.

The heritage Hera Group's investments in property, plant and equipment amounted to Euro 99.6 million, compared to Euro 121.4 million in the first half of 2012. In addition, minor equity investments were made for Euro 0.4 million.

The heritage Acegas Aps Group invested an additional 20.5 million in the first half of 2013.

The table below shows the investments made in the period under review, before disposals.

Total investments (mln €)	30-jun-12	30-jun-13	Abs. change	Change %
Gas area	16,0	19,0	+3,0	+18,8%
Electricity area	9,6	7,8	-1,8	-18,8%
Integrated water cycle area	39,7	40,8	+1,1	+2,8%
Waste management area	20,2	20,2	+0,0	+0,0%
Other services area	6,1	10,3	+4,2	+68,9%
Central structure	29,8	22,0	-7,8	-26,2%
Total operating investments	**121,4**	**120,1**	**-1,3**	**-1,1%**
Total financial investments	0,0	0,4	+0,4	+0,0%
Total	**121,4**	**120,5**	**-0,9**	**-0,7%**

Investments in the gas business amounted to Euro 19.0 million, of which Euro 5.9 million made by Acegas Aps.

Hera's investments fell by Euro 2.9 million, compared with the first six months of 2012, mainly due to the end of important works in the first half of 2012 (Euro -0.6 million for Cabin I salto Borgo Masotti Ravenna and networks in the gas service plants of Milano Marittima; Euro -1.3 million in district heating for the provision of heat to Quarto Inferiore and the new TLR backbone in the historic centre of Imola), and plans, for the second half of 2013, for such works as the Bufalini plant and the TLR system in Castelmaggiore. The adverse economic context continues to affect business, as new gas connections and district heating fell by Euro 0.2 million and 0.3 million, respectively, compared to the first half of 2012.

Gas service investments in the area refer to network extensions, land reclamations and upgrading of network and distribution facilities. Heat Management investments include structural actions on thermal plants managed by the Group's companies.

AcegasAps invested Euro 5.9 million in the gas area, mainly to upgrade the network for compliance with the obligation to replace the gray cast-iron pipes in the Trieste area for Euro 3.8 million, to establish connections for Euro 0.8 million and for investments by its Bulgarian subsidiary RilaGas.

Gas (millions of euro)	30-jun-12	30-jun-13	Abs. change	Change %
Networks	11,7	16,7	+5,0	+42,7%
District heating/Heat management	4,1	2,3	-1,8	-43,9%
Other	0,1	0,0	-0,1	-100,0%
Gas total	**16,0**	**19,0**	**+3,0**	**+18,8%**

Investments in the Electric Power service amounted to Euro 7.8 million, of which Euro 2.4 million by Acegas Aps.
Hera's activities concerned mainly the extension of the service and the non-routine maintenance of plants and distribution networks in the Modena and Imola areas, as well as network support services. Investments fell compared to the same period of the previous year mainly due to due work performed in the energy and heat production plant (Imola CCGT) in 2012, the slowdown of new connections (Euro – 0.5 million) and the end of the massive replacement of old meters with new, electronic ones.
Industrial cogeneration works regard the installation of new equipment in local area companies.
AcegasAps's investments in the Electric Energy area amounted to Euro 2.4 million, involving mainly activities on the grid for Euro 1.5 million, investments in technological equipment for Euro 0.5 million and new connections for Euro 0.3 million.

Electricity (millions of euro)	30-jun-12	30-jun-13	Abs. change	Change %
Networks	6,4	7,4	+1,0	+15,6%
CCGT Imola	3,1	0,0	-3,1	-100,0%
Industrial cogeneration	0,2	0,4	+0,2	+100,0%
Electricity total	**9,6**	**7,8**	**-1,8**	**-18,8%**

As far as the Integrated Water Cycle, investments referred mainly to extensions, land reclamation and upgrading of networks and plants, in addition to regulatory upgrading related mainly to purification and sewerage. Overall, investments in the Water Cycle amounted to Euro 40.8 million, of which Euro 6.6 million by AcegasAps.
The Euro 5.5 million decrease from the first half of 2012 by the heritage Hera Group concerned: i) the Purification sector for Euro -5.7 million, where the work schedule called for the performance of 2013 works mainly in the second half; ii) the Water sector for Euro -1.0 million, as adverse weather conditions in the first half of the year caused the rescheduling of planned works; iii) the Sewer sector for + 1.2 million, following works in the first half of 2013 to upgrade the sewer drains as per Legislative Decree no. 152/2006, given that their design was completed in 2012. In addition, the continuing crisis of the real estate sector is at the root of the lower demand for connections.
AcegasAps invested Euro 6.6 million in the Integrated Water Cycle; of this amount, Euro 3.2 million was used in the Aqueduct, Euro 2.4 million in the Sewer system and Euro 1 million in Purification. These investments concerned network maintenance, for Euro 2.3 million, capital expenditure in plants, for Euro 3 .0 million, and over 1.3 million in new connections.

Integrated water cycle (millions of euro €)	30-jun-12	30-jun-13	Abs. change	Change %
Aqueduct	20,3	22,5	+2,2	+10,8%
Purification	11,7	7,0	-4,7	-40,2%
Sewage	7,7	11,3	+3,6	+46,8%
Integrated water cycle total	**39,7**	**40,8**	**+1,1**	**+2,8%**

In the Environment area, maintenance and upgrading of existing plants amounted to Euro 20.2 million, of which Euro 0.8 million was invested by AcegasAps.
In particular, investments by the heritage Hera Group in the different segments showed: a decrease in composters/digesters (Euro -0.9 million), including the construction of the plants with dry-fermentation technology in Rimini and Lugo, which has reached completion stage; the slight increase in investments on landfills (Euro +0.2 million), where construction of the 7th 1C RA sector and rainfall storage tanks made up for the activities for the lining, closure and road building for the Tre Monti and Pago landfills in the first half of 2002; the expansion of the WTE system (Euro + 1.5 million), which reflects the addition of the Ergonut plant (Euro + 2.3 million) and a reduction of activities due mainly to the revamping of the Pre-sorting plant in Forlì, which reached the ending stage in 2013; lower investments in special-waste treatment plants (Euro -2.1 million), mainly due to the construction of the Mud Dehydration plant in Ravenna, which has reached the final stage, and maintenance and regulatory upgrading activities carried out in 2012; greater investments in the sorting plants (Euro + 1.5 million) which concern the revamping of Modena's plant and the start of the works to build the Bologna plant, both operated by Akron.
AcegasAps's investments in the environment area amounted to Euro 0.8 million, of which Euro 0.5 million in the WTE system and Euro 0.3 million in other plants.

Environment (millions of euro)	30-jun-12	30-jun-13	Abs. change	Change %
Composters/Digesters	4,9	4,1	-0,8	-16,3%
Dumps	4,2	4,4	+0,2	+4,8%
WTEs	4,5	6,4	+1,9	+42,2%
RS Plants	3,3	1,2	-2,1	-63,6%
Market	0,5	0,1	-0,4	-80,0%
Collection plants	1,7	1,3	-0,4	-23,5%
Transhipment, selection and other plants	1,1	2,7	+1,6	+145,5%
Total environment	**20,2**	**20,2**	**+0,0**	**+0,0%**

Investments in other services amounted to Euro 10.3 million, of which Euro 4.7 million by AcegasAps.
Concerning investments by the heritage Hera Group, attention is called, in the Telecommunications area, to investments in networks (Euro 2.8 million) and TLC and public lighting services (Euro 1.8 million) while "Other" included, in the previous year, cemetery services.
AcegasAps invested Euro 4.7 million, mainly in public lighting and traffic lights for Euro 2.0 million, and through its subsidiary Sinergie.

Other services (millions of euro)	30-jun-12	30-jun-13	Abs. change	Change %
TLC (district heating)	4,6	4,9	+0,3	+6,5%
Public lighting and traffic light installations	0,5	2,8	+2,3	+460,0%
Other	1,0	2,7	+1,7	+170,0%
Other services total	**6,1**	**10,3**	**+4,2**	**+68,9%**

Investments in the Corporate structure concerned the construction of new offices, which decreased compared to the previous year, as well as investments in information systems and vehicle fleet maintenance. Other investments include the completion of laboratories and remote-monitoring units.

Central structure (millions of euro)	30-jun-12	30-jun-13	Abs. change	Change %
Real estate transactions	17,9	11,1	-6,8	-38,0%
Information systems	5,8	5,8	+0,0	+0,0%
Fleets	5,0	4,2	-0,8	-16,0%
Other investments	1,0	1,0	+0,0	+0,0%
Central structure total	**29,8**	**22,0**	**-7,8**	**-26,2%**

1.03.02 Regulatory framework and regulated revenues

Reference legislation

The services managed by Hera Group are regulated by several public authorities. While the Authority for Electricity and gas regulates distribution and sale of natural gas, electricity and, since 2012, integrated water services, as far as local public services are concerned, there is not a single national regulation framework of reference. Regulation and service awarding powers fall under local authority, directly or through "local optimal authority" (ATO).

Regulation of **public local services**, during the first six months of 2013, has been rationalised and consolidated.

A clear legal framework is key to promote the development of the public local services sector, in turn essential to economic growth and to attract investment at local level; consequently, in April 2013 a **Survey on national and European legislation on public local services** of economic relevance was approved by an interministerial committee. The Review was produced by the Ministry for Economic Development (MSE) in cooperation with the Presidency of the Council of Ministers and Invitalia. The survey is divided in four chapters comprising legal regulations and case law associated to management of economically relevant public local services. Three chapters of the survey concern specific regulations for the water, public transportation and waste sectors.

On matters of awarding policies, the survey highlights how the Constitutional Court declared judgment 199/2012, by declaring article 4 of Legislative Decree no. 138/2011 as illegitimate, has created a regulation gap without providing a specific national legal framework for local public services. At present, the Treaty on the Functioning of European Union (Lisbon Treaty) establishes that direct management of PLS (Public Local Services) by public agency is allowed only if free competition rules represent an obstacle to providing the public service in question. Tenders for PLS is the main and preferred procedure, while in-house assignment is allowed only under specific circumstances (for example it is required that most activities be carried out in favour of the issuing body - and inherently to the local community).

Still aiming at consolidating the legal framework of PLS, in may 2013 the Presidency of the Council of the Ministers has made available guidelines to minimum requirements as to principles and elements required for service agreements and in service quality assessment statements.

As to environmental issues, the main legal reform has concerned **municipal waste tax (TARES)**, initially regulated by article 14 of Decree Law 201/2011, amended by Stability Law 2012 and now regulated, for the sole year 2013, by Decree Law 35/2013 which, under article 10, establishes the amount, the method and the deadlines for payment. The Decree grants to municipalities to define regulations for instalment and deadline policies. Payment method as compliant to the Decree consist of pre-filled TARSU and TIA forms, with the exception of the last tax instalment, which must be paid with F24 form or by postal payment slip. The last instalment includes a public premium charge. According to Decree, municipalities, solely for 2013, are able to assign tax collection to actors which, as of 31/12/2012, were assigned waste service management. The Decree Law 35/2013 therefore regulates the application of TARES for 2013 while, subsequently, Stability Law 2012 should become the standard regulation. Moreover, the Parliament is currently discussing over an IMU (Unified Municipal Tax) reform, as provided by Decree Law 54/2013, envisioning, among other options, the creation of a "maxi-tax" comprehensive of waste tax as well.

Another debated environmental topic is in relation to the **waste tracking system (SISTRI)**, whose operational application processes were resumed by Ministerial Order on 20 March 2013 after a long legislative hold. The Decree establishes that special and dangerous waste management complete or update their subscription to the system within 30 September 2013 in order to guarantee for SISTRI to start with effect from 1 October. Please note how talks carried out by the Ministry of Environment highlighted a widespread critical sentiment in enterprises and other stakeholders in relation to the SISTRI system, which generates a management overload for all operators in the sector chain.

Finally, during the first two quarters the Region of Emilia Romagna agreed to the guidelines for preparation for a **Regional Waste Management Plan (PRGR)**: on 25 March 2013 the regional board approved the preliminary document of PRGR, available for consultation until early June 2013. The document, besides stressing the challenging objectives for separate collection (RD), to minimize landfill storage and to reach regional self-sufficiency for waste disposal, outlines a 2020 scenario characterised by decrease of pro capita waste production equal to 25%, separate collection up to 70% with an associated recycling rate of 60%. HERA Group has taken part to consultations organized by the Region, emphasizing the need for guaranteed optimal use of existing plants and affordable charges for users. Within the end of the summer, the Region is expected to release a first draft of the PRGR which, after consultations with local authorities, will result into the final version, due by the end of the year.

As regards power, during the first six months of 2013 the **reform of natural gas storage** was radically modified in its allocation criteria by Decree of the ministry of Economic Development of 15 February 2013. The storage reform continued during the 2013 with the Ministry of Economic development (MSE) Decree of 15 February 2013, which revolutionised the allocation criteria for gas storage. Based on said decree, part of the volumes destined for modulation service, equal to 2.5 billion m3, shall be assigned through auction. Again through auction a quantity of 1,7 billion m3 destined to whatever party may make a request, even if not a civil customers supplier, shall be assigned.

As regards **incentives for thermal energy production from renewable sources** and **energy efficiency interventions**, during the first six months of 2013 two Decrees were published on 28 December 2012**.** The first regulates incentives to thermal energy production from renewable sources and small energy efficiency interventions, the second determines the quantitative domestic objectives for energy saving must be carried out by the electricity and gas distribution companies for the three-years 2013-2016 and for upgrading the white certificates mechanism.

Still on energy, the legal intervention most relevant to HERA Group is the recent Decree 69/2013, so called the “**Decree of Doing”,** published in June 2013, which includes several measures to stimulate domestic growth through active policies and incentives to enterprises through cost containment and charge reduction. Intervention areas in the energy sector are essentially four:

- the Decree reduced the natural gas protected client pool, now restricted solely to domestic clients;

- As for tender policies for natural gas distribution, the Decree introduced a four-months extension to publish the tender for areas included in the two sets with the closest deadline among those provided by law. Another new factor is represented by the potential intervention of the Ministry for Economic Development to appoint an interim commissioner ad acta, if, after four months since the expiry date of the terms, the Regions will not have issued invitations to tender. Finally, in the case of breach of terms by local authorities, it is provided that 20% of charges associated to the awarder of the tender be allocated to reduce service fees in the pertaining territory;

- as regards the so-called “Robin Tax”, or else the premium surcharge on IRES applied to energy operators, the subject enterprise pool has been extended, by lowering the minimum revenue and taxable profit thresholds liable to surcharge. Consequent increased revenue will be allocated to the decrease of the "A2" tariff element, as an off-set against incurred costs for nuclear plant dismantling and fuel cycle termination, after covering off-sets against other liabilities as stated by the Decree;

- In relation to increasing the return on income of CIP6 production plants, it is expected for 2013 that the avoided fuel cost (CEC) will be determined based on basket of petroleum products progressively reduced over the year. Starting from 2014, CEC will be established every three months based on gas procurement cost.

At present, the decree is under examination of the Chamber for approval of the conversion law.

Authority for Electricity and Natural Gas and Integrated Water Service Regulation

in relation to natural gas, several resolutions and papers on matters of distribution and sale were published over the first six months of 2013. in relation to distribution, during the semester, the Authority published two statements for consultation as part of the process of definition of the fourth period **of tariff regulation for distribution and metering of natural gas,** a relevant issue specially in the light of the issue of a tender for distribution concessions, compliant with general regulations. As regards tariff regulation, like quality one, it is noteworthy how in 2013 the third period of regulation (2009-2012) was extended and it is effective at present.

with the recent Consultation Document 56/2013/R/gas, the Authority presented the options for assessment criteria of recognized cost. Among main elements to quote:

- extension from four to six years (2014 - 2019) of regulatory period, in order to cover half of the duration of the concessions for tender. In this scenario, for six years the cost general framework and general criteria would remain unchanged, while some financial and scenario parameters relevant to capital return on income rates would be updated every two years while every, three years dynamics for operative cost update would be adjusted;

- the gradual introduction of the standard price list for tariff recognition of investments, MEAV (Modern Equivalent Asset Value), effective for investment from 2014 for standard-friendly categories;

- the remodulation of tariff scheme in adjustment to collected contributions, which presently are taken from invested capital, matching the recognition in the tariff of a partial amortization of contributions;

- new operation cost assessment criteria according to which, even for new concessions for small territory contexts, envisions the use of a standard cost, yet no longer based on user dimension/density but on density only;

- the first models for VIR/RAB differential-based tariff recognition, that is, the spread between asset redemption value of the awarded management and the invested tariff-based net capital, following the awarding of the tender concession: on this topic, the Authority stated to be willing to enforce monitoring on the spread value and to assess the effects of the tariff change, considering potential distortions of competition in the tender, while presenting, among other plans, the equalisation of RAB to VIR.

In the recent paper 257/2013/R/gas, 13 June 2013, the Authority presented case law for specific definition of the tariff system, and more precisely the model for tariff adjustment to costs. Presented plans are summarized below:

- the shift from the present 6 tariff macro-regional areas to 177 ones corresponding to ATEM tenders, and the assessment of an off-set element an municipal level to cover for the VIR-RAB spread value comprised in the tariff (further options were presented);

- review of tariff scheme with a potential option to modify fixed portions and their differentiation according to measuring and/or variable portion groups, leaning towards a tier structure based on user type. An associated adjustment of off-set elements to cover system charges is provided.

The paper 257/13 reinstates issues like the determination of recognized cost, the increase of WACC for 0.5-0.6% to cover for regulatory lag, compared to the initial 1% recommended. Preservation of equalization of revenue system is expected together with the management of system volume risks, except in case of a very marginal revenue share. The paper announced the reform of connection contribution, switching to fees regulated by the Authority with uniform criteria and at national level.

In relation to the "**smart gas meter**", in the same paper 257/13, the Authority has expressed the need for heavier automatic sanctions in case of unfulfilled conventional meter replacement with remote-reading meters compliant with the ARG/gas 155/08 decision and following integrations. Please note that regulation on "smart meter gas" and specifically on decision 28/2012/R/gas is subject of litigation before the TAR Lombardia by some distributors, among which HERA Spa, concerning the tariff recognition of costs and the time limits for installation, judged incompatible with the sector technical level. At present a decision by the Administration Court is awaited.

In relation to the **Default Gas Service,** the first two quarters of 2013 saw the development of the litigation initiated by some operators against the ARG/gas 99/11 decision establishing the Service. A single-judge decree by the Council of State in late January 2013 has actually temporarily suspended the effects of the previous judgment by TAR, which declared illegitimate the Default Service. Below the regulation level of the decree, and while awaiting for a final decision by the Council of State, the regulation for the Default Service was de facto reinstated. Specifically, compliant with decision 540/2012/R/gas the Default Service was going to be effective starting from 1 February 2013, with the option to use the area competent supplier of last resort (FUI) for up to three months. The following Decision 25/2013/R/gas, in consequence of the refusal by the FUI to fulfil the Default Service, while confirming the 1st of February as effective date of the Service, established for distributors the possibility to use an Interim Supplier selcted directly and in-house, for up to three months. Following that period, it was planned the option to use a still interim Supplier, but selected by the sole purchaser through public tender until September 2013. The high effort encountered in most distributors in the conduction of the Default Service, directly or through an interim supplier, induced the Authority to modify the regulation framework, by issuing decision 241/2013/R/gas. The solution presented in the decision was to award the service permanently and structurally to an operator selected by sole purchaser through public tender, and providing a service based on thermal year and on comparable areas as the supplier of last resort. In the course of the tender to select a Distribution Default Supplier (FDD), to take place not before 1 October 2013, awarding temporary management, the Authority decided to award the service concession, as attempted before with decision 25/2013/R/gas, to the area competent FUI, presently

ENI. The service awarding was made official in decision 286/2013/R/gas, defining by interim period 1 June-30 September 2013, technical specifics for customer migration and the intervention limits based on the availability stated by ENI to conduct the SdD, consisting of a volume limit equal to 8 million scm in cases of activation resulting from delinquency by end clients. Effective from 1 June, interim suppliers will cease operations and current clients will have to be migrated to ENI as FDD. Potential additional clients may be included if comprised within the Default Service.

In relation to natural gas sales, the first two quarters of 2013 consultations were carried out concerning the reform of **price protection terms**, indicated in three decisions (471/2012/R/gas, 58/2013/R/gas and 106/2013/R/gas). The process is relevant as gas price protection policies have an impact both as applied to end clients and as they represent a reference point on the market in relation to stock and retail prices.

The Authority started a reform process aiming at allocating to end clients the benefits resulting from low prices on the spot market. With the first decision, 125/2013/R/gas, it raised the weight of spot prices from 5% to 20% in the assessment of the **Stock Trade Element (CCI)** for the April - September 2013 period. The following decision 196/2013/R/gas defines requirements to make the reform effective starting from October 2013, associated both with the off-set element against raw matter cost, as well as the one against retail sales cost. As to raw matter, it is planned to abolish indexing to Take-or-Pay (ToP) multiannual (oil- linked) contract prices to keep as sole reference the spot market. On the other hand, ToP contract holders are acknowledged favourable extensions and incentives to re-trade with exporting countries. Specifically, the CCI element was aborted and replaced by Cmem (Raw matter Average Price) elements, 100% indexed to spot prices formed in the Dutch hub TTF while waiting for the start of forward GME market, and by CCR (Supply-related risk off-set element). The latter element was fixed at EUR 3.22 cents/sm3 for semester October 2013 - March 2014 and at EUR 3.08 cent/sm3 for semester April-September 2014.

The element CCRgrad was introduced as well in order to attenuate by a gradual tool the impact of reform on the operators' supply portfolio. Such element shall be applied for three years (compared to two as suggested during consultations) and equal to EUR 0.50 cent/sm3 for thermal year 2013/14 and EUR 1.27 cent/sm3 for thermal year 2014/15 and 2015/16.

In relation to off-sets against **retail sales cost**, the QVD element has been increased both in fixed portions (EUR 17.35 /Receipt and Delivery Point (PDR)/year for domestic clients and EUR 20/PDR/year for no-domestic clients) and in variable rates (EUR 0.40 cent/sm3 for domestic and EUR 0.25 cent/sm3 for non-domestic).

Finally, the QS element to cover stockage costs was aborted and it remains effective solely for the acknowledgement of transport costs from the Dutch hub TTF to the Virtual Exchange Point, being presently impossible to use the Italian market as a reference for prices.

In relation to gas price protection reform, it is worth noting the recent paper 294/2013/R/gas, July 2013, outlining policies for the Authority as regards Take-or-Pay contract renegotiation cost compensations compliant with decision 196/13. The compensation system is accessible to all sales enterprises for the portion of gas quantity supplied with ToP contracts and allocated to protected market, provided that such contracts are valid in thermal year 2012/13 and have a 5-year minimum duration. The system recognizes a consideration (Apr) to be applied to quantities allocated to protected market, where the decreasing trend of the consideration should work as an incentive for operator to renegotiate their ToP contracts, coherently with lower gas market prices. The APR consideration is allocated to cover 80% of the spread between ToP prices and the CMEM value, updated with the value generated against the previous year's value, except when the CMEM element value exceeds ToP prices. In this case, system sellers would see a fairly proportional decrease in the APR consideration, with the sums generated being allocated to compensate for CMEM increase and therefore limiting the impact on the expenses of end clients under protected regime.

As for gas sales regulation during this six-months period, please note the , decision 280/2013/R/gas, 28 June 2013, implementing legislation pursuant of Decree Law 69/2013 (a.k.a.. “Decreto del Fare”) concerning the reduction of the pool of eligible **gas price protection regime** to the sole domestic clients. The decision indicates process and timing for sales company to adjust in compliance to the Decree's indications.

Finally, consultations were initiated by the Authority concerning **economic merit equalization** (paper 218/2013/R/gas). The increase reflects the Authority's will to introduce a G-1 session, that is, a new market session allowing SNAM (equalization manager) to receive supplies by means of a market system with further equalization resources besides stockage, in order to balance the gas transports system and minimize charges for end clients. The most sensitive aspect concerns unbalancing price assessment: the European-based Network Code in progress suggests the introduction of a dual price (marginal buy price and marginal sell price), in order to maximise the client incentives to equalize their portfolio, given that gas would be listed always at the least convenient market price. At operational level, though, the Italian market presents features which prevent an optimal market structuring, such as the low liquidity level, the massive use of bilateral agreements and the poor flexibility in the selection of sources for equalization, at present based only on stockage resources and not on import and GNL ones. Due to such structural shortcomings of the Italian market, the Authority suggests to introduce, at least for the initial phase, a single unbalancing price differing just for a small adjustment, to be added to the unbalancing price if the system user is short and to subtract if the client is long in gas.

In relation to the **water sector**, 2013 was the second year of the Fourth Regulatory Period on matters of **tariffs and quality for distribution and measurement of electricity.** In relation to tariffs, decision 122/2013/R/eel approved, for the first time for HERA Spa, the **electricity distribution tariffs** for 2012, the first year of the Regulatory Period introduced by the Integrated Tariffs Text, as stated in decision ARG/elt 199/11. Such approval, originally expected in April 2012, had been postponed for some distributors, among which HERA Spa, due to inconsistencies highlighted by the Authority in the invested capital basic data. The inconsistencies charges, in the case of Hera Spa, were dismissed as unfounded during 2012 by a specific Authority investigation. Decision 122/13 has also approved distribution tariff for year 2013.

Still on tariffs, in decision 204/2013/R/eel, Authority has indicated to **aim at a reform of electricity network service and metering structure**, in order to stabilize costs and to enhance end clients' choice power, by providing reliable price indications with respect to cients' habits as service users and considering the context of liberalized markets. The present tariff system, effective since 1999, has delayed the effects of liberalization, leaving the Italian market in a limbo between regulated market and centralized planning. Following consultations for the Fourth Regulatory Period (2012 - 2015), the Authority has frozen the tariff structure, while also envisioning a reform to consolidate tariffs D2 and D3 towards a unified tariff D1. According to the Authority, such convergence is impelling and undeferrable, specially considering European 20-20-20 goals which, by incentivizing the use of renewable sources and energy efficiency (through the use of innovative technology like heat pumps), require higher exploitation of electricity for domestic use, permanently abolishing any distortion resulting in disincentives to high-consumption brackets. The process established with decision 204/2013 should see initial measures applied as soon as 2014, to then turn to full implementation starting with the Fifth Regulatory Period (2016-2019).

In late June 2013, the Authority released a paper on electricity distribution, 269/2013/R/eel, concerning the review of the reward system for **supply loss**. In an earlier ARG/elt 52/11 decision, the Authority had already called for an evaluation and a review of standard loss factors on distribution and transmission networks in decision 559/2012/R/eel, which had already implemented the new system as a temporary measure for 2012. While a standard regulation still has to be determined, the Authority has stated to carry out a research project on low and medium voltage networks. The project was inspired by some simulation by Politecnico di Milano (teamleader of a distributors working group that includes HERA Group). The Authority plans to complete the review of the loss compensation system pursuant of the Testo Integrato della Vendita dell'Energia Elettrica (TIV, integrated text on electric energy sale) within December 2013, to take effect starting from 1 January 2013. According to the Authority, the previous equalization system strongly incentivized investments on networks in order to minimize actual losses, because it awarded distributors a compensation for lower supply losses than standard ones based on unified national voltage levels. The flaw in this method was that it did not take into account area and density factors specific to each network, which are ungovernable elements to operators and mostly brought compensations, for instance, to city networks to the detriment of rural areas networks. The Authority intends to fix such flaws by defining new standard loss levels and no longer unified at national level, but in fact arranged by representative classes and subsequently associated to each distributor. Moreover, the new amount awarded for equalization shall be limited by an additional cap.

AS to **electricity production**, with decision 243/2013/R/eel, the Authority has set an agenda of interventions to **distributed generation** plants for meet safety standards for the national power network. The decision extends the resolutions for technical updates indicated in resolution 84/2012/R/eel to further plant types, with the obligation to install new inverters to increase network safety levels when under stress due to high intermittent feeding in distributed generation. While the previous resolution only demanded to adjust to new standards to plants in operation after 31 march 2012, resolution 243/13 requires that even plants in operation prior to that date need to meet new standards, with final deadlines between 30 June 2014 and 30 April 2015. Distributors are expected to monitor plant adjustments by sample surveys and by informing the Energy Service Provider (GSE) of non-compliant plants. The GSE will in turn suspend incentives and agreements for net metering and simplified purchase & resale arrangements until plant adjustments have been carried out.

Again in relation to electric production, in resolution 47/2013/R/efr, February 2013, the Authority established the criteria to **assess which consumption levels can be considered auxiliary** to electricity generation in power plants. The GSE must be compliant with such criteria at the time of the definition of terms and conditions to establish a percentage associated to auxiliary service consumption for each plant. The Authority has amended the demand contained in the previous paper for measures to be retro-active, stating that requirements shall only be applied on plants with 1MW power or higher, which will benefit from incentives compliant with decrees 5 and 6 July 2012 (and effective as of 1 January 2013). Finally, the Authority has outlined the process to assess and update of percentage value associated to auxiliary services by the GSE.

Among interventions of the Authority on the two energy sectors, two noteworthy resolutions are 67/2013/R/com and 173/2013/R/com concerning electricity retail market regulations and of natural gas on matters of **default notice**. The resolutions amend previous regulations with variations to required timeframe in favour of the seller. The minimum time allowed to the end client to pay is fifteen solar days starting from postmark date of the default issue notice (ten if using PEC certified mail). Other changes to timing are for instance the minimum time from the expiry date of the end client payment, before the seller can file a service suspension request to the distributor.

The resolution introduces default indemnities to allocate to clients to compensate for supply suspension without the seller to have sent a default notice or if in other ways timing has not been compliant with the resolution. Implementation of the Authority's resolutions will be effective from 1 September 2013.

Another cross-sector resolution is 260/2013/R/com, by which the Authority started an inquiry on matters of **billing documents transparency**, in order to gather active user data as a base for future regulations. Four years after the release of resolution ARG/com 202/09, defining structure and contents of billing documents, the Authority is now working towards system renovation to adjust to new market requirements in terms of bill transparency regulations. The inquiry is due to be completed by December 2013.

In relation to the **integrated water service**, please note that regulation and monitoring functions have been assigned to the Authority for electricity and gas since 1 January 2012. The measures adopted over the first six months of 2013, therefore, were aimed at the definition of the sector's basic institutions, as a proof of a presently undeveloped regulation framework. On the matter, by resolution 86/2013/R/idr, the Authority has issued regulations **for deposit policies** in order to contain default trends in water services and it has defined deposit amounts effectively balancing the impact on providers for maintaining service affordable to end clients. The new resolution, to be effective from 1 January 2014, requires deposit amount to be up to 3 monthly instalments out of yearly consumption for that user; besides, half of the deposit must be credited upon service activation, while the other half must be spread over the first two suitable bills.
As for tariffs, over the first two quarters of 2013 the Transitional Tariff System (MTT) was implemented pursuant to resolution 585/2012/R/idr. According to it, the assigned area authorities established, by 30 April 2013, the **tariff parameters for 2012 and 2013**, for which final approval by the Authority for electricity and natural gas.

In february 2013, the Authority resolution 88/2013/R/idr implemented **changes to the MTT**, which turned out to have critical impact , especially on tariff-based invested capital value. More precisely, compliant with resolution 88/13, regulations do not allow the use of value other than the original historical cost of water assets for RAB valuation when the assets are awarded by local authorities and their subsidiaries. Some providers, among which HERA Spa, filed TAR Lombardia to appeal for the annulment of the resolution.

Resolution 273/2013/R/idr is also relevant to tariff policies as it completes the process initiated by resolution 38/2013/R/idr concerning the **compensation to end clients** of the tariff element associated to the return on income for the period 21 July – 31 December 2011. The Authority in resolution 273/13, established specific criteria for the aunthorities to apply in the calculation of client compensation, having as eligible for compensation only domestic clients. The base for calculation is the return on income as stated in the territorial plan, in compliance with previous tariff framework, now adjusted in relation to the pertaining competence during the time period associated with the compensation. From such sum, the Authority, in compliance with a full cost recovery policy, allows to deduct tax requirements, (recalculated against business revenue and staff cost), financial charges and bad debt provisions.

During the first semester of 2013, the Authority completed the regulation set on matters of **tariff relief and payment spread** for communities stricken by **the earthquake in May 2012 in Emilia-Romagna,** (Lombardia and Veneto). Regulations concerned all of the three sectors of competence of the authority (natural gas, electricity and integrated water service) and, in relation to the energy sectors, they had a relevant impact on distributors as well as t13/> on sellers. Such measures were felt at HERA Group, given the substantial presence of the company in the quake-stricken areas. Resolution 6/2013/R/com, January 2013, initiated a spread process for credits generated by the suspension of payment deadlines for the three services, in relation to the six months after 20 may 2012. At the same time, resolution 6/13 introduced the long-awaited tariff relief system, which allows a 50% reduction of energy and water distribution tariffs, effective retroactively from 20 May 2012 for two years. The decreased revenue for area operators will be credited through a custom system of the Compensation Fund for Electric Sector. The relief system, related to considerations for extra-tariff services, is active in 104 municipalities selected by Decree of the Minsitry of Finance of 1 June 2012, with the addition of Mantova and Ferrara municipalities. The following resolution 105/2013/R/com further integrated and specified deadlines for operators, stating that by 30 June 2013, energy distributors return all considerations associated to vendor tariff reliefs and that by 31 July 2013 energy sellers and integrated water service providers must issue a single invoice for consideration of invoiced sums, accounting for eligible relief and consequently adjust spread amounts and considering previously paid instalments paid by users, or to provide, by other means, to credit users of such sums.

Gas Distribution: tariff framework

The tariff system for distributing and metering gas adopted by the Authority for the year 2013 is still subject to regulation by RTDGas per resolution ARG/gas no. 159/08. As a matter of fact, with resolution 436/2012/R/gas, the Authority extended the validity of the principles of the third regulatory period for one year and, simultaneously, fixed the rate of return on invested capital at 7.7% (from 7.6% in the 2009-2012 four-year period) and the rate of annual productivity recovery of operational costs at 2.4% in keeping with the decreasing trend previously established by resolution 315/2012/R/gas. On the basis of these principles, with resolution 553/2012/R/gas the Authority went on to approve the 2013 reference tariffs for all distributors including the companies of the Hera Group.

Some operators including Hera S.p.a. filed an appeal against resolutions 436/12 and553/12 with the Lombardy region TAR, specifically concerning the ways that the rate of return on capital (WACC) for 2013was established, which they claim are not representative of market conditions in that they are based on a measurement of free risk rate during a period which is inconsistent with the rule that has been used by the Authority in the past. Additionally, the rate of return established for 2013 appears to be further penalized by the D/E ratio increase from 0.5 to 0.8 that has been promoted by the Authority according to principles of homogeneity with the electricity sector.

Disregarding these exceptions, the current tariff structure for 2013 continues to allow all operators to achieve the permitted revenues established by the Authority on the basis of recognized costs as defined by the reference tariffs and the number of redelivery points served, in fact rendering revenues independent from the volumes distributed. This is possible through appropriate mechanisms for tariff equalisation, allowing operators to adjust, through the Equalisation Fund, the difference between their permitted and invoiced revenue to the selling companies. The latter originates from the application of mandatory tariffs determined by the Authority for macro-regional areas.

In the framework detailed above, HERA S.p.A.'s revenues from gas distribution and metering for the first half of 2013 amounted to EUR 92.2 million, with a volume of 1,318 million cubic meters distributed and with a corresponding revenue per unit of EURcents 7.00/cubic meter. The value of reported revenue already reflects an appropriate estimate of the effects of tariff equalisation.

Gas distribution and metering –Regulated revenues	30-giu-12	30-giu-13	% change
Hera Spa			
- Revenue (millions of euro)	87,8	92,2	5,0%
- Volume (millions of cubic meters)	1.308	1.318	0,8%
- Average unit revenue(Euro cents/cubic meter)	6,71	7,00	4,2%

As compared to the first half of 2012, a slight increase of 0.8% (from 1,308 to 1,318 million cubic meters) in the volume distributed produced a significant increase of 5.0% in revenues, rising from EUR 87.8 million to 92.2 million. Of this growth variation of EUR 4.4 million, 2.9 million is due to positive changes in areas of responsibility dating from before 2013 (2011 and 2012 tariff approvals resulting from resolution 450/12 that exceeded estimated amounts) and the remaining EUR 1.5 million derives from the increase in 2013 revenue restriction as compared to 2012, due essentially to the adjustment for inflation recognized by the Authority.

Along with MARCHE MULTISERVIZI SpA, the Acegas-APS Group is included within the scope of consolidation of the HERA Group in terms of gas distribution revenuesbeginning 1 January 2013. It should be noted that the consolidated value of revenues from gas distribution and metering for the Group therefore amounts to EUR 121.0 million, for 1,723 million cubic metres distributed with a corresponding unit revenue of EUR cents 7.02/cubic meter. The proportion of total revenues contributed by Acegas-APS Group totals EUR 20.2 million (for a total distributed volume of 312 million cubic meters) and includes for its part the values contributed by Isontina Reti Gas S.p.a. for a consolidation rate of 30%.

Gas distribution and metering - regulated revenues	30-giu-12	30-giu-13	% change
Hera Group - consolidated			
- Revenue (millions of euro)	96.5	121.0	25.4%
- Volumes (millions of cubic metres)	1,406	1,723	22.5%
- Average unit revenue (Euro cents/cubic metre)	6.86	7.02	2.3%

Electricity distribution: tariff framework

2012 was the second year of the fourth tariff regulatory period (2012-2015) covering Transmission, Distribution and Metering services for electrical energy. The integrated reference texts (TIT for Transport and Distribution and TIME for electricity metering) were approved by means of resolution ARG/elt 199/11.

Regarding distribution service, the tariff system is characterized by the introduction of a restriction on regulated revenues defined by company (a similar approach to that taken for gas distribution), calculated for the part of capital costs on a mixed basis (implicit for the perimeter of assets up until 2007 and on the basis of the effective company historical cost for investments from 2008), and calculated for the operating costs part on average national values recorded by the Authority, adjusted as necessary to take into account the effects of the tariff equalisation of the third regulatory period. The formulation of a restriction by company overcomes the problem of the complex tariff system previously in force and, at the same time, complies with the cost reflection principles of recognized revenues.

In terms of the recognition of capital costs, the tariff system provides for a rate of return on capital equal to 7.6% in addition to the so-called regulatory lag, that is, an increase in the rate of return to cover the financial charges resulting from the two-year delay between the time when investments are made and when they start to be recognised in the tariff. This increase equals 1% and shall apply to investments made in 2012, therefore making it applicable to 2014 tariffs.

As outlined in the previous regulatory section of this report, reference tariffs for 2012 and 2013 were approved by means of resolution 122/2013/R/eel for all operators, including the companies of the Hera Group.

The revenues for electricity transmission, distribution and metering activities for Hera S.p.a. as of 30.06.2012 total EUR 25.3 million, essentially unchanged from the first half of 2012 notwithstanding a 2.6% decrease in the volume distributed. This result is explained by the updating of the reference tariffs to include variations in invested capital and recognized operating costs as well as trends in inflation, with a mechanism that, overall, essentially renders revenues independent of distributed volumes.

Electricity distribution, metering and transmission-regulated revenues	30/06/2012	30/06/2013	% Change
Hera Spa			
- Revenue (millions of euro)	25,2	25,3	0,4%
- Volumes (millions of kWh)	1.089	1.061	-2,6%
- Average unit revenue (€cent/kWh)	2,31	2,39	3,5%

In terms of revenues from electricity transmission, distribution and metering, the scope of consolidation of the Hera Group also includes the Acegas-APS Group beginning 1 January 2013. The consolidated value of revenues for the Hera Group amounts to EUR 36.5 million, with 1,444 million kWh distributed and a corresponding average unit revenue of EUR cents 2.53/kWh. The proportion of revenues contributed by the Acegas-APS Group is equal to EUR11.2 million, with distributed volumes of 384 million kWh, which for its part includes the values of Est Reti Elettriche S.p.a. for a consolidation rate of 30%. The recorded balance sheet amounts for Est Reti Elettriche S.p.a. do not reflect the proportion contributed by the Specific Company Equalisation, which is still awaiting approval by the Authority.

Electricity distribution, metering and transmission - regulated revenues	30/06/2012	30/06/2013	ge compared to 6/30/12
Hera Spa			
- Revenue (millions of euro)	25.2	36.5	44.8%
- Volumes (millions of kWh)	1,089	1,444	32.6%
- Average unit revenue (€cent/kWh)	2.31	2.53	9.5%

Water cycle: tariff framework

Regulation of the Integrated Water Service saw some recent legislative developments. Through the Decree Law no. 201 of 2011, converted with amendments from Law no. 214 of 22 December 2011, responsibilities in regards to the tariff framework, which were previously regulated by local ATO, have been attributed to AEEG (Italian Authority for Energy and Gas), beginning in 2012. Through Resolution no. 585 of 2012, AEEG has defined a transitory tariff framework applicable for the 2012-2013 period, attributing to ATERSIR (Regional Authority of Emilia-Romagna for Water and Waste Services) the determination of transitory tariffs based on the criteria provided for by the aforementioned transitory method. Temporary tariffs applied in 2013 were determined by ATERSIR and, during the next months, will be conclusively approved by AEEG.

Regarding Hera Spa the comparison with data of 2012 shows an increase in revenue per unit of 6.1% for the first half-year 2013. This was a result, in particular, of the tariff agreements, which envisaged the tariff convergence towards full coverage of costs.

Consolidated Hera Group - water cycle - tariff revenues	30-Jun-13	30-Jun-13	Change %
Tariff revenues (mln/€)	201,69	207,48	2,9%
Volumes (mln/cubic metre)	109,67	106,35	-3,0%
Average unit revenue (€cent/cubic metre)	183,90	195,09	6,1%

In the consolidation perimeter of the Hera Group, as well as Marche Multiservizi spa, from 1 January 2013 is also included Acegas-APS Group, whose contribution to revenues amounted to 42.6 million euros with 29.4 million cubic meters sold.

Consolidated Hera Group - water cycle - tariff revenues	30-Jun-13	30-Jun-13	Change %
Tariff revenues (mln/€)	219,62	268,69	22,3%
Volumes (mln/cubic metre)	120,96	146,75	21,3%
Average unit revenue (€cent/cubic metre)	181,56	183,09	0,8%

Urban waste management: tariff framework

A new set of regulations took effect beginning in 2013, introducing the TARES (**), which replaced the previous TARSU (Urban Solid Waste Tax) and TIA (Environmental Hygiene) tax regimes. As a result, the revenues of the Hera Group reflect the effects of this significant regulatory change.

As of June 2013, urban waste management services were provided in 187 municipalities; following the introduction of TARES, 48% of these (90 Municipalities, all except 3 former TIA municipalities) chose to entrust the management of TARES to Hera S.p.a while 52% of them, including all the municipalities covered by the TARSU regime in 2012, chose to manage these services on their own or chose a different company.

An accurate comparison of homogeneous data of the Consolidated Hera Group provides some indications.

ConsolidatedHera Group– waste management - tariff revenues (TIA + TARSU/TARES)	2012	2013	% change
Tariff revenues (millions of EUR)	213.6	220.4	3.2%
Residents served* (000)	2,795	2,834	1.4%
Average unit revenue (€/resident)	76.40	77.80	1.8%

* Number of residents served as of 01/01. The data for 2013 are provisional, awaiting the definitive data from the Region.
** Art. 14 of Legislative Decree no. 201/2011, converted into Law no. 214/2011, supplemented by art. 1 paragraph 387 of the Legge diStabilità law no. 228/2012 that became effective on 1 January 2013, with subsequent modifications introduced by art. 10 paragraph 2 of Legislative Decree no. 35 of 8 April 2013, converted with Law no. 64 of 6 June 2013.

The overall increase in regulated revenues for the urban waste management services to municipalities under a concession arrangement, equal to 3.2%, is due mostly to the average tariff increase of approximately 1.9%, which offsets the increased inflationary costs.
The remainder is primarily attributable to the entrance of new municipalities within the operating area of the Marche Multiservizi Group.

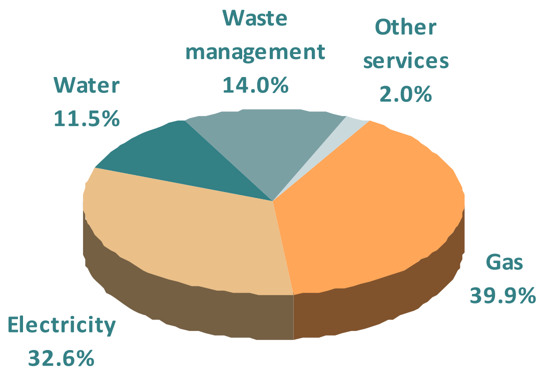
1.03.03 Analysis by business segment

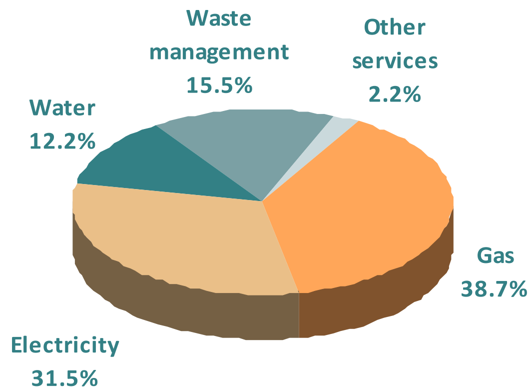
An analysis of the operating results realised in the business segments in which the Group operates is given below: (i) Gas segment, which includes the distribution and sales of methane gas and LPG services, remote heating and heat management (ii) Electricity segment, which includes the Electricity production, 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:

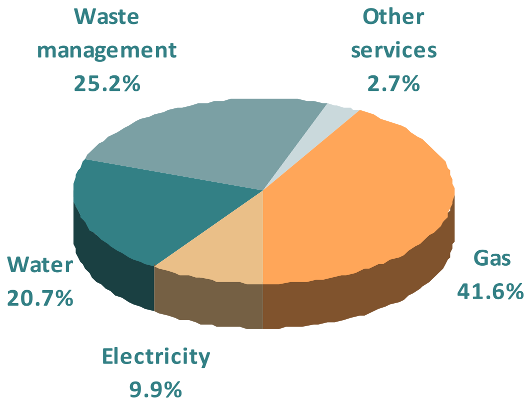
Breakdown of the Hera business portfolio

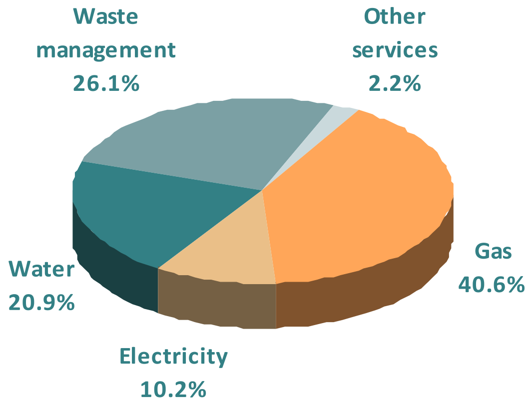
30-Jun-'12 **REVENUES** *30-Jun-'13*



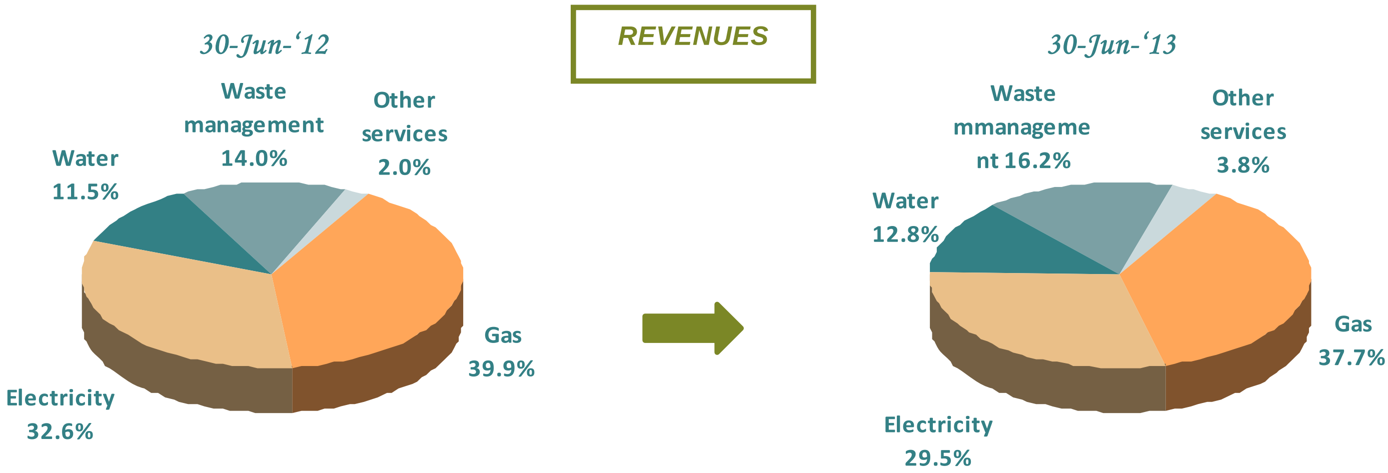


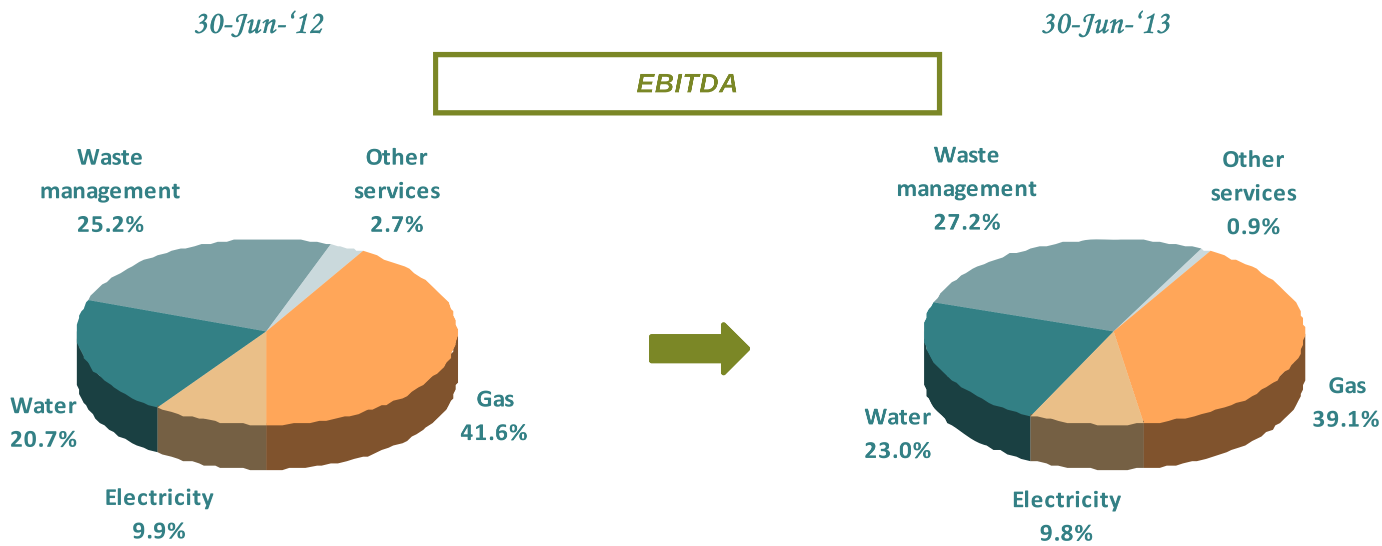
30-Jun-'12 *EBITDA* *30-Jun-'13*





Breakdown of the Group business portfolio





The following sections give an analysis of the operating results by business segment. Hera's income statements by business segment include structural costs, including business segments valued at current market prices. In AcegasAps, in order to have greater transparency in reading data, the criterion of representing segments used in their financial statement has been maintained. For the purpose of conciseness, the "Department Structures" segment has been included in the "Other Services" segment.

During the 2013 financial year the process of integrating AcegasAps will be completed and the criteria for representing business segments will be standardised.

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

Following corrections made to the income statement in the first half of 2012 shown previously, the income statements by business segment were also presented again in a standardised way.

Analysis of operations in the Gas Segment

As at 30 June 2013, the Gas segment showed growth compared to the same period of the previous financial year in absolute terms of the contribution to the Group's EBITDA. The integration of AcegasAps has decreased the weighting by 2.5 points; without considering this change in perimeter, the gas segment's contribution would be lowered by about 1 percentage point.

(millions of euro)	30-Jun-12	30-Jun-13	Abs. Change	% Change
Hera EBITDA	148.7	152.1	+3.4	+2.3%
AcegasAps EBITDA	-	22.2	+22.2	+100.0%
Group's EBITDA	**148.7**	**174.2**	**+25.5**	**+17.2%**
Consolidated EBITDA	357.6	445.3	+87.7	+24.5%
Percentage weight	41.6%	39.1%	-2.5 p.p.	

The following table contains the main quantitative indicators for the segment:

Quantitative data	30-Jun-12	30-Jun-13	Abs. change	% Change
Volumes of gas distributed (millions of cubic metre	1,406.0	1,700.8	+294.8	+21.0%
Volumes of gas sold (millions of cubic metres)	1,988.0	1,813.0	-175.0	-8.8%
- of which trading volumes	*729.8*	*431.9*	*-297.9*	*-40.8%*
Volumes of heat supplied (Gwht)	321.3	327.0	+5.7	+1.8%

The distributed volumes rose from 1,406 million cubic metres in the first half of 2012 to 1,700.8 in the first half of 2013, resulting in an increase of 294.8 million cubic metres (+21%); this rise is due to the integration of AcegasAps for 289.3 million cubic metres and Hera at 5.5 million cubic metres (+0.4%), despite the fact that there was a 5.7% decrease in demand for gas nationally.

However, the volumes of gas sold decreased from 1,988 million cubic metre in the first half of 2012 to 1,813 on 30 June 2013, with a decrease of 175 million cubic metres (-8.8%). The main reasons for this situation are as follows:

a) integration of AcegasAps for 120.7 million cubic metres;
b) notable decrease in volumes sold for Trading operations (-40.8%), linked to lower volumes for the thermo-electric market and the progressive alignment between prices of the VTP and those of the Northern European HUBs on the wholesale market;
c) slight increase in Hera volumes sold to end clients (+2.3 million cubic metres, +0.2%), despite the contraction in demand.

The volumes of heat supplied were up from 321.2 GWht in the first half of 2012 to 327.0 on 30 June 2013, (+1.8%) 4.4 GWht of which was due to AcegasAps and 1.3 GWht (=0.2%) of which was due to Hera, making it almost aligned with the previous year.

Also, both in terms of the distributed volumes of natural gas and the heat supplied, note should be taken of the colder temperatures from the first half of 2013 compared to the same period in 2012 (+5.7% degree days), which were reported in Hera's reference territory.

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

Income statement (millions of euro)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. Change	% Change
Revenues	994.0		987.8		-6.2	-0.6%
Operating costs	(808.3)	-81.3%	(764.2)	-77.4%	-44.1	-5.5%
Personnel costs	(41.0)	-4.1%	(51.5)	-5.2%	+10.5	+25.6%
Capitalised costs	4.0	0.4%	2.1	0.2%	-1.9	-48.0%
EBITDA	**148.7**	**15.0%**	**174.2**	**17.6%**	**+25.5**	**+17.2%**

The Group's revenues, which were down from 994 million in the first half of 2012 to 987.8 million euros, decreased by 6.2 million euros (-0.6%). The main reasons for this were:

a) integration of AcegasAps for 91.3 million euros;
b) lower revenues linked to the brokerage activity for 114.5 million euros, due to the aforementioned decrease in volumes.
c) higher revenues for sales to end clients both for the higher volumes sold and the higher price of the raw material.

The aforementioned lower Trading operations are also reflected in the lower operating costs, despite the integration of AcegasAps for 62.3 million euros: in fact, Hera's operating costs fell by €106.5 million, in a way that was more than proportional to the revenues.

Hera's Gross Operating Margin increased by 3.4 million euros (+2.3%), up from 148.7 to 152.1 million euros thanks to greater sales margins, due to good conditions for purchasing raw materials, and greater margins for the remote heating service, linked to savings on the costs of procurement of gas for the production of heat and the heat itself.

For the first six months of 2013, integration with AcegasAps contributed to the gross operating margin of the Group's Gas segment for 22.2 million euros.

Compared to the same period in 2012, AcegasAps showed an increase of 1.5 million euros (+0.7%), mainly due to the positive contribution of the Gas sales business, thanks to better purchase conditions for raw materials and a commercial policy focused on the rationalisation of clients.

The overall volumes sold by the AcegasAps group amounted to 120.7 million cubic metres compared to 123.9 in the first half of 2012; the reduction in 3.2 million cubic metres (-2.6%) can be attributed to some big clients who were no longer considered profitable and the milder weather conditions, in the reference territory, compared to the same period of 2012. For the latter reason, the volumes distributed by AcegasAps decreased by 0.7%, down from 291.5 to 289.3 million cubic metres.

The Gross Operating Margin in the Group's total Gas segment therefore increased from 25.5 million euros (+17.2%), up from 148.7 to 174.2 million euros.

Analysis of operations in the Electricity Segment

At the end of the first half of 2013, the Electricity Segment showed improvement compared to the same period in 2012, both for Hera and for the integration of AcegasAps, as given in the table below:

(millions of euro)	30-Jun-12	30-Jun-13	Abs. change	% change
Hera EBITDA	35.3	38.1	+2.8	+7.9%
AcegasAps EBITDA	-	5.6	+5.6	+100.0%
Group's EBITDA	**35.3**	**43.7**	**+8.4**	**+23.9%**
Consolidated EBITDA	357.6	445.3	+87.7	+24.5%
Percentage weight	9.9%	9.8%	-0.1 p.p.	

The quantitative figures for the segment, which do not include trading operations, are given in the table below:

Quantitative data	30-Jun-12	30-Jun-13	Abs. Change	% Change
Volumes sold (Gw/h)	4,712.8	4,701.8	-11.0	-0.2%
Volumes distributed (Gw/h)	1,088.9	1,443.9	+355.0	+32.6%

The volumes sold by the Electricity Segment were down from 4,712.8 GWh in the first half of 2012 to 4,701.8 on 30 June 2013, with a 0.2% decrease. The integration of AcegasAps, equal to 255.3 Gwh, almost completely offset Hera's decrease (-266.3 GWh; -5.7%), due to the permanent low level of demand for electricity in Italy (-3.9%), despite an improvement in the number of clients (+9.5%) compared to the same period the previous year.

The distributed volumes were up by 32.6%; AcegasAps' contribution is equal to 383.0 GWh while Hera showed a decrease of 28.1 Gwh (-2.6%) for the aforementioned slow down in consumption.

The main results of the segment are given below:

Income statement (millions of euro)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. Change	% Change
Revenues	812.2		772.3		-39.9	-4.9%
Operating costs	(768.4)	-94.6%	(715.8)	-92.7%	-52.6	-6.8%
Personnel costs	(12.3)	-1.5%	(15.6)	-2.0%	+3.3	+26.8%
Capitalised costs	3.8	0.5%	2.8	0.4%	-1.0	-26.2%
EBITDA	**35.3**	**4.3%**	**43.7**	**5.7%**	**+8.4**	**+23.9%**

The revenues were down from 812.2 million euros in the first half of 2012 to 772.3 million euros in the same period of 2013, with a 4.9% decrease. The main reasons are as follows:

a) integration of AcegasAps for +43.2 million euros;
b) lower revenues linked to brokerage operations and lower revenues for sales to end clients both due to lower volumes sold and the decrease in the price of raw materials for a total of 83 million euros.

Net of the share relating to AcegasAps for 34 million euros, Hera's operating costs decreased by €86.5 million (-11.3%), more than offsetting the lower revenues for sales to end clients and brokerage.

Hera's Gross Operating Margin increased by 2.8 million euros (+7.9%), increasing from 35.3 to 38.1 million euros thanks to greater margins on sales and brokerage operations, which offset the lower margins for the operations producing electricity.

For the first six months of 2013, integration with AcegasAps contributed to the segment's gross operating margin for 5.6 million euros.
Compared to the same period of 2012, AcegasAps fell by 1.2 million euros (-17.9%), linked mainly to the lower requests for connection points and lower revenues in distribution of electricity.

The quantities sold by the AcegasAps Group fell compared to the first half of 2012, decreasing from 478.3 GWh to 255.4 GWh, following both the loss of clients from the CEV consortium (municipalities of the Veneto consortium, with about 32,000 users) and the decrease in demand generated. The distributed volumes confirm the reduction trend shown previously, decreasing from 405 Gwh to 383 GWh (-5.4%).

EBITDA went from €35.3 million on 30 June 2012 to €43.7 million as at 2013, with an increase of 8.4 million euros (+23.9%).

Analysis of operations in the Integrated Water Cycle segment

The Integrated Water Cycle, as at 30 June 2013, grew compared to the same period the previous year, thanks both to the integration of AcegasAps and Hera's growth:

(millions of euro)	30-Jun-12	30-Jun-13	Abs. Change	% Change
Hera EBITDA	74.0	78.2	+4.2	+5.8%
AcegasAps EBITDA	-	24.2	+24.2	+100.0%
Group's EBITDA	**74.0**	**102.4**	**+28.4**	**+38.5%**
Consolidated EBITDA	357.6	445.3	+87.7	+24.5%
Percentage weight	20.7%	23.0%	+2.3 p.p.	

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

Income statement (millions of euro)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. Change	% Change
Revenues	286.4		336.1		+49.7	+17.4%
Operating costs	(159.4)	-55.7%	(173.8)	-51.7%	+14.4	+9.0%
Personnel costs	(54.4)	-19.0%	(60.8)	-18.1%	+6.4	+11.8%
Capitalised costs	1.4	0.5%	0.9	0.3%	-0.5	-35.6%
EBITDA	**74.0**	**25.8%**	**102.4**	**30.5%**	**+28.4**	**+38.5%**

The Group's revenues increased by 49.7 million euros (+17.4%), due to the effect of the integration of AcegasAps for 54.2 million euros, which offset Hera's lower revenues (-€4.5 mln; -1.6%) due to: (i) lower revenues from connections, due to the persistence of the economic crisis in the property sector, (ii) lower revenues from the application of the IFRIC 12 principle for -€7.3 million and (iii) higher revenues from administration for the application of tariffs agreed with the territorial authorities that provided for tariffs converging towards full coverage of costs.

Hera's operating costs fell by 5.2%, compared to the same period the previous year, and they are linked to lower costs arising from the aforementioned IFRIC 12 principle. Integration with AcegasAps produced costs for 22.7 million euros and therefore the group's operating costs were equal to 173.8 million euros, an 9% increase compared to 30 June 2012.

The following table contains the main quantitative indicators for the segment:

Quantitative data	30-Jun-12	30-Jun-13	Abs. change	% change
Volumes sold (millions of cubic metres)				
Aqueduct	121.0	144.3	+23.3	+19.3%
Sewage	105.2	119.6	+14.4	+13.7%
Purification	104.3	118.8	+14.5	+13.9%

The Group's volumes increased thanks to the integration of AcegasAps for +29.4 million cubic metres of aqueducts, +19.4 cubic metres of sewerage and +19.4 of purification; net of this change, Hera's aqueduct volumes decreased by 5%, its sewerage volumes by 4.8% and purification volumes by 4.7% both due to the higher level of rainfall encountered in the first half of 2013 and the decrease in consumption.

Hera's Gross Operating Margin increased by 4.2 million euros (+5.8%), up from 74 to 78.2 million euros thanks to higher revenues following the application of agreed tariffs that provide for convergence towards full coverage of operating costs, despite the lower revenues from connections.

For the first six months of 2013, integration with AcegasAps contributed to the gross operating margin of the Group's Gas segment for 24.2 million euros.
Compared to the same period of 2012, AcegasAps had an increase of 3.5 million euros (+16.7%) benefiting from the planned tariff revisions and greater operating efficiencies.

The quantities sold in the six months of 2013 were higher compared to the same period in 2012, up from 28.6 million cubic metres to 29.4 million cubic metres.

Therefore, the Group's EBITDA was 102.4 million euros at 30 June 2013, compared to 74 million euros the previous year, with an increase of 28.4 million euros (+38.5%).

Analysis of operations in the Environment Segment

The Environment Segment showed an increase in the percentage margins, as shown in the table below, both as a result of AcegasAps and the development and growth initiatives by Hera:

(millions of euro)	30-Jun-12	30-Jun-13	Abs. Change	% Change
Hera EBITDA	90.0	97.8	+7.8	+8.8%
AcegasAps EBITDA	-	23.3	+23.3	+100.0%
Group's EBITDA	**90.0**	**121.2**	**+31.2**	**+34.7%**
Consolidated EBITDA	357.6	445.3	+87.7	+24.5%
Percentage weight	25.2%	27.2%	+2.0 p.p.	

The Group operates in an integrated manner throughout the entire waste cycle, with facilities that include 81 urban and special waste treatment and disposal plants managed by the HERAmbiente Group, to which are added the 3 managed by the Marche Multiservizi Group and the two incinerators arising from integration with AcegasAps. From October 2012, the HERAmbiente Group widened the incineration plant base with a plant located in the municipality of Pozzilli, in the province of Isernia (Energonut).

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

Income statement (millions of euro)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. Change	% Change
Revenues	348.9		423.4		+74.5	+21.4%
Operating costs	(186.6)	-53.5%	(211.5)	-49.9%	+24.9	+13.3%
Personnel costs	(75.6)	-21.7%	(92.3)	-21.8%	+16.7	+22.1%
Capitalised costs	3.3	0.9%	1.6	0.4%	-1.7	-51.5%
EBITDA	**90.0**	**25.8%**	**121.2**	**28.6%**	**+31.2**	**+34.7%**

The Group's revenues at 30 June 2013 show an increase of 74.5 million euros (+21.4%) compared to the same period the previous year, up from 348.9 to 423.4 million euros, of which the integration of AcegasAps has an impact of 63.3 million euros. Net of this change, the Hera increase is due to: (i) the increase in the plant perimeter, (ii) greater quantities sold and (iii) the lower average sale prices due to the high level of competition on the industrial refuse market.

Hera's separated waste, in terms of percentage incidence on the total volumes collected, reached 53.7% at the end of 2013, compared to 50.4% for the same period of 2012.
AcegasAps' level of separated waste was equal to 42.2% as at 30 June 2013 compared to 40.9% for the same period of 2012.

An analysis of the volumes marketed and handled by Hera during the first six months of 2013, compared to the same period in 2012 is given below:

Quantitative data (thousand of tonnes)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. chge	% Change
Urban waste	859.9	36.6%	1,040.8	33.3%	+180.9	+21.0%
Market waste	725.8	30.9%	862.7	27.6%	+136.9	+18.9%
Waste marketed	**1,585.7**	**67.5%**	**1,903.5**	**61.0%**	**+317.8**	**+20.0%**
Plant by-products	763.8	32.5%	1,219.1	39.0%	+455.3	+59.6%
Waste treated by type	**2,349.5**	**100.0%**	**3,122.6**	**100.0%**	**+773.1**	**+32.9%**
Landfills	572.7	24.4%	574.5	18.4%	+1.8	+0.3%
Waste-to-energy plants	474.3	20.2%	736.5	23.6%	+262.2	+55.3%
Selecting plant and other	154.7	6.6%	183.8	5.9%	+29.1	+18.8%
Composting and stabilisation plants	228.6	9.7%	230.9	7.4%	+2.3	+1.0%
Stabilisation and chemical-physical plants	359.3	15.3%	603.2	19.3%	+243.9	+67.9%
Other plants	560.0	23.8%	793.7	25.4%	+233.7	+41.7%
Waste treated by plant	**2,349.5**	**100.0%**	**3,122.6**	**100.0%**	**+773.1**	**+32.9%**

Analysis of the quantitative data shows a 20% increase in waste marketed by the Group; integration with AcegasAps contributes for 231.3 thousand tonnes, thanks to 178.6 thousand tonnes of urban waste and 52.7 thousand tonnes of market waste. The 86.5 thousand tonne increase in Hera waste can be attributed to greater urban waste (2.3 thousand tonnes; +0.3%) and to greater quantities from the market (84.2 thousand tonnes; + 12.2%) thanks to strong marketing commitment and a widening of the plant base. The increase in by-products from plants, on the other hand, needs to be put in the context of the weather conditions: specifically, the higher rainfall overall, compared to the same period the previous year, resulted in the creation of more leachate.
With regard to the waste treatment flows by plant, the increase impacted: the incineration unit, of which +177.4 was due to the two WTEs belonging to AcegasAps; the selection, following the increase in separated waste; and the neutralising plants and other plants for greater production of by-products and integration with AcegasAps.

Hera's Gross Operating Margin increased by 7.8 million euros (+8.8%), up from 90 to 97.8 million euros in the first half of 2013, mainly thanks to an increase in the plant perimeter and greater revenues for disposed of waste.

For the first six months of 2013, integration with AcegasAps contributed to the gross operating margin of the Group's Gas segment for 23.3 million euros.
Compared to the same period in 2012, AcegasAps increased by 4.8 million euros (+25.7%) both thanks to increased rates for the waste collection and disposal service, negotiated with local public bodies, and the lower operating costs for incinerators and the higher quantities of disposed of waste.
Waste marketed by AcegasAps increased by 3.3 thousand tonnes, up from 228 to 231.3 thousand tonnes showing an increase in urban waste (+8.8 thousand tonnes) and a decrease in market waste (-5.4 thousand tonnes).

The Group's EBITDA therefore increased from 31.2 million euros (+34.7%) compared to 30 June 2012, up from 90 million euros on 30 June 2012 to 121.2 in 2013.

Analysis of operations in the Other Services Segment

At 30 June 2013, the result of the Other Services Segment showed a decrease compared to the previous year, down from a gross operating margin of 9.7 million euros to 3.8 million euros.
It should be noted that AcegasAps' Other Services segment contains the contribution of the Department Structures in addition to the public lighting, telecommunications and cemeterial services.

(millions of euro)	30-Jun-12	30-Jun-13	Abs. Change	% Change
Hera EBITDA	9.7	8.1	-1.6	-16.2%
AcegasAps EBITDA	-	(4.3)	-4.3	+100.0%
Group's EBITDA	**9.7**	**3.8**	**-5.9**	**-60.9%**
Consolidated EBITDA	357.6	445.3	+87.7	+24.5%
Percentage weight	2.7%	0.9%	-1.8 p.p.	

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

Income statement (millions of euro)	30-Jun-12	Inc.%	30-Jun-13	Inc%	Abs. Change	% Change
Revenues	49.9		99.9		+50.0	+100.2%
Operating costs	(31.9)	-63.9%	(70.2)	-70.3%	+38.3	+120.1%
Personnel costs	(8.9)	-17.8%	(26.3)	-26.4%	+17.4	+195.4%
Capitalised costs	0.6	1.2%	0.4	0.4%	-0.2	-34.6%
EBITDA	**9.7**	**19.4%**	**3.8**	**3.8%**	**-5.9**	**-60.9%**

The Group's revenues increased by 50 million euros due solely to the integration with AcegasAps, while Hera showed revenues aligned with the same period the previous year, where the greater revenues for telecommunications offset the lower revenues of the public lighting service.

The increase in operating and staff costs of 55.7 million euros is due to the integration of AcegasAps for 54.2 million euros to AcegasAps and for 1.5 million euros to Hera.

Hera's 1.6 million euro fall in margins was due mainly to the public lighting Business, which suffered from the transfer of some service supply contracts and lower awards for work due to the financial uncertainty of the municipal financial statements.

The Group's main operating indicators, contained in the table below, show an increase of 160 thousand lighting points for 58 served municipalities, mainly for the integration of AcegasAps (195 thousand lighting points for 61 served municipalities), despite the loss of some Hera municipalities compared to the first six months of 2012.

Quantitative data of Hera	30-Jun-12	30-Jun-13	Abs. change	% Change
Public lighting				
Lighting points (thousands)	298.7	458.7	+160.0	+53.6%
Municipalities served	58.0	116.0	+58.0	+100.0%

For the first six months of 2013, integration with AcegasAps consolidated a loss of 4.3 million euros regarding the Other Services area, due to the sum of the margin itself for Other Services of 7.8 million euros and costs of the Department Structures for 12.1 million euros.

It should be mentioned that the result for the AcegasAps segment, compared to the same period in 2012, has improved by 2.4 million euros mainly thanks to the cost efficiencies in operational activities and a reduction in staff costs.

Therefore, the Group's EBITDA was 3.8 million euros at 30 June 2013, compared to 9.7 million euros the previous year, with a reduction of 5.9 million euros.

1.04 Commercial policy and customer care

Activities related to Hera's customer base showed varying performance during the year, depending on the service provided.

The first aspect that is worthy of note is the introduction, starting 1 January 2013, of the TARES (Waste and Service Tax), to replace the TIA (the Environmental Hygiene Tariff) and the TARSU (the Tax for the disposal of solid urban waste).
For this reason, the contracts related to the management of the TIA can no longer be considered as part of the Group's customer base. Currently, the Hera Group has been awarded for 2013 the contract to assess and collect the new tax in 74 municipalities, out of the 77 for which it managed the TIA service.
The regulated water-service market, without considering the Acegas-APS customers, witnessed inertial growth of 0.1% from June 2012, a paceslower than in previous years, due to a decrease begun in 2012 and attributable to the lower number of connections determined by the crisis in the property sector.
Very good results continue to be obtained in the electric energy market, where commercial activities in the eligible market and the increase in new customers show good performances, despite the economic crisis and strong competitive pressures. Electric energy firmed up its year-on-year growth, as it was up 9.5% in June 2013, not including the Acegas-APS Service and EstEnergy customers.
On the other hand, performance in the gas market was affected by two phenomena in the period under review. On one side a major commercial effort was undertaken to intensify value creation from the existing customer base in the geographical area where the Group operates. On the other, the competitive pressure and the churn rate were higher than last year. The combined effects of both led to the overall 0.4% decrease of the customer base between June 2012 and June 2013, not including EstEnergy's customers.

As of June 2013, Hera's customer base, excluding those covered by environmental hygiene contracts, rose by 1.6% on the comparable June 2012 figure, to a total of 2.866 withdrawal points. This in addition to the 493 thousand Acegas-APS customers. Accordingly, at 30 June 2013, the Group had a total of 3.358 million withdrawal points.

Withdrawal points	30.June.2013*	30.June.2012	Change in withdrawal points (no.)	Change in withdrawal points (%)
Gas	1.224	1.116	107,7	9,64%
Electricity	692	517	175,0	33,87%
Water	1.442	1.187	255,6	21,54%

Amounts in thousands
*Includes Acegas-APS (EstEnergy pro rata)

Concerning commercial development, the second half of 2012 and the first half of 2013 marked significant progress in the number of new customers.

Electricity drove growth and massive-customer segments – i.e. households and small companies – were the main contributors in terms of new customers.
The results achieved came in better than budget.

As indicated above, between the end of 2012 and the early months of 2013, growth in the gas segment was driven strongly by the existing customer base. This activity went hand in hand with the development of new customers.
In the first six months of 2013, the commercial effort to encourage customers to switch to the eligible market generated about 85,000 new contracts.

Also in 2013 the offering portfolio used in the commercial activity was balanced among all the customer segments available in the market. Hera Comm continues to place significant emphasis on its presence in these segments through diversified offering portfolio and selling structures.

In April 2012 Hera Comm launched a number of new electricity and gas offerings - “Prezzo Netto Hera Casa”, “Prezzo Netto Hera Lavoro” and “Prezzo Netto Hera Impresa” – for the massive household, SoHo and business segments based on wholesale prices (PUN –National Single Price – for electricity and TTF – Title Transfer Facility – for gas).
This new offering portfolio replaced “Momento Giusto” and, thanks to the results obtained, it was confirmed also for the first half of 2013.
To support the existing offering portfolio, the end of 2012 saw the launch of a further offer, dual fuel, which makes it possible to lock in the reference price of the commodity for 2 years, for households ("Prezzo Fisso Hera Casa") and small businesses ("Prezzo Fisso Hera Lavoro").
With an eye to environmental friendliness, the two offerings for the household segment (Prezzo Netto and Prezzo Fisso) were tweaked to offer versions with a green energy option ("Prezzo Fisso Hera Casa Natura" and “Prezzo Netto Hera con opzione verde”).
In addition to the price peculiarities, the offerings include mandatory e-billing and payment of the bill through a direct bank debit, to dematerialise customer communications, and the guarantee of 100% green energy.
For customers in residential buildings, an offering called “Risparmio Luce Condomini” was launched, which fits the gas offering used by the segment’s accounts.
The usual offerings were extended also to larger customers with the introduction of products linked to the wholesale market, fit to customer needs.
Currently, the portfolio is undergoing a review, which will be completed in the second half of 2013.

The following data pertain to customer management and contact channels.
In the first half of 2013, contact channels (including IVR) handled about 2,208,000 contacts, representing an average of approximately 17,700 contacts a day, up 5.7% on the comparable figure for 2012.
The increase involved all the channels (especially the internet) and was more pronounced in the first two months of 2013, when change on 2012 was 14.2% and 10.5% in January and February, respectively.

The main reasons for the above increase included credit- and mailing-related activities with final customers.

Despite the growing complexity in the management of the issues concerning final customers, contact channels maintained good service levels, largely in line with budget.
The most critical months were January and February, when performance forboth the branches and the call centres did not meet the set objectives, due to the high number of customer contacts, though it was still more than satisfactory.
However, performance improved strongly in March and was back in line with the norm in May.

Another reason that affected in part the performance of the call centre and the branches was the significant commercial effort. While reaching out to final customers to a greater degree did not generate an increase in contacts (the increase was mostly in cases to be handled by the back office), it did have an impact on the time to handle customer inquiries (1-1.5 minutes the branch and 20-30 seconds at the call centre) and, consequently, on such KPIs as wait time and % not in line with the standards.

Branches: an average of about 2,800 contacts a day was managed, up 6% on 2012,for a total of 353,000 contacts. While the levels of service reached by the branches in the early months of the year fell slightly, they were still very good and exceeded the set objectives.
Average wait time (AWT) was 11.56 versus a target of 13.34 while the % not in line with standards was 5.91% versus a target of 5.32%.

Family Call Centre: the first six months of 2013 saw 91.5% of calls answered by operators compared to a target of 92.4%.
Average wait time was 103.9 seconds compared to a target of 96.7 seconds.
Excluding the first two months of the year, featuring a major peak of call centre contacts, both indicators showed performances above expectations with 92.9% of calls answered and AWT of 96.6 seconds. The second half of the year is expected to meet the targets set in the budget.

Company Call Centre: the first six months of 2013 saw 94.5% of calls answered by operators compared to a target of 95%.
Average wait time (AWT) was 69.7 seconds compared to a target of 60 seconds.
Also in this case, if no account is taken of the first two months of the year, both indicators showed very good performances, with 95.4% of calls answered and AWT of 65.1 seconds.

In the first half of 2013 the branch network underwent rationalization and optimization work, which resulted in improved customer service.
Three marginal branches were closed, which were open one day a week (for approximately 0.5% of total visits); three new ones were opened in areas not previously covered, which are open every day, while two other branches were restructured and expanded.

In addition, activities continued, in line with previous years, to create a lean organisation in view of the constant improvement of customer service and the efficiency of internal structures. Steps taken in the first half of 2013 included Hera on Line, correspondence and the Modena branch, with substantial productivity and quality improvements.

The excellent work performed by the contact channels resulted in the further improvement of quality as perceived by the customers that contacted the call centre and the branch system.
In fact, the on-going survey confirmed a higher level of satisfaction compared to the already excellent results obtained in the first half of 2012 and 2011 and, most of all, much higher than the targets set for 2013.

- Family Call Centre: 80.18 vs. 79.10 first half 2012 and 75.83 first half 2011
- Company Call Centre: 74.93 vs. 73.46 first half 2012 and 69.10 first half 2011
- Branches: 81.29 vs. 80.47 first half 2012 and 77.73 first half 2011

Lastly, attention is called to the major effort undertaken by the internal organisation to improve Acegas-Aps's CRM services. This activity resulted in the substantial reduction of the average wait time at the call centre (from 9 minutes in 2012 to the current 30 seconds) and in the Trieste branch (from 29 minutes in 2012 to the current 14 minutes).

With a view to improving the way the customer base is managed, thus enhancing its value, campaigns continue to encourage efficient behaviours.
Actions on the use of online contact centres and to adopt e-billing were taken through specific instruments.

Between the end of 2012 and the early months of 2013, the customer base was reached through below-the-line activities, to promote the tree planting campaign together with the adoption of e-billing.
The repercussions on the registrations for online services and e-billing were very positive, making it possible to continue along the growth path of 2012:

- online help desk: 18 thousand new registrations in the first half of 2013, bringing total registered customers to more than 175 thousand (up 6% on year-end 2012; 10% of the overall customer base);
- e-billing: 13 thousandnew registrations in the first half of 2013, taking the number of total registered customers to more than 77 thousand (up 20% on year-end 2012).

Moreover, in 2013 projects were implemented to improve usability and user's experience in utilising online services. These activities led to the creation of the new Hera online portal, featuring a new design, a more intuitive organisation of contents, greater speed of interaction, data and information collection, case handling.
Analysis, planning and redesign activities were carried out also through the direct involvement of final customers, in line with the customer proximity and relationship policy that the Group has been pursuing constantly.
The new on-line portal will go live in July 2013 and details of its use will be available in the second half of the year.

1.05 Trading and procurement policy 2013

As far as the gas sector is concerned, the first half of the year featured once again the trends that emerged after the financial crisis of 2008: consumption hitting a low for the last six years (-7.1% and –9.3% with respect to the comparable periods of 2012 and 2011, respectively) as a result, especially, of the continuing fall in thermo-electric consumption. The relative recovery in consumption recorded in the services and domestic sector (+1.4%) was more than offset by the decline in the industrial sector (-2.3%) and in the thermo-electric sector (-21.9%).

In this market context, which did not have a negative impact on the Group's results in the sector, the first half of 2013 was devoted, on the one hand, to balancing and optimising the Group's short-term position and, on the other hand, to finalising new procurement contracts for the 2013-14 thermal year.

As far as shipping activities conducted by Hera Trading are concerned, the positions taken in the early months of 2012 for thermal year 2012-2013 and their short-term optimisation in the first half of 2013 made it possible to curb the effects of the reduction in value of the capacity held on the Trans Austria Gasleitung Gmbh (TAG); this reduction was due to the effects of the daily auctions held by the AEEG (Gas and Electricity Authority) starting from April 2012.

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

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

A little later than usual, compared to previous years, procurement activities began also for gas intended for the contestable market of Hera Comm, for approximately 0.5 billion cubic metres, and the storage capacity provided by Hera Trading was filled.

During the first semester the contacts for the long-term gas supply negotiation through the expected TAP gas pipeline with ShahDeniz Consortium restarted.

As regards the electricity market, the first six months of 2013 were further evidence to the seriousness of the crisis under way, as demand for electricity fell by 3.9% compared to the first half of 2012.

Reduction in demand, combined with significant over capacity, also caused by the turbulent and unplanned development of renewable sources (photovoltaic in particular), caused a situation that is no longer sustainable for the thermoelectric sector which, from every quarter, never misses an opportunity to request a reorganization and new rules for the market.

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

and Sparanise plants managed to achieve satisfactory results, although not as good as those in the same period of the previous year.
In the second quarter of 2013, the Ortona Combined Cycle Gas Turbine (CCGT) commenced operations, with a total installed power of 100 MW. This CCGT is owned by Tamarete, a company which is 32% held by Hera.
The situation of the COGEN/Imola plant remains a problem as, despite being offset by the positive district heating results, it cannot operate in the DSM due to cogeneration restrictions.

As far as trading in the electricity sector and environmental certificates are concerned, the first half of 2013 saw an increase in European operations, with positive results, in line with expectations.
Special attention was paid to the management/optimisation of Hera Comm's purchase portfolio through transactions carried out on the Power Exchange and over-the-counter (OTC) platforms.

Management of commodity and foreign exchange risk - which is conducted for both gas and electricity through a concentrated portfolio which provides for destructuring formulas, the netting of positions and hedging of volumes - was particularly effective in the first half of 2013, even though it was affected, in quantitative terms, by the progressive delinking of gas and electricity prices from oil.

1.06 Financial Policy and Rating

In the first half of 2013 financial markets were affected by the unfavourable difference between interest rates and growth rates in many countries, especially in Europe. The steps taken to reduce public budget deficits have not been able yet to reverse the rising debt-to-GDP ratio. Within the context of a monetary policy defined as "accommodating", the Eurozone's financial system, however, is in less critical conditions than in the past, thanks to the abundance of liquidity injected into the banking system which resulted in the progressive drop in the balance of the ECB's overnight deposit facility used by banks for precautionary purposes.
However, in some countries the inadequate capitalization levels of banks exacerbates the credit crunch, in a macroeconomic context that increasingly undermines the creditworthiness of borrowers, triggering much stricter prudential mechanisms in the provision of credit.

The downgrading of Italy's sovereign credit rating by one notch, from BBB+ to BBB with negative outlook, due to weak economic prospects, did not enhance short-term volatility or produce a substantial medium-term impact. In fact, the impact of the downgrade should be muted by the high share of public debt held by residents, whose demand is rather stable. In addition, the Italian Treasury is on schedule with this year's funding, with interest rates much lower than last year.

Swap rates in euros went hand in hand with rising yields in government bonds in the wake of the U.S. Federal Reserve's intention to taper its bond purchases until the first half of 2014. However, the effect of the increase in long-term interest rates did was the return of their level to the historical norm, from which they had departed significantly as a result of the sharp drop experienced. Europe's current monetary policy, featuring growing support to the monetary system, caused the ECB's key reference rate to fall to 0.5%, keeping short-term rates still stable at fairly low levels.
Spreads continued their positive trend, with that between Italian BTPs and German Bunds, in particular, reaching 250 bps. However, economic conditions are still in a flux, as the positive phase of the narrowing spread came to an end in mid-May.
Meanwhile, against the backdrop of persisting weakness, macroeconomic data are moderately improving, thus providing support to equities.

Despite the still-critical economic and financial context, the Group continued to pursue its goal of maintaining an adequate match between the maturity profiles of assets and liabilities, linking investments with the maturity and the repayment schedule of the relevant funding instrument, taking into account the need to refinance the current debt structure and the company's modus operandi, and identifying the optimum mix of financing between fixed and variable rates, within the scope of a prudent interest rate risk management strategy designed to achieve predictability in terms of margins and operating cash flows.

To strengthen further the financial structure, and to drive growth, in the first half of 2013 the Group obtained new medium- and long-term loans for a total of €800 million, which were used, among other things, to refinance the puttable bonds and loans in portfolio. In particular, at the beginning of 2013 the Group took advantage of favourable market conditions by placing €700 million in a 15-year bonds issue at a fixed rate of 5.20%. The transaction opened the market for Italian corporate long-term bonds; in fact, the last 15-year bond issue for an Italian company was placed in September 2010.
On 22 May 2013 the Group placed €100 million in bonds in two different tranches, maturing in 10 and 12 years, at the fixed interest rates of 3.375% and 3.5%, respectively.
Moreover, considering current market conditions, to maintain its solid liquidity ratios, the Group obtained additional committed lines of credit for €120 million, thus reaching a total of €540 million.

The Group mitigates its risks through a hedging policy that does not make use of speculative derivatives.

The policies and principles adopted by the Group to manage and control financial risks – such as liquidity risk and related default risk and debt covenants, as well as interest rate and exchange rate risks - are described below.

Liquidity risk

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

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

Worst case scenario	*30.06.2013*			*31.12.2012*		
(€ million)	*1-3 months*	*between 3 months- 1 year*	*1-2 years*	*1-3 months*	*between 3 months- 1 year*	*1-2 years*
Bonds	*1*	*232*	*93*	*32*	*232*	*552*
Debts and other financial liabilities	*403*	*174*	*356*	*69*	*107*	*246*
Trade payables	*1,093*	*0*	*0*	*1,166*	*0*	*-*
Total	***1,497***	***406***	***448***	***1,267***	***339***	***798***

In order to guarantee sufficient liquidity to cover all its financial commitments, over the next two years at least (the worst case scenario time horizon given), as at 30 June 2013 the Group had €483.3 million in cash, €540 million in unused committed credit facilities and ample space on its uncommitted credit facilities (€1,500 million).
The credit facilities and related financial assets are not concentrated with any one lender, but are distributed among leading Italian and international banks, with utilisation much lower than the total amount available.

At 30 June 2013, long-term debt accounted for 79% of the Group's total financial debt. The average maturity is around eight years and 50% of the debt matures after five years.

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

Debt nominal amount (€ million)	30.06.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	Over 5 years	Total
Bonds	0	0	0	500	0	1,652	2,152
Convertible bonds	140	0	0	0	0	0	140
Bank debt/due to others	614	113	327	86	58	172	1.376
Total	**754**	**113**	**327**	**586**	**58**	**1,824**	**3,668**

Default risk and loan covenants

The risk lies in the possibility that loan agreements signed contain clauses that include the right of the lender to ask for the early repayment of the loan if certain conditions occur, thereby creating a potential liquidity risk.

At 30 June 2013 a significant proportion of the Group's net debt was represented by loan agreements which include a collection of clauses, in line with international practice, which impose a series of negative covenants. The main ones are pari passu, negative pledge and change of control clauses. In relation to mandatory early repayment clauses, there are no financial covenants on the debt, with the exception of the restriction on certain loans (€200 million) which requires the Group's ratings by any rating agency not to fall below investment grade (BBB-).

Interest rate risk

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

At 30 June 2013, the exposure to the risk of adverse interest rates changes, with a resulting negative impact on cash flows, was 39.2% of total gross financial debt. The remaining 60.8% was made up of medium/long-term fixed-rate loans, exposing the Group to the risk of change in fair value.

Interest rate risk management policy results, from time to time and depending on market conditions, in a combination of fixed-rate and variable-rate instruments and hedging through derivatives.

Derivatives match perfectly the underlying debt.

The Group's hedging policy does not allow the use of instruments for speculative purposes and is aimed at optimising the choice between fixed and variable rates as part of a prudential approach towards the risk of interest rate fluctuations. Interest rate risk is essentially managed with a view to obtaining predictable margins and cash flows from operating activities.

Gross financial debt (*)	30.06.2013			31.12.2012		
(€ million)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
Fixed rate	2,405	1,912	60.8%	2,117	1,628	61.2%
Variable rate	743	1,236	39.2%	544	1,033	38.8%
Total	**3,148**	**3,148**	**100%**	**2,661**	**2,661**	**100%**

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

Exchange rate risk unrelated to commodity risk

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

Rating

Hera S.p.A. has long-term ratings of “Baa1 negative outlook” from Moody’s and “BBB+ stable outlook” from Standard & Poor’s.
On 10 July 2013, however, following the downgrading of Italy’s sovereign rating, Standard & Poor’s downgraded the Group’s rating to “BBB stable outlook”.
Moody's maintained its revised its “Baa1 negative outlook” rating, placing the Hera Group one notch above Italy’s credit rating of “Baa2 negative outlook”.
Given Italy’s current deteriorating macroeconomic conditions and the uncertainty on the country’s prospects, the Plan laid our additional actions and strategies aimed at ensuring the maintenance/improvement of satisfactory rating levels.

1.07 Research and development

The Group's research activities in the first semester of 2013 chiefly consisted of the technological development of renewable sources, the development of environmental monitoring and control technologies, energy efficiency, and optimisation of network management and environmental services. Particular emphasis was given to applied research into systems for the production of energy from renewable sources through the construction of HEnergia, the Hera Group's centre for the development of renewable energy.

The main research projects in progress are:

HEnergia. This is an experimental centre for applied research into technologies for the production and utilisation of energy from renewable and alternative sources, whose construction was begun in 2011 in Forlì. In this first semester, a work was completed which will be tested and become operative within the end of the year. HEnergia will make it possible to assess various technologies, from those already available on the market to those still in the prototype phase, thanks to an advanced network of data measurement and acquisition. The focus will be on the measurement of effective output and its development over time, so as to better evaluate and compare market solutions and state of the art solutions. The other significant aspect will involve the identification and prevention of operating problems and the assessment of actual running costs. Initially, the Laboratory will have a photovoltaic section and a unit devoted to the production, storage and use of hydrogen. Operations are scheduled to begin within autumn. Experimental activities will be carried out in collaboration with the Faculty of Engineering of the University of Bologna.

Emerging Pollutants Project. Emerging Pollutants. The term "Emerging Pollutants" refers to various biologically active substances of anthropic origin which are present in personal care products and in pharmaceuticals, psychoactive substances associated with drug addiction, and the relative metabolites. Endocrine interference agents represent a particular category, which overlaps with many of the preceding. The presence of these substances in water is considered to be one of the most significant environmental problems of the last decade. In 2007, Hera launched a research project aimed at identifying the principle emerging pollutants in water systems (with particular reference to natural water purification), fine tuning analytical methodologies for their quantitative identification, carrying out research on the presence of such substances in relevant water systems, and evaluating the efficacy of their removal in currently used treatment systems (purification and depuration). Collaborations have been set into place with the Istituto Superiore di Sanità, the Istituto Mario Negri and the study group "Endocrine interference agents and water intended for human consumption" (EDinwater) promoted by the Fondazione Amga in Genoa. In 2010 the set of parameters to be monitored was defined and a control plan was put into operation. In 2011, a joint initiative with the Milan Politecnico was launched in order to identify the most suitable drinking water treatment technologies. The scope of this collaboration includes the analyses launched in 2012 concerning treatment technologies and drinking water supply chains currently in use, to assess their efficacy in removing certain micropollutants and the need for any future upgrades. The results of this study are expected for the end of 2013.

Automatic Leak Detection. This project is dedicated to investigating innovative systems for automatic water leak detection, to be used in conjunction with a remote-metering system. A test site was set up in 2007, and tests in different environmental conditions were carried out. The initial test results were extremely promising. In 2008, the investigation techniques were refined with the creation of an automatic field acquisition system, the development of a statistical analysis tool and the creation of a project for a leak simulation tool. The tool was implemented in 2009, when it was offered to clients together with the acquisition tools completed the previous year. The considerable mass of data collected has enabled this physical phenomenon to be defined better than it previously had been. In 2010, a tool was designed and produced to facilitate data acquisition at different connection points and in various operating conditions. In 2011, acquisitions were made in various territories which allowed further refinement of the signal analysis algorithm.

Experiments continued in the first months of 2012, with the creation of a device equipped with a hydrophone sensor whose performance will be compared with that of the (accelerometer) sensor that has already been tested during 2013, in a collaboration with the Faculty of Engineering of the University of Bologna.

Experimental activity was launched in parallel for the creation of a permanent infrastructure for leak detection in an urban network which is based on hydrophones fitted to hydrants. The pilot plant was created in Riolo Terme (RA) and began operating in December 2012. Monitoring began in 2013.

Bio-Hydro. The project proposes to develop an organic agro-zootechnical waste disposal cycle consisting of hydrogen fermentation of at least one type of agro-zootechnical waste, and methane co-digestion of the residue from this process with other agro-zootechnical waste or with the organic portion of solid urban waste. The project is being conducted in an association between Herambiente and the Faculty of Engineering at the University of Bologna, and is jointly funded by the Ministry of Agricultural, Food and Forestry Policies. In 2010, work began on the characterisation of agro-zootechnical waste, and various waste matrices were acquired, suitable for the hydrogen bio-conversion process and anaerobic co-digestion of the effluent from the hydrogen fermentation. In 2011 work began on the production of hydrogen and methane with biological procedures.

In 2012, evaluations were carried out as to the possibility of using 1) hydrogen produced in traditional PEM combustible cells and 2) solid residues of combined hydrogen and methane bio-production, such as compost/fertilizers for agriculture, and any necessary pre-treatments. The activities were concluded during the first semester of 2013. The results will be available within the end of the year.

Automatic Plant Management. The project, developed in collaboration with the Models, Methods and Technologies for Environmental Evaluations Technical Unit – Protection and Management of Water Resources of ENEA, the Milan Politecnico and the University of Bologna, involves the development of a system for automatic management of the main operating parameters of water-treatment plants. The system's task is to maintain the process conditions of a given plant at maximum efficiency, depending on the composition of the incoming waste water (depuration plants) or untreated water (potability treatment plants). In 2008, work began at the Calderara di Reno - Bologna depuration plant, chosen as a test site. In 2009, analysis and control instruments were installed at the site and field-data acquisition began. The data acquired in 2010 confirms previous knowledge concerning continuous-flow sludge treatment, and reveals new characteristics in the signals relating to the quantities monitored, helping to differentiate between standard operation and malfunctions at the plant. In general, the applicability of automatic control to real-scale plants has been demonstrated. In 2011, the second phase of the project was begun, with the aim of developing a prototype system within three years. In 2012 a prototype plant to scale was installed at the Trebbo di Reno (BO) purifier, and the rationale and policies for controls to be implemented in the system were identified. In the first half of 2013 the probes and the remote data reading system began to be installed at the Calderara di Reno (BO) plant.

Modelling water cycle plants. The purpose of this project is to develop mathematical models for the simulation of depuration plant hydraulics and processes. The objective is to acquire the instruments and know-how necessary to begin coordinating the mathematical modelling of water-treatment plants for the Group. In 2009, preliminary work was carried out to develop a model of the sample site and to select calculation software from those commercially available. During 2010, at the end of the evaluation phase, software licences were acquired. 2011 saw the start of modelling work within the Group, which is still in the pilot phase.

Within the scope of this activity, in 2012 the Group equipped itself with sophisticated instruments capable of carrying out specific laboratory analyses for the calculation of magnitudes and parameters useful for modelling, which were used in the first semester of 2013 for the characterisation of waste waters and the calculation of a number of kinetic constants. Again in 2013, incoming and outgoing multi-parameter probes were installed in a sample plant, to obtain a sufficient quantity of data with which to calibrate and check the model.

Energy Recovery in Water Treatment Plants. In 2010, the possibility of energy recovery from water treatment plants began to be investigated, with a study of the technologies involved. An initial feasibility study was developed to recover energy from the Bologna depuration plant using high-performance hydraulic screws. Two other studies were launched in 2011: the first concerns energy recovery from the mains water supply using In Pipe Turbine (IPT) or Pump As Turbine (PAT) systems; the second project involves thermal energy recovery from the mains water supply using low-enthalpy heat-pump systems. In the wake of these studies, and following additional data analysis and field verifications carried out in 2012, a decision was made to continue with pre-feasibility studies for an application at an aqueduct pressure reduction substation in the Municipality of Bologna, to optimise any possible energy recovery. This study is still in course at the Faculty of Engineering of the University of Bologna.

Characterisation and analysis of polyethylene pipes under normal operating conditions. Polyethylene pipes used for the mains water supply have a higher rupture index than pipes made of other materials. In order to examine the causes of this situation in greater detail, a project is under way to carry out a critical analysis of burst pipes, with the aim of increasing know-how about PE pipes, providing simple criteria for classifying the various types of breaks, identifying the principal causes and designing improvement plans. The project is being conducted in collaboration with LyondellBasell, one of the world's leading manufacturers of polyolefins, and with the Plastics Testing Laboratory Foundation in the Department of Chemistry, Materials and Chemical Engineering at the Milan Politecnico. In 2010, samples were taken from pipelines where ruptures had occurred, and a visual analysis was made of these test pieces; statistical analysis of the ruptures and laboratory analyses began to be carried out. Laboratory tests were carried out in 2011 for the precise characterisation of the fractures, and the results of these tests will serve as the basis for defining action and improvement plans in 2012.

The results of the research conducted have been presented at WaterLossEurope 2012, the largest international event organised by the IWA on issues related to water loss. In the first semester of 2013, samples were consigned to a spin-off of the University of Ferrara, Advanced Polymer Materials, for chemical-physical, rheological and thermomechanical analyses.

Work will continue with the preparation and updating of specific technical documentation (such as application field, supply specifications, laboratory analysis, etc.).

1.08 Human resources and organisation

Human resources

At 30 June 2013, the Hera Group had 8,360 permanent employees (consolidated companies), with the following breakdown by role: managers (152), middle managers (455), employees (4,265) and workers (3,488). This workforce was the result of the following changes: new hires (+96), departures (-69). Also note that the new hires were made essentially as a result of the qualitative turnover involving the addition of more qualified staff; lastly, there was an increase in the number of graduates, that reached 18% of total permanent employees (excluding Acegas – Aps): with 1,091 graduates at 31 December 2012 (out of 6,539 permanent employees) and 1,194 graduates at 30 June 2013 (out of 6,570 permanent employees).

Organisation

The Hera model stands out in the multi-utility landscape for having created an industrial and operational integration based on a Holding which, through Central Departments dedicated to planning, support and control, ensures an integrated Group vision and favours the creation of synergies. The Energy & Utility sector is increasingly characterised by rapid changes, with competitive dynamics and a regulatory context oriented towards specialisation, distinguished by a few key elements (Water and environmental services regulations, Public tenders for services, Regional regulation, …)

In order to respond to these demands, in January 2013 the Group adopted an organisational model in the area of the Operations General Department, designed to obtain additional benefits from the specialisation of the single businesses managed, acting furthermore to improve relations with stakeholders in terms of organicity, standardisation and proactivity.

The operative model of the Hera Group is therefore still defined by a search for the best possible balance between its business sector prospective and its well-established relations with local communities, in a search for the utmost efficacy and efficiency of its services, using all available operational mechanisms (organisation, processes, resources and systems).

The Group's organisational chart therefore displays the following features:

- The following Central Departments report to the Chairman: Legal and Corporate Affairs; Information Services and Systems; External Relations and Investor Relations. General Management - Department and Markets and Herambiente Spa also report to the Chairman.
- The following Central Departments report to the CEO: Procurement and Tender Contracts; Administration, Finance and Control; Personnel and Organisation; Quality, Safety and Environment; and the Director of Corporate Social Responsibility. The CEO also oversees the Operations General Department, which in turn heads the following Departments: Water, Energy, Waste Management, Customer Technical Services, Technology and Development, and Large Plant Engineering. The Operations General Department also oversees the seven Territorial Areas, dedicated to safeguarding relations with local Stakeholders.
- The Vice Chairman oversees the Internal Auditing Department.

Furthermore, as at 1st January 2013, the merger by incorporation of Acegas-Aps in the Hera Group became effective, whose fundamental organisational articulation was approved in May 2013.

Within the area of the Operations General Department, three Departments have vertical responsibility with respect to the various services managed: Water, Energy and Waste Management, and two Departments show transversal features: Customer Technical Services, that manages technical services directly related to end users in the Hera Group territory, and the Technology and Development Department, which has absorbed centralised engineering activities as well as those involving remote control, laboratories, metering and remote management, and the overall coordination of the regulated services.

Lastly, seven Territorial Areas have been created that are focused on safeguarding relations with the respective communities and major local Stakeholders, and that use a proactive organic approach that is consistent with the Sustainability Report and is intended to guarantee coordinated, harmonised and prioritised interactions.

In parallel, in order to develop greater protection of the activities most closely focused on the Company's business areas, and once again with a view to the orientation of the internal client, a new organisational configuration of the Central Departments has been defined and implemented, in particular with:

a hierarchical (activities and resources) reallocation of functions previously allocated to the Territorial Business Unit/Operative Structures (Procurement and Tender Contracts, and Personnel and Organisation);

a reorganisation of the Quality, Safety and Environment Department.

Furthermore, as of 1st January the corporate structure of Famula On Line Spa was overcome by way of the integration of its activities within Hera Spa and the concomitant creation of the Information Systems Department, organisationally situated in the Services and Information Systems Central Department.

As regards the Administration, Finance and Control Department, an organisational revision of the function of Management Control was implemented, aimed at developing greater protection of the activities most closely focused on the Company's business areas.

The following changes were introduced in General Management - Development and Markets:

the reorganisation of the Acantho Technical Department, aimed at defining a structure more orientated towards the services offered than to internal processes;

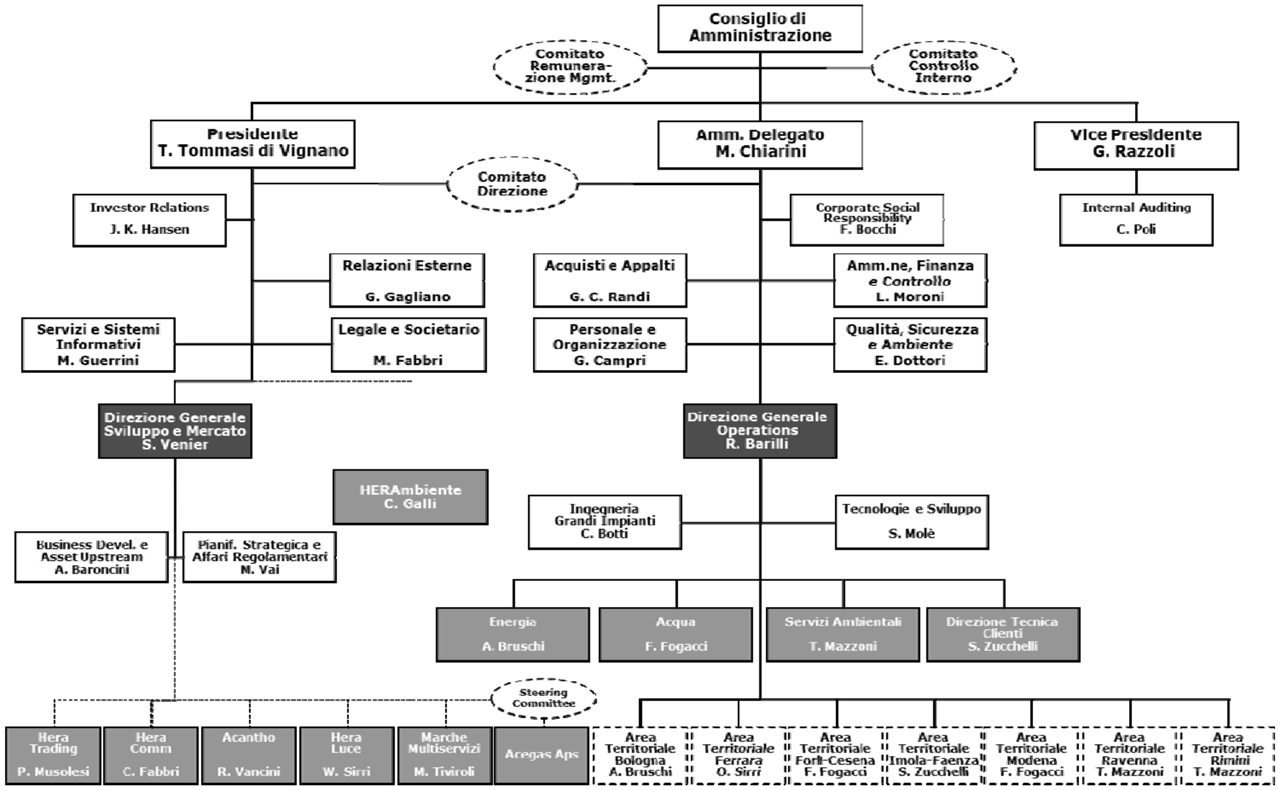
the new organisational configuration of Hera Trading, in particular with the creation of the General Management within which support activities and staff also converged.

With reference to Herambiente Spa, an additional articulation of the sales structures of the Market Department has been introduced to further encourage a focus on the end client and guarantee greater efficiency in the approach to the competitive market in the area of special waste. Back office activities have furthermore been centralised in the Customer Service function of Market Department, with the objective of obtaining efficiency benefits in fulfilling administrative activities pertaining to contract management.

The process of logistics management was also further optimised, by way of a simplification of the activities involved in the allocation of dry and humid non-hazardous waste, centralised in the Logistics function of the Operational Services Department. Lastly, preparatory activities for the establishment of the Pozzilli Thermoelectric Power Plant structure reached a conclusion; it will be operational as of 1st July 2013, and will directly manage the activities previously managed by Energonut Spa.

A further transversal developmental phase of the Lean Organization methodology, oriented towards the circulation of approaches and competencies, including the use of additional communication and organisational development tools, was also launched.

The Macrostructure of the Group, operative as of 1st January 2013, is therefore as follows:



Two Committees oversee the management of the Company:

Operating committee: this committee's task is to examine and disseminate policies, strategies and operational planning at Group level, and to encourage integration between the various structures;

Management committee: every three months, this committee examines management performance and progress on projects included within the balanced scorecard;

For the promotion and development of strong local roots, since the end of 2009 each Territory has made use of a Territorial Committee composed of members representing the local area (among whom the President), in addition to the Manager responsible for the local Territorial Area. The Committee periodically focuses on a few key issues such as monitoring customer satisfaction, the quality and sustainability of the services offered. The Committee is also in charge of supporting the Group's top management in its interactions with public authorities and other local stakeholders.

Industrial relations

On 28 February 2013, as part of the process of integration with Acegas-Aps, a Memorandum of Understanding was signed between the Local Authority shareholders of Hera and Acegas-Aps and the national confederated trade unions. This Memorandum follows the local agreements reached in 2012 between the Trade Unions (confederations and categories) and the Emilia Romagna Local Authorities holding shares in Hera, and the Local Authorities of the foremost cities served by Acegas-Aps Spa, represented by the mayors of Padua and Trieste.

In particular, the Memorandum foresees: the creation of a negotiating table between trade union organisations and the company in order to define, at a national level, a new Memorandum for Group Business Relations and specific Memoranda for Health, Safety and Tenders; the beginning of negotiations between unions and the company on issues discussed in the Business Plan, with particular emphasis on enterprise strategies, levels of employment and the role of tenders.

On the basis of the contents of the aforementioned memorandum, negotiations for signing a new Memorandum of Understanding concerning Tenders, which are already under way with regional trade unions, have been redefined at a national level with the national union representatives for the category. On this point, a new draft has been sent to the unions and we are awaiting their observations.

Furthermore, negotiations are continuing for the new Memorandum for Group Business Relations, with respect to which a draft has been sent to the national trade unions for the category.

Following the Company's decision to implement the new organisation of the Operations General Department, that has led the Company to develop towards an organisation modelled on supply chains, specific meetings have been held between local trade unions and company representatives with particular attention given to the allocations of the resources in question.

The process of reorganisation of the Operations General Department will continue in the near future with the presentation of the new model for quick response to networks and the beginning of talks on the standardisation of working hours for personnel in the various lines of business, with the exception of the organisational units that require dedicated working hours.

In the month of March an agreement was signed for a merger by incorporation into Herambiente Spa of Energonut Spa, a company that produces electricity through the combustion of CDR (waste incineration), and that is present with a plant in Pozzilli, in the province of Isernia. This merger will be operative as of 1st July 2013.

In the month of June Herambiente Spa, Energonut Spa and the Energonut Trade Union also signed the draft of an agreement for the Performance Bonus 2013-2015 and the recognition of supplementary health care.

Upon agreement between the parties, in May the objectives of the 2012 Performance Bonus were subject to final reporting; negotiations pertaining to issues on the union's agenda continue, including the standardisation of compensation for travel, meals, and the new 2013-2015 Performance Bonus agreement.

Pursuant to the Supplementary Collective Labour Agreement, the Group’s training programme for 2013 was presented and an agreement was reached on funded training for Hera Spa, Herambiente Spa, Hera Comm Srl.

A new meeting with the Group's Union Organisation has been scheduled for the end of July, aimed at defining a new funded training project for the operative levels.

In the month of May 2013 the Hera Group completed the phases necessary to obtain the SA8000 certification.

Seminar sessions were scheduled with the SA8000 worker representatives, who were appointed by the trade union organisations, regarding not only Community regulations for the certification system, but also the role that the representatives are required to cover in the following phase, dedicated to the verification and maintenance of the certification itself.

Furthermore, in the month of June the minutes of a meeting were signed for the transferral of personnel from the offices in Via Grigioni, Via Spinelli and Viale del Commercio to the new offices in Cesena-Pievesestina, Via Kossuth.

Hera continues to collaborate with Employers’ Associations, taking part in committees and delegations dealing with national collective labour agreements in the gas, water and waste-management services sectors:

on 18 February 2013 the Agreement for the Renewal of the CCNL was signed, for the workers responsible for the Electricity Sector; in parallel, the National Union Agreement on exercising the right to strike was reached.

In the light of the agreement signed at a National level, a new phase of discussion is under way between Hera and the Group Trade Union Coordination, Electric Sector, concerning the strike minimums for personnel to whom the CCNL Electricity sector is applied.

In the month of March 2013, an agreement was signed that redefines article 57 of the Federambiente CCNL, with reference to the redefinition of national and group union-related leave time, the establishment of the RSU in the Environmental Hygiene Sector and the relative number of components.

Lastly, negotiations are continuing as to the renewal of the CCNL Gas and Water sector, which expired on 31.12 2012.

Development

Activities continued in the formation and diffusion of the Group's Leadership Model which was defined in 2010 with the aim of identifying the prospective and distinctive behaviour for Hera Group management and saw a series of initiatives implemented in 2011 and 2012 for all managers and middle managers. The main initiatives included: training workshops, sessions dedicated to relations with collaborators and teams, thematic seminars on the four key elements of the Model.

From June 2012 to June 2013, twelve months were dedicated to an in-depth analysis of themes related to the key element “Management of Complex Situations”; in particular, from November 2012 to April 2013 a training program dedicated to managers and middle managers was carried out, intended to further investigate the two skills that underlie the key element: Flexibility and Decision making.

Emails entitled “Cues for Leadership” are sent to managers and middle managers on a trimestral basis, in which the key skills treated in the course of present events are studied in detail.

At the conclusion of these twelve months a seminar focused on Management of Complex Situations was held for managers and middle managers.

In June 2013 planning was completed for the activities involved in the second key element: “Orientation towards excellence”.

The programmes dedicated to managerial development and development of potential, in line with diversity and inclusion projects, continued to be supported by individual coaching courses, consistent with the development of the skills set out in the Leadership Model and with the coaching model implemented by the Group.

In the first semester of 2013, an initiative dedicated to listening skills was created, intended for the entire personnel of the Operations General Department following the reorganisation which came about at the beginning of the year; in order to identify and implement any and all possible improvements, meetings dedicated to each single Department were also held during which results were presented and analysed in detail. In the second semester of 2013, the fifth internal climate survey will be conducted.

The second edition of the Development of Potential initiative was activated in the second semester of 2011; 94 resources were involved, and the initiative's aims included nurturing and extending the potential of the Group’s existing young resources. Several training initiatives were set into motion in 2011 and 2012; in particular, an initiative involving all 94 resources was carried out in November 2012 whose aim was to introduce the contents of the Leadership Model and to provide opportunities and suggestions for professional development. The participants were furthermore given the opportunity to take advantage, upon individual request, of a session of telephone coaching in order to further explore the issues discussed during the initiative, and to share tools and techniques for self-development; this activity came to a conclusion in the first trimester of 2013. Furthermore, in the first trimester an ad hoc session of the Higher Education course “Regulation and Markets in Public Utility Services” was held for 25 of these resources. They were also given the opportunity to participate in a brief experience in individual coaching, aimed at defining a Strategy for personal excellence, whose first encounters began in April 2013 and will conclude in December 2013.

On 30 November 2012 the Ministry approved the request for an economic contribution to the Group's project: "Positive return policies", that the Department for Family Policies of the Presidency of the Council of Ministers financed for reasons concerning the innovative and socially relevant character of the measures proposed.

In April 2013 the foreseen training activities began, intended for people who return to the workplace after a significant period of leave, granted for reasons involving the reconciliation of professional life and personal life. Concretely speaking, these activities correspond to 28/18 total hours of internal training and a limited number of coaching/counselling sessions, to facilitate reintegration in the workplace.

Thanks to this funding project, the number of company childcare centres found throughout the territory served by the Group has also increased.
A training seminar aimed at raising awareness on issues related to the recognition of diversity was held in June 2013, and was also extended to local institutions.
Furthermore, a collaboration with the Province of Bologna was set under way in the month of June, for an efficient identification of qualified home care services for Group employees thanks to an extended database called Madreperla.
An e-learning course dedicated to Time Management was internally structured during the first semester, and will be made available to all employees beginning in the month of July.

Training

In the area of training, the first activities and initiatives that should be noted fall under the responsibility of Heracademy, the Hera Group's Corporate University, in particular the creation of the workshop entitled "Utilities, levels of government, citizens: how to collaborate in infrastructure development?" (January 2013) and the planning of the workshop entitled "Smart Communities and Local Development: objectives, protagonists, creation of value" (held in July 2013). Further activities to be noted within Heracademy's sphere of activities include initiatives in training development applied across the territory, in particular with the launch of the project "Hera teaches you a trade… at school" in the territories of Forlì and Ravenna.
As regards training in the areas of Ethical Values and Business Culture, a training course entitled "The Sustainable City" was projected, which is scheduled to be carried out in the second semester of 2013 and is intended to make the entire company personnel aware of the contents of the Sustainability Report 2012.
With respect to the training initiatives created in collaboration with the Alma Mater – University of Bologna and Alma Graduate School, special note should be given to the creation of the advanced training course entitled "Regulation and markets in public utility services" (February and March 2013), dedicated to the resources involved in Development of Potential.
Full continuity was given in the first semester of 2013 to training activities carried out in fulfilment of legal obligations (fire prevention, first aid, safety supervisors, etc.), with particular attention to training in the area of work-related stress and training required by the State-Regions Agreement for work equipment; furthermore, within the 24,000 hours of overall training offered on matters pertaining to Quality, Safety and Environment, the training activities foreseen for the SA8000 project were particularly worthy of note, with special reference to training initiatives concerning supplier monitoring.
The intense training and professional refresher courses continued as usual for both technical and operating staff, as did specific activities aimed at maintaining and enhancing the operating skills required for activities that are deemed to be critical from the point of view of service quality, safety and potential environmental impact.
As regards knowledge management, the activities of the Scuola dei Mestieri (School of Trades) carried on in the first half of 2013, in particular through:
defining and planning the revision of some of the Quaderni di Mestiere (Trade Notebooks) in the light of recent organisational changes in the Operations General Department;
extending and/or consolidating the experience of Apprenticeship Communities, present at a Group level.
There were roughly 16,788 participants in training activities, and 90% of the Group's employees was involved in at least one training activity.
The total financial investment incurred in the first half of 2013, excluding costs associated with trainee staff and internal trainers, was €441,329, a figure that corresponds to a complete saturation of the 2013 annual budget.
These figures confirm the Hera Group's significant commitment, both economically speaking and with respect to other resources, to continually developing and maximising the potential of its human capital.

Type of Training	Person-hours
Professional and specialist training	22.616
Quality, safety and environment	24.039
Institutional and managerial training	17.590
IT	962
Total	**65.207**

1.13 Information systems

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

The activity carried out in the first semester of 2013 was characterised, at a group level, by continuity in the activities of integration, consolidation and applicational and infrastructural optimisation of the Group's various companies, defined on the basis of the changes in company structure that were implemented in the previous financial years.

With respect to the Group's business requirements, any inadequacy, possible unavailability, or failed upgrading in its information systems would represent a potential risk factor that the Group has mitigated by way of specific controls governed by the Information System Department.

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

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

Continuous and timely efforts continue in bringing the information systems into line with sector regulations, and the important process of updating the information systems to comply with regulatory obligations regarding the separation of distribution and sales processes (for companies operating in the electricity and gas sectors – “unbundling”) also continues.

Furthermore, the process of functional, architectural and infrastructural evolution of the main systems serving the company's Business continues, with respect to which a consistent improvement in performance has been reached. New functionalities have been activated in support of business, among which functions that support activities of collection and disposal in the Environment area, a new Electricity and Fluids technical call centre, and new business intelligence tools intended to support business.

Interventions aimed at guaranteeing a continual increase in process efficiency also continued, concerning for example processes in reading management, and commercial processes.
Some of the most significant activities include those involved in important technology upgrades, to ensure that the Group's systems are updated according to the latest technical/functional levels available on the market, while keeping the impact on Business to a minimum.

The information systems ensured service continuity, implementing configurations in High availability (HA) for the main systems, minimising the impact due to new projects and fulfilling ordinary maintenance and system-development requests in accordance with agreed-upon priorities.

The Group implements specific controls in the area of information confidentiality and security, both through internal policies and using tools for segregated information accessing, as well as through specific contract agreements with any suppliers that may eventually need to access the information.
The Information System Department has dedicated a special team to preventing and monitoring information attacks on the Company's systems, and specific solutions have been adopted for information security management and control.

As a further safeguard for this specific set of risk problems, the Group periodically carries out vulnerability assessments.
With regard to infrastructures, the stabilisation and reinforcement of the data centre also continues.

Lastly, periodical internal audits were carried out, aimed at maintaining the ISO 9001 Quality Certification.

1.10 Quality, safety and environment

The first semester of 2013 was a period in which many of the targets set by the Quality, Safety and Environment Department were reached.

Some of the main results include:

3) The support given by the entire DCQSA to a project for a thorough reorganisation of the DGO, following which the DCQSA itself was reorganised, bringing significant changes both to the QSA Coordination structure and in the creation of the Single SPP.
4) Proactive participation in works aimed at updating the company's Business Plan, that led the Department to take part in specific meetings in the months of April and May with other Company departments, and Subsidiary companies;
5) The positive outcome of the checks for maintaining the certification of the "integrated" quality, safety and environment management system of Hera Spa and many of the Group's companies, with very good results;
6) Attainment of the SA8000 Certification, given to management systems that are compliant with issues pertaining to social responsibility: this result was reached following the first certificate check, which took place in the month of March.
7) In June, the Group Laboratories obtained the maintenance of the Accredia (ISO 17025) accreditation;
8) The activities related to the EHS project continue; promoted by central management, this project is intended to outline the development of Company Information Systems in the area of Health, Safety and Environment. The aim is to implement a management system relating to Health, Safety and Environment that operates in synergy with the Group's other enterprise applications;
9) ISRS, the project launched in 2012 with the objective of evaluating the "health" level of the integrated management systems in the area of QSA, in order to promote the implementation of management systems that are both efficient and tailored to the company's concrete features, proceeded during the first semester of 2013: all preparatory activities aimed at increasing the necessary knowledge and instrumental competencies were carried out. The first pilot assessment was conducted by DNV and the first results were analysed. The project is advancing in line with its initial planning. SAP Audit Management: DCQSA, with the support of FOL, completed all of the project phases regarding the development of an information system for managing auditing activities and for managing Non-conformities by way of SAP modules, as well as the training activities for personnel destined to use the application itself; at the beginning of the year the system became fully functional. Both the auditing activities and those involved in managing the consequent NCs are currently managed with this information instrument.

In the first semester of 2013, in conjunction with the Purchasing and Procurement Department, a further highly significant training campaign intended for company representatives was carried out, to focus attention on issues concerning supplier performance control, with particular emphasis given on this occasion to social responsibility.
All of these activities took place in addition to the routine ones planned and implemented by the DCQSA in order to maintain the Group's Integrated Management System, including activities aimed at verifying the coherence and QSA conformity of procedures and instructions drafted by various corporate structures, updating the system documentation, QSA manual, system procedures, and risk assessment and environmental analysis documents.

With regard to Health and Safety, in 2012 the wide-ranging and articulated project “A year for safety in the Hera Group” came to a satisfactory conclusion, except for the completion of the training activities of the "A year for safety" project and the continuation of the two projects “Work Related Stress” and “Machinery Equipment”.
An analysis of data concerning on the job injuries in the period from January to June 2013, portrays an overall situation that is in line with the foreseen objectives and that shows improvement with respect to the corresponding period of the preceding year. A comparison with 2012 reveals a decrease in the overall number of injuries (84 in the first 6 months of 2012 - 74 in the first six months of 2013), and therefore in the Accident Frequency Index (23.72 in the first six months of 2012 – 21.0 in the first six months of 2013). As regards the number of days of absence due to injuries, an improvement can be seen here as well (3,129 in the first six months of 2012 - 2,280 in the first six months of 2013) and therefore a reduction in the parameter of the Severity Rate (0.87 in the first six months of 2012 – 0.65 in the first 6 months of 2013).
Concerning the number of missed injuries (Near Miss) reported, after an unsatisfactory beginning of the year, in which the number of reports was far below the expected level, in June the overall data exceeded the estimated objective. The relation between reported near misses and actual injuries did in fact exceed the 90% foreseen as a target for 2013 (this data is not yet in line with the figures of the Technical Customer Management Department, which remain at 25%). A detailed analysis of the ways in which injuries come about shows that in itinere (between home and work) injuries, Falls or slips, and Impacts or crushes represent the three main causes of injuries (respectively: 24.3%, 23% and 16.2%). Injuries caused by on-work road accidents (7 events) represent 9.5% of the total number of cases.
In order to represent HERA S.p.A.'s activities in the area of plant design in a broader and more "strategic" way (including waste disposal/recovery plants and power plants, that fall under the categories OS14 and OG9) the SOA certification portfolio was renewed in June 2013 (Attestation n. 14202/04/00) with additional certifications concerning the Gas Networks and the Integrated Water Cycle (OG6) and the Electric Energy transportation grids (OG10). Certifications were also obtained concerning planning, construction and maintenance of purification, depuration (OS22) and district heating (OS28) plants. Also note the implementation of a methodological procedure for gathering documented evidence that can be retraced with the Company's information systems and referred to the data of audited accounts.
During the first semester of 2013, activities relating to the EHS (Environment, Health and Safety) project also continued; this project is promoted by the DCQSA Management, and its objective is to integrate the Health, Safety and Environment management system with the Group's other enterprise applications. As further confirmation of the strong impact on development of Company Information Systems, activities were concentrated – in the first phase - on the creation of a form concerning Health Surveillance and the preparation of a prototype aimed at defining the requisites of the application that – at the conclusion of the planning phase – will be implemented in the group's structures. Closely linked to this development, training and information initiatives were introduced to facilitate the introduction of innovative approaches in knowledge management in administrating protection and risk prevention in the work environment.
An in-depth examination of the evolution of the regulatory framework continued to be carried out by the QSA and Privacy Regulatory Oversight Bodies, that consisted in the acquisition of changes in legislation and the regulatory analysis of the ensuing consequences, brought to the attention of the persons responsible; the activities of acquisition and regulatory interpretation led to the creation of 28 informative flash slides, intended for process managers, the Privacy Protection, the QSA and the RSPP.

It also brought about the need to elaborate 18 thematic regulatory analyses that provided interpretative guidelines, as well as amendments of the check lists to keep regulatory compliance in the areas of safety and the environment under control.

The principal consequences for management deriving from the restructuring of the DGO and the disincorporation of FoL consisted in the revision of important documents of the company's management system, such as: procedures for management of legal or other provisions, including updates concerning RACI; procedures for managing documents, to guarantee their optimal authorisation profile, with respect to D.lgs 81/08; Guidelines on responsibility concerning health, safety and the environment, to ensure that the company's security positions become more and more coherent with respect to the organisational roles and the due authorities; procedures for securely managing contracts for tender, to bring the requesting party's tasks and responsibilities in line with the new roles following company organisation.

As regards Privacy Protection, an analysis of the risks to which personal data treated in Hera SpA are exposed was initiated, following a methodology that had already been tested as to its logical security, in order to define the minimal, specific and adequate security measures that follow.
The perspective of an ever greater integration with the Quality, Safety and Environment system led to sample audits being programmed and planned in the management of the video surveillance of the water treatment plants in Bologna, using the SAP audit management tool.
In a collaboration with the DCPO, a realignment of the positions of responsible privacy was carried out, and structures entrusted with the reorganisation of the subsidiary companies were set into place, which necessitated 10 meeting rooms in each of which roughly 20 people were trained.

At the beginning of the year, the reorganisation of the DCQSA saw the entry of the Supervision of Physical and Logical Security in the Quality, Safety and Environment Department.
This new Structure was presented to the Company's other Departments, within the framework of specific meetings.
The Security Supervision presented the results of the Analysis of Risks for Information Security to the Hera Group's Risk Committee, along with an articulated proposal for an Intervention Plan to bring the recorded risk level below the threshold established by the Committee. These interventions will be contained within the Business Plan, and their efficiency will be measured year by year by the Security Supervision, through a periodic revision of the Risk Analysis.
The Guidelines and Security Policies have been revised and brought into line with the most recent evolutions of the regulatory framework concerning Privacy and the regulation of the recent introduction of Wi-Fi in the Company.
The Auditing activities carried out by the Security Supervision have been reconciled with the methods and tools used in the Department. The Auditors followed a specific training course dedicated to “Auditing Techniques ISO 19011” and the use of the SAP audit management tool. During the first semester, the Security Supervision carried out 6 Audits on the whole, successfully applying these new methods and tools.
Lastly, a Technical Audit was carried out on the security of the information infrastructure of the Remote Centre for Fluid Networks, whose results were shared with the Technical Services and Operations Department and led to the drafting of a plan for improvement.

2

Abbreviated consolidated half year financial statements

2.01 Consolidated Financial Statement

2.01.01 Consolidated income statement

thousands of euros	*notes*	*1st half 2013*	*1st half 2012 as ajusted **
Revenue	4	2.429.413	2.298.917
Other operating revenues	5	107.461	84.445
Use of raw materials and consumables	6	(1.330.822)	(1.399.806)
Service costs	7	(496.774)	(427.503)
Personnel costs	8	(246.445)	(192.184)
Amortisation, depreciation,provisions	9	(198.664)	(151.550)
Other operating costs	10	(25.292)	(19.337)
Capitalised costs	11	7.764	13.057
Operating profit		**246.641**	**206.039**
Portion of profits (loss) pertaining to associated companies	12	3.100	2.897
Financial income	13	64.518	45.600
Financial expense	13	(138.478)	(110.268)
Total financial operations		**(70.860)**	**(61.771)**
Other non-recurring non-operating income	14	74.806	0
Pre-tax profit		**250.587**	**144.268**
Taxes for the period	15	(77.712)	(63.963)
Net profit for the period		**172.875**	**80.305**
Attributable to:			
Shareholders of the Parent Company		165.199	73.782
Non-controlling interests		7.676	6.523
Earnings per share	**15.1**		
basic		**0,124**	**0,067**
diluted		**0,118**	**0,064**

** Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative Notes*

Pursuant to Consob resolution no 15519 of 27 July 2006, the effects of related-party transactions are shown in the specific income statement in paragraph 2.02.01 of these consolidated condensed half-year financial statements.

2.01.02 Consolidated aggregated income statement

thousands of euros	*1st half 2013*	*1st half 2012 as ajusted**
Net profit / (loss) for the period	**172.875**	**80.305**
Items reclassifiable to the income statement		
Change in the fair value of derivatives for the period	3.615	2.538
Tax effect related to the other reclassifiable items of the comprehensive income statement	(1.068)	(668)
Change in the fair value of derivatives for the period for companies measured with the equity method	128	84
Items not reclassifiable to the income statement		
Actuarial gains/(losses) post-employment benefits	1.658	(6.338)
Tax effect related to the other not reclassifiable items of the comprehensive income statement	(296)	1.498
Total comprehensive income/(loss) for the period	**176.912**	**77.419**
Attributable to:		
Shareholders of the Parent Company	168.313	71.507
Non-controlling interests	8.599	5.912

* Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative Notes

2.01.03 Consolidated statement of financial position

thousands of euros	notes	*30-giu-2013*	*31-dec- 2012 as adjusted **
ASSETS			
Non-current assets			
Property,plant and equipment	16	2.141.837	1.947.597
Intangible assets	17	2.490.206	1.855.966
Property investments	18	3.053	0
Goodwill	19	378.565	378.391
Non-controlling interests	20	147.920	139.730
Financial assets	21	46.638	17.557
Deferred tax assets	22	139.547	111.451
Financial instruments - derivatives	23	57.363	88.568
Total non-current assets		**5.405.129**	**4.539.260**
Current assets			
Inventories	24	54.379	71.822
Trade receivables	25	1.602.223	1.307.961
Contract work in progress	26	24.873	20.635
Financial assets	27	62.756	47.286
Financial instruments - derivatives	23	24.477	34.199
Current tax assets	28	41.013	30.882
Other current assets	29	295.509	209.108
Cash and cash equivalents	30	483.322	424.162
Total current assets		**2.588.552**	**2.146.055**
Non-current assets held for sale	**31**	**20.524**	**14.154**
TOTAL ASSETS		**8.014.205**	**6.699.469**

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thousands of euros		30-giu-2013	31-dec- 2012 as adjusted *
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves	32		
Share capital		1.342.876	1.115.014
- Reserve treasury shares - nominal value		(13.819)	(13.813)
- Expenses related to capital increase		(135)	0
Reserves		574.292	523.481
- Reserve treasury shares -amount exceeding nominal value		(4.052)	(4.181)
- Reserves for derivative instruments recognised at fair value		(4.261)	(5.993)
Retained earnings (accumulated deficit)		2.061	2.061
Profit / (loss) for the period		165.199	119.417
Group equity		**2.062.161**	**1.735.986**
Non-controlling interests		137.455	141.355
Total equity		**2.199.616**	**1.877.341**
Non-current liabilities			
Borrowings – maturing beyond 12 months	33	2.652.058	2.440.994
Post-employment benefits	34	132.541	112.963
Provisions for risks and charges	35	273.354	251.897
Deferrred tax liabilities	36	76.014	74.038
Finance lease payments - maturing beyond 12 months	37	12.833	13.356
Financial instruments - derivatives	23	24.339	32.963
Total non-current liabilities		**3.171.139**	**2.926.211**
Current liabilities			
Banks and other borrowings – maturing within 12 months	33	714.710	317.560
Finance lease payments - maturing within 12 months	37	2.916	3.767
Trade payables	38	1.092.830	1.165.838
Current tax liabilities	39	102.694	20.463
Other current liabilities	40	688.585	350.060
Financial instruments - derivatives	23	30.371	38.229
Total current liabilities		**2.632.106**	**1.895.917**
Non-current assets held for sale	**31**	**11.344**	**0**
TOTAL LIABILITIES		**5.814.589**	**4.822.128**
TOTAL EQUITY AND LIABILITIES		**8.014.205**	**6.699.469**

** Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative Notes*

Pursuant to Consob resolution no 15519 of 27 July 2006, the effects of related-party transactions are shown in the specific consolidated statement of financial position in paragraph 2.02.02 of these consolidated condensed half-year financial statements.

2.01.04 Consolidated cash flow statement

thousands of euros		30-giu-2013	30-jun-2012 as ajusted*
Pre-tax profit		**250.587**	**144.268**
Adjustments to reconcile net profit to the cashflow from operating activities:			
Amortisation and impairment of property, plant and equipment		79.660	65.754
Amortisation and impairment of intangible assets		70.594	50.164
Effect of valuation using the equity method		(3.100)	(2.897)
Allocations to provisions		49.255	35.858
Financial expense / (Income)		73.960	64.668
Bargain purchases		(74.806)	0
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)		(2.908)	(33.404)
Change in provisions for risks and charges		(28.125)	(9.970)
Change in provisions for employee benefits		(3.676)	(3.318)
Total cash flow before changes in net working capital		**411.441**	**311.123**
(Increase) / Decrease in inventories		23.551	6.869
(Increase) / Decrease in trade receivables		(77.793)	(32.283)
Increase / (Decrease) in trade payables		(254.786)	(232.223)
(Increase) / Decrease in other current assets/ liabilities		173.902	139.648
Change in working capitals		**(135.126)**	**(117.989)**
Dividends collected		1.608	2.420
Interests income and other financial income collected		11.142	9.180
Interests expense and other financial charges paid		(72.038)	(75.202)
Taxes paid		(5.070)	(6.101)
Cash flow from (for) operating activities (a)		**211.957**	**123.431**
Investments in property, plant and development		(50.498)	(59.634)
Investments in intangible fixed assets		(69.781)	(63.440)
Investments in companies and business units net of cash and cash equivalents (*)	**	16.501	(2.166)
Sale price of property,plant and equipment and intangible assets (including lease-back transations)		2.097	6.086
Divestments of investments (*)	**	(300)	(1.916)
(Increase) / Decrease in other investment activities		(6.540)	(1.631)
Cash flow from (for) investing activities (b)		**(108.521)**	**(122.701)**
New issues of long-term bonds		46.683	241.810
Repayments and other net changes in borrowings		38.309	(34.570)
Lease finance payments		(1.866)	(1.815)
Investments in consolidated companies (*)	**	(4.500)	0
Dividends paid out to Hera shareholders and non-controlling interests		(123.604)	(111.399)
Change in treasury shares		860	(3.237)
Other minor changes		(158)	(1)
Cash flow from (for) financing activities (c)		**(44.276)**	**90.788**
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)		**59.160**	**91.518**
Cash and cash equivalents at the beginning of the year		424.162	415.189
Cash and cash equivalents at the end of the year		483.322	506.707

** Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative*
***For further details on corporate operations during H1 13 please see the paragraph "Comments to the Consolidated Financial report", at the end of the section Consolidated Explicative Notes*

Pursuant to Consob resolution no 15519 of 27 July 2006, the effects of related-party transactions are shown in the specific cash flow statement in paragraph 2.02.03 of these consolidated condensed half-year financial statements.

2.01.05 Consolidated statement of changes in shareholders' equity

thousands of euros	Share capital	Reserves	Reserves for derivative instruments recognised at fair value	Profit for the year	Equity	Non-controlling interests	Total
Balance at 31 December 2011	**1.105.340**	**535.591**	**-8.606**	**104.590**	**1.736.915**	**142.431**	**1.879.346**
Retrospective application of IAS 19 *revised*		-3.165		403		-560	
Saldo al 31 dicembre 2011 (*rettificato*)	**1.105.340**	**532.426**	**-8.606**	**104.993**	**1.734.153**	**141.871**	**1.876.024**
Profit for the year				73.782	**73.782**	6.523	**80.305**
Other components of comprehensive income at 30 June 2012:							
fair value of derivatives, change in the year			1.994		**1.994**	-124	**1.870**
hange in the fair value of derivatives for the year for companies measured at equity		84			**84**		**84**
Actuarial gains/(losses) post-employment benefits		-4.353			**-4.353**	-487	**-4.840**
Total comprehensive income for the year		**-4.269**	**1.994**	**73.782**	**71.507**	**5.912**	**77.419**
change in treasury shares	-3.108	-129			**-3.237**		**-3.237**
change in scope of consolidation					**0**	523	**523**
other movements		-1			**-1**		**-1**
Allocation of 2011 profit:							
- dividends paid out		-16.925		-82.397	**-99.322**	-14.642	**-113.964**
- allocation to other reserves		5.823		-5.823	**0**		**0**
- undistributed profits to retained earnings		16.773		-16.773	**0**		**0**
Balance at 30 June 2012	**1.102.232**	**533.698**	**-6.612**	**73.782**	**1.703.100**	**133.664**	**1.836.764**
Balance at 31 December 2012 (adjusted)	**1.101.201**	**521.361**	**-5.993**	**119.417**	**1.735.986**	**141.355**	**1.877.341**
Profit for the year				165.199	**165.199**	7.676	**172.875**
Other components of comprehensive income at 30 June 2013:							
fair value of derivatives, change in the year			1.732		**1.732**	815	**2.547**
hange in the fair value of derivatives for the year for companies measured at equity		128			**128**		**128**
Actuarial gains/(losses) post-employment benefits		1.254			**1.254**	108	**1.362**
Total comprehensive income for the year		**1.382**	**1.732**	**165.199**	**168.313**	**8.599**	**176.912**
change in treasury shares	-6	129			**123**		**123**
acquisizione Gruppo AcegasAps	227.727	51.725			**279.452**	-15	**279.437**
change in equity investment		-1.902			**-1.902**	-2.598	**-4.500**
change in scope of consolidation					**0**	819	**819**
other movements		1			**1**	-21	**-20**
Allocation of 2012 profit:							
- dividends paid out		-10.430		-109.382	**-119.812**	-10.684	**-130.496**
- allocation to other reserves		7.548		-7.548	**0**		**0**
- undistributed profits to retained earnings		2.487		-2.487	**0**		**0**
Balance at 30 June 2013	**1.328.922**	**572.301**	**-4.261**	**165.199**	**2.062.161**	**137.455**	**2.199.616**

2.02 Financial statements – resolution 15519 of 2006 – Related parties

2.02.01 Income statement

thousands of euros	Notes	1st half 2013	of which related parties A	B	C	D	Total	%	1st half 2012 as ajusted *	of which related parties A	B	C	D	Total	%
Income Statement															
Revenue	4	2.429.413	0	30.069	169.075	2.837	201.981	*8,3*	2.298.917		15.948	60.608	5.675	82.231	*3,6*
Other operating revenues	5	107.461	0	794	42	90	926	*0,9*	84.445		112	86	112	310	*0,3*
Use of raw materials and consumables (net of changes to raw materials inventories and stocks)	6	(1.330.822)	0	(18.527)	0	(16.979)	(35.506)	*2,7*	(1.399.806)		(31.828)	(233)	(18.143)	(50.204)	*3,6*
Service costs	7	(496.774)	0	(6.364)	(7.460)	(21.714)	(35.538)	*7,2*	(427.503)	(6)	(4.391)	(7.295)	(21.767)	(33.459)	*7,8*
Personnel costs	8	(246.445)	0	0	0	(490)	(490)	*0,2*	(192.184)						
Amortisation and provisions	9	(198.664)							(151.550)						
Other operating costs	10	(25.292)	0	(42)	(1.361)	(832)	(2.235)	*8,8*	(19.337)		(19)	(1.361)	(543)	(1.923)	*9,9*
Capitalised costs	11	7.764							13.057						
Operating profit		**246.641**	**0**	**5.930**	**160.296**	**(37.088)**	**129.138**		**206.039**	**(6)**	**(20.178)**	**51.805**	**(34.666)**	**-3.045**	
Portion of profits (loss) pertaining to associated companies	12	3.100	0	3.100	0	0	3.100	*100,0*	2.897		2.897			2.897	*100,0*
Financial income	13	64.518	0	1.241	0	89	1.330	*2,1*	45.600		700	36	89	825	*1,8*
Financial expense	13	(138.478)	0	(11)	(182)	0	(193)	*0,1*	(110.268)			(1)	(61)	(62)	*0,1*
Total financial operations		**(70.860)**		**4.330**	**(182)**	**89**	**4.237**		**(61.771)**		**3.597**	**35**	**28**	**3.660**	
Other non-recurring non-operating income	14	74.806													
Pre-tax profit		**250.587**	**0**	**10.260**	**160.114**	**(36.999)**	**133.375**		**144.268**	**(6)**	**(16.581)**	**51.840**	**(34.638)**	**615**	
Taxes for the period	15	(77.712)							(63.963)						
Net profit for the period		**172.875**	**0**	**10.260**	**160.114**	**(36.999)**	**133.375**		**80.305**	**(6)**	**(16.581)**	**51.840**	**(34.638)**	**615**	
Attributable to:															
Shareholders of the Parent Company		165.199							73.782						
Non-controlling interests		7.676							6.523						
Earnings per share	15.1														
basic		**0,124**							**0,067**						
diluted		**0,118**							**0,064**						

* Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative Notes

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

2.02.02 Statement of financial position

thousands of euros	Notes	30-jun-2013	*of which related parties* A	B	C	D	Total	%	31December 2012 as adjusted	*of which related parties* A	B	C	D	Total	%
ASSETS															
Non-current assets															
Property,plant and equipment	16	2.141.837							1.947.597						
Intangible assets	17	2.490.206							1.855.966						
Property investments	18	3.053							0						
Goodwill	19	378.565							378.391						
Non-controlling interests	20	147.920	208	104.930	0	33.138	138.276	*93,5*	139.730	41	106.460		32.930	139.431	*99,8*
Financial assets	21	46.638	36	19.149	25.030	0	44.215	*94,8*	17.557	36	17.139			17.175	*97,8*
Deferred tax assets	22	139.547							111.451						
Financial instruments - derivatives	23	57.363							88.568						
		5.405.129	**244**	**124.079**		**33.138**	**182.491**		**4.539.260**	**77**	**123.599**	**0**	**32.930**	**156.606**	
Current assets															
Inventories	24	54.379							71.822						
Trade receivables	25	1.602.223	33	17.177	61.081	10.526	88.817	*5,5*	1.307.961	33	12.471	17.815	14.782	45.101	*3,4*
Contract work in progress	26	24.873							20.635						
Financial assets	27	62.756	0	46.353	605	204	47.162	*75,2*	47.286		35.386		204	35.590	*75,3*
Financial instruments - derivatives	23	24.477							34.199						
Current tax assets	28	**41.013**							30.882						
Other current assets	29	**295.509**	0	3.352	1.930	19.586	24.868	*8,4*	209.108		2.198	967	16.260	19.425	*9,3*
Cash and cash equivalents	30	483.322							424.162						
		2.588.552	**33**	**66.882**	**63.616**	**30.316**	**160.847**		**2.146.055**	**33**	**50.055**	**18.782**	**31.246**	**100.116**	
Non-current assets held for sale	31	**20.524**							**14.154**						
TOTAL ASSETS		**8.014.205**	**277**	**190.961**	**63.616**	**63.454**	**343.338**		**6.699.469**	**110**	**173.654**	**18.782**	**64.176**	**256.722**	

thousands of euros	Notes	30-jun-2013	*of which related parties* A	B	C	D	Total	%	31December 2012 as adjusted	*of which related parties* A	B	C	D	Total	%
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and reserves	32														
Share capital		1.342.876							1.115.014						
- Reserve treasury shares - nominal value		(13.819)							(13.813)						
- Expenses related to capital increase		(135)							0						
Reserves		574.292							523.481						
- Reserve treasury shares -amount exceeding nominal value		(4.052)							(4.181)						
Reserves for derivative instruments recognised at fair value		(4.261)							(5.993)						
Retained earnings (accumulated deficit)		2.061							2.061						
Profit / (loss) for the period		165.199							119.417						
Group equity		**2.062.161**							**1.735.986**						
Non-controlling interests		137.455							141.355						
Total equity		**2.199.616**							**1.877.341**						
Non-current liabilities															
Borrowings – maturing beyond 12 months	33	2.652.058	0	840	7.945	0	8.785	*0,3*	2.440.994						
Post-employment benefits	34	132.541							112.963						
Provisions for risks and charges	35	273.354							251.897						
Deferrred tax liabilities	36	76.014							74.038						
Finance lease payments - maturing beyond 12 months	37	12.833							13.356						
Financial instruments - derivatives	23	24.339							32.963						
		3.171.139							**2.926.211**						
Current liabilities															
Banks and other borrowings – maturing within 12 months	33	714.710	0	0	10.149	0	10.149	*1,4*	317.560						
Finance lease payments - maturing beyond 12 months	37	2.916							3.767						
Trade payables	38	1.092.830	(3)	13.129	17.695	30.851	61.672	*5,6*	1.165.838	(3)	14.766	10.787	27.517	53.067	*4,6*
Current tax liabilities	39	102.694							20.463						
Other current liabilities	40	688.585	0	1.448	43.808	6.501	51.757	*7,5*	350.060		105	3.459	2.209	5.773	*1,6*
Financial instruments - derivatives	23	30.371							38.229						
		2.632.106	**(3)**	**14.577**	**71.652**	**37.352**	**123.578**		**1.895.917**	**(3)**	**14.871**	**14.246**	**29.726**	**58.840**	
Non-current assets held for sale	31	**11.344**													
Total liabilities		**5.814.589**	**(3)**	**14.577**	**71.652**	**37.352**	**123.578**		**4.822.128**	**(3)**	**14.871**	**14.246**	**29.726**	**58.840**	
TOTAL EQUITY AND LIABILITIES		**8.014.205**	**(3)**	**14.577**	**71.652**	**37.352**	**123.578**		**6.699.469**	**(3)**	**14.871**	**14.246**	**29.726**	**58.840**	

* Comparative figures have been adjusted to reflect amendments commented in the "Summary adjustments" of the Explicative Notes

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

2.02.03 Cash flow statement

thousands of euros	30-giu-2013	of which related parties
Pre-tax profit	**250.587**	
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	79.660	
Amortisation and impairment of intangible assets	70.594	
Effect of valuation using the equity method	(3.100)	
Allocations to provisions	49.255	
Financial expense / (Income)	73.960	
Bargain purchases	(74.806)	
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(2.908)	
Change in provisions for risks and charges	(28.125)	
Change in provisions for employee benefits	(3.676)	
Total cash flow before changes in net working capital	**411.441**	
(Increase) / Decrease in inventories	23.551	
(Increase) / Decrease in trade receivables	(77.793)	(5.799)
Increase / (Decrease) in trade payables	(254.786)	(7.512)
(Increase) / Decrease in other current assets/ liabilities	173.902	43.125
Change in working capitals	**(135.126)**	
Dividends collected	1.608	1.477
Interests income and other financial income collected	11.142	1.225
Interests expense and other financial charges paid	(72.038)	(193)
Taxes paid	(5.070)	
Cash flow from (for) operating activities (a)	**211.957**	
Investments in property, plant and development	(50.498)	
Investments in intangible fixed assets	(69.781)	
Investments in companies and business units net of cash and cash equivalents	16.501	(3.615)
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	2.097	
Divestments of investments	(300)	(341)
(Increase) / Decrease in other investment activities	(6.540)	(13.498)
Cash flow from (for) investing activities (b)	**(108.521)**	
New issues of long-term bonds	46.683	
Repayments and other net changes in borrowings	38.309	9.174
Lease finance payments	(1.866)	
Investments in consolidated companies	(4.500)	
Dividends paid out to Hera shareholders and non-controlling interests	(123.604)	(65.204)
Change in treasury shares	860	
Other minor changes	(158)	
Cash flow from (for) financing activities (c)	**(44.276)**	
Effect of change in exchange rates on cash and cash equivalents (d)	**0**	
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**59.160**	
Cash and cash equivalents at the beginning of the year	424.162	
Cash and cash equivalents at the end of the year	483.322	

2.03 Explanatory notes

2.03.01 Consolidated explanatory notes

These consolidated half-year financial statements as at 30 June 2013 were prepared pursuant to Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of International Accounting Standards IAS/IFRSs (hereinafter IFRSs) endorsed by the European Commission, supplemented by the relevant interpretations of the International Financial Reporting Interpretations Committee – IFRIC (IFRS IC) formely called Standing Interpretations Committee (SIC) as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

The figures in these consolidated condensed six-monthly financial statements are comparable with the same balances of the previous financial year, unless indicated otherwise in the notes commenting on the individual items

The statement of financial position as of 31 December 2012 and the income statement for the first six months of 2012 were recast as illustrated in the section "Summary of adjustments" in these notes.

A comparison of single items in both the income statement and the statement of financial position must also take into consideration the changes to the scope of consolidation indicated in the specific section.

Financial Statements

The formats used are the same as those used for the consolidated financial statements as of and for the year ended 31 December 2012. Specifically, a vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents company results. It is worthy of note that, for comparative purposes and for a more accurate disclosure, a new item has been added –"Other non-operating revenues" – to reflect the effects of bargain purchases made during the year. To this end, reference is made to note 14 in the income statement.

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

Non-recurring costs and revenues are indicated separately in the financial statements.

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

The statement of comprehensive income is presented in a separate document from the income statement, as permitted by IAS 1 Revised, distinguishing between items that can be reclassified to the income statement and those that cannot. The statement of changes in equity has been prepared as required by IAS 1 revised.

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

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

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

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

Significant estimates and valuations

Preparation of the consolidated half-year financial statements and related notes requires the use of estimates and valuations by the directors, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that are reasonably likely to occur on the basis of currently available information. The main areas characterised by valuations and assumptions, especially the types and assumptions for their processing, together with reference book values, are set forth below.

Provisions for risks

These provisions have been made by adopting the same procedures as previous periods and hence by referring to the updated reports of the legal counsel and the consultants overseeing the disputes, as well as on the basis of developments in the related proceedings. Specifically, in the paragraph relating to provisions for risks the assumptions used to estimate the provision for risks in INPS (Social Security) disputes are specified.

Recognition of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for on delivery and include the allocation for services rendered between the date of the latest metre reading and the end of the period. This allocation reflects estimates of the customer’s daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

It should also be noted that these valuation procedures, especially those relating to the more complex valuations, such as the determination of any impairment losses on non-current assets, are generally only made definitively at the time the annual report is prepared, except when there are indications of impairment requiring an immediate valuation of any losses in value.
Income taxes are recognised on the best estimate of the expected weighted average tax rate for the entire fiscal year.

Scope of consolidation

These consolidated condensed half-year financial statements as at 30 June 2013 include the financial statements of the Parent Company Hera S.p.A. and those of its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, in such a way as to obtain benefits from the company's activity.
Small-scale subsidiaries, and those in which the exercise of voting rights are subject to substantial and long-term restrictions, are excluded from line-by-line consolidation and valued at cost.
Significant investments in associated companies are valued with the equity method. Minor investments are instead carried at cost. Subsidiaries and associated companies that are not consolidated, or accounted for with the equity method, are reported in note 20.
Companies held exclusively for future sale are excluded from consolidation and recognised at fair value; if fair value cannot be determined precisely, they are value at cost. .
Equity investments in joint ventures, in which the Hera Group exercises joint control with other companies, are consolidated with the proportionate method reporting the assets, liabilities, revenues and costs on a line-by-line basis in proportion to the Group's investment.

Changes to the scope of consolidation in the first half of 2013, compared with the consolidated financial statements as at 31 December 2012, are shown below.

Changes in the scope of consolidation

Subsidiaries

Consolidated companies	Companies no longer consolidated	Notes
Acegas-Aps Spa		Fully consolidated
AcegasAps Service Srl		Fully consolidated
CST Srl		Fully consolidated
	Famula on line in liquidatione Spa	Wound up
Iniziative Ambientali Srl		Fully consolidated
Insigna Srl		Fully consolidated
Modena Network Spa		Fully consolidated
Naonis Energia Srl in liquidazione		Fully consolidated
NestAmbiente Srl		Fully consolidated
Rila Gas AD		Fully consolidated
SiGas d.o.o		Fully consolidated
Sinergie Spa		Fully consolidated
Società Italiana Lining Srl		Fully consolidated
Trieste Onoranze e Trsporti Funebri Srl		Fully consolidated
Tri-Generazione Srl		Fully consolidated

Associated companies

New companies measured with the equity method	Companies no longer measured with the equity method	Notes
	Refri Srl	company sold
	Modena Network Spa	fully consolidated
Elettrogorizia Spa		accounted for with equity method

Jointly controlled companies

Consolidated companies	Companies no longer consolidated	Notes
Aristea Scarl		proportionate consolidation
Estenergy Spa		proportionate consolidation
Est Reti Elettriche Spa		proportionate consolidation
Estpiù Spa		proportionate consolidation
Isontina Reti Gas Spa		proportionate consolidation

The main changes in the scope of consolidation are due to the business combination with the Acegas Aps group, of which more in the report on operations and in the following notes.

In addition, it is worthy of note that effective 1 January 2013 Hera Spa acquired the assets of Famula On-Line Spa, a company engaged in organization, planning, production sales and consulting in the areas of information technology, computer services and data processing. On the same date, liquidation proceedings began for Famula On-Line S.p.A. On 13 June 2013 the shareholders approved the company's liquidation accounts and the relevant distribution; accordingly, this company is no longer consolidated. The company was cancelled from the Companies Registed on 25 June 2013.

On 19 April 2013 Acantho S.p.A. purchased an additional 10% of Modena Network S.p.A. from Sorgea S.r.l., thereby increasing its equity stake to 40%. The company, which was previously recognized with the equity method, is now consolidated on a line-by-line basis, given that the Group exercises control over it, thanks to a 14% investment by Hera S.p.A. and a 28% equity interest held by Aimag S.p.A.

On 19 June 2013 Herambiente S.p.A. sold its investment in Refri S.r.L. to Unieco Costruzioni Meccaniche Srl.

A list of the companies included in the scope of consolidation is provided at the end of these notes.

Changes in the consolidated companies

Effective 1 April 2013 Hera Comm S.R.L. acquired from Lombardi S.R.L. the operation related to the provision of heating services to a number of residential buildings in the area of odena. On the same date, the operation was sold to Hera Energie S.R.L. for Euro 34 thousand, inclusive of goodwill for Euro 174 thousand.

Accounting policies and consolidation principles

In preparing the consolidated condensed half-year financial statements according to IAS 34 – Interim Financial Reporting, use was made of the same financial reporting standards as those used for the consolidated financial statements as of and for the year ended 31 December 2012, to which reference is made for completeness, except as otherwise noted in the paragraph “Accounting standards, amendments and interpretations applicable from 1 January 2013” and on the basis of the accounting standards applicable following the merger with the Acegas APS Group and illustrated below:

Investment property

Land and buildings are classified as investment property when these assets generate cash flows independent of the other Company’s activities, as they are held to earn rentals and/or capital appreciation and not to be used in production or in the provision of goods and services or for the management of the company. As permitted by IAS 16, Investment property is recognised at cost, less accumulated depreciation and any impairments.

Foreign currency transactions and consolidation of foreign companies

Foreign currency transactions are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominate din foreign currency are translated at the exchange rate prevailing at fiscal year-end. Any exchange rate differences arising from such transactions are recognised as financial income and expense. The assets and liabilities of consolidated foreign companies denominated in a currency other than the euro are translated at the exchange rate prevailing on the dates of the relevant financial statements. Income and expenses are translated at the average exchange rate for the year. Translation differences are combined in a single equity reserve until the company is sold.

The main exchange rates used to translate into euros the assets and liabilities of consolidated foreign companies denominated in a currency other than the euro were as follows:

	30 June 2013	
	Average	Specific
Bulgarian lev	1.9558	1.9558
Serbian dinar	111.902	113.939

Subsequent events and outlook

Information on the Group's activities and significant events occurred after the end of the year are illustrated in the report on operations in paragraph 1.02 "Subsequent events".

Other information

These consolidated half-year financial statements as at 30 June 2013 were drawn up by the Board of Directors and approved by the same at the meeting held on 28 August 2013.

Summary of the effects of the business combination with the Acegas Group

On 25 July 2012 Hera S.p.A. and Acegas APS Holding S.R.L., a company with a 62.691% controlling interest in Acegas-APS S.p.A., a listed multi-utility operating in the north-east of Italy, entered into a master agreement to lay down the procedures to complete a business combination between the two Groups.
Under this plan, as of 1 January 2013 Acegas APS Holding S.R.L. merged with and into Hera S.p.A., which in turn obtained the 62.691% equity interest in Acegas APS S.p.A.. On 2 January 2013 Hera S.p.A. launched a mandatory purchase and exchange offer for all the share of Acegas Aps S.p.A. that it did not own to delist the company.
On 3 May 2013, the closing date of the offer, Hera S.p.A. became the sole shareholder of Acegas Aps S.p.A., as its equity stake rose from 62.691% to 99.784%, with the remaining 0.216% being represented by treasury shares.
This business combination is treated in accordance with IFRS 3, effective 1 January 2013, the date on which the Hera Group took control of the company. In particular, the assets and liabilities of the Acegas Group recognized at their fair value on that date, and properly aligned with the Hera Group's accounting standards, are shown below ("Purchase Price Allocation"):
As of the date of these consolidated condensed financial statements, the purchase price allocation was still under way.

The table below shows acquired assets and liabilities at their carrying amounts and the amount determined according to the Hera Group's accounting standards. As illustrated below, a comparison between both sets of values shows that the merger gave rise to a temporary badwill of Euro 74,806 thousand.

	Acquisition AcegasAps Group
Property,plant and equipment	216,805
Intangible assets	636,647
Property investments	3,107
Non-controlling interests	12,406
Financial assets	26,242
Deferred tax assets	23,508
Inventories	9,449
Trade receivables	248,428
Contract work in progress	137
Financial assets	15,084
Current tax assets	4,993
Other current assets	35,615
Cash and cash equivalents	26,413
Borrowings – maturing beyond 12 months	(254,537)
Post-employment benefits	(22,784)
Provisions for risks and charges	(26,230)
Deferrred tax liabilities	(1,684)
Finance lease payments - maturing beyond 12 months	(59)
Banks and other borrowings – maturing within 12 months	(288,792)
Finance lease payments - maturing within 12 months	(15)
Trade payables	(184,376)
Current tax liabilities	(3,502)
Other current liabilities	(113,052)
Total net assets acquired	**363,803**
Fair Value of ordinary shares issued **(*)**	279,587
Cash outlay **(*)**	9,425
Non-controlling interests	(15)
Total merger value	**288,997**
Gain on bargain purchase	**74,806**

(*): Details of price paid for the acquisition of AcegasAps SpA	
Merger of AcegasAps Holding S.R.L. with and into Hera S.p.A.	
Fair Value ordinary shares issued	175,928
Cash outlay	3,407
Purchase and exchange offer - I phase (articles 102 and 106, paragraphs 1 and 2-bis, Consolidated Law on Finance (TUF)	
Fair Value ordinary shares issued	84,279
Cash outlay	4,515
Purchase and exchange offer - II phase (article 108, paragraph 2, Consolidated Law on Finance (TUF)	
Fair Value ordinary shares issued	16,322
Cash outlay	1,283
Purchase and exchange offer - III phase (articles 111 and 108, paragraph 1, Consolidated Law on Finance (TUF)	
Fair Value ordinary shares issued	3,058
Cash outlay	220
Total fair value ordinary shares issued	**279,587**
Total cash outlay	**9,425**

Summary of adjustments

Starting 1 January 2013 the Hera group applied IAS 19 Revised, which abolished the so-called “corridor method” to account for actuarial gains and losses. The application of the new standard entailed the recasting of the statement of financial position at 31 December 2012 and the income statement for the six months ended 30 June 12012. In particular, “Post-employment benefits” rose by Euro 21,597 thousand with contra entries of Euro 17,521 thousand in equity and Euro 4,076 thousand in “Deferred tax liabilities”. These effects include the benefit recognised in “Personnel costs” - in the income statement for the six months ended 30 June 2012 – for Euro 613 thousand net of the relevant tax effect, which was recognised under “income tax for the period” for Euro 276 thousand.

Furthermore, the income statement for the first six months of 2012 was restated to reflect the aborted sale, for reasons beyond the company’s control, of the Berti Pichat area. This sale had involved the recognition of a gain of Euro 6,625 thousand under 2other operating revenue”. Specifically, in the light of such restatement, “Other operating revenue” declined by the same amount net profit for the first half of 2012 fell by Euro 3,479 thousand, net of the tax effect accounted for under “Income tax for the period” for Euro 3,146 thousand. Considering that negotiations are under way with a potential buyer, a portion of the Berti Pichat area continues to be classified as “Non-current assets held for sale” also in the statement of financial position as of 30 June 2013.

The restated income statement for the first half of 2012 and statement of financial position as of 31 December 2012 are shown below.

Restated income statement for the six months ended 30 June 2012

thousands of euro	*First half 2012 reported*	*ias 19R*	*plus Berti area*	*First half 2012 adjusted*
Revenues	2,298,917			2,298,917
Other operating revenues	91,070		(6,625)	84,445
of which non-recuring	*6,625*		*(6,625)*	(0)
Use of raw materials and consumables	(1,399,806)			(1,399,806)
Service costs	(427,503)			(427,503)
Personnel costs	(192,797)	613		(192,184)
Amortisation, depreciation and allowances	(151,550)			(151,550)
Other operating costs	(19,337)			(19,337)
Capitalised costs	13,057			13,057
Operating profit	**212,051**	**613**	**(6,625)**	**206,039**
Portion of profits (losses) pertaining to associated companies	2,897			2,897
Financial income	45,600			45,600
Financial expense	(110,268)			(110,268)
Financial income (expense), net	**(61,771)**	**0**	**0**	**(61,771)**
Pre-tax profit	**150,280**	**613**	**(6,625)**	**144,268**
Income taxes for the period	(66,833)	(276)	3,146	(63,963)
Net profit for the period	**83,447**	**337**	**(3,479)**	**80,305**
Attributable to:				
Shareholders of Parent Company	76,943	318	(3,479)	73,782
Non-controlling shareholders	6,504	19	0	6,523
Earnings per share				
basic	**0.070**			**0.067**
diluted	**0.066**			**0.064**

Restated statement of financial position as of 31 December 2012

thousands of euro		31 December 2012 reported	ias 19R	31 December 2012 adjusted
EQUITY AND LIABILITIES				
Share capital and reserves	32			
Share capital		1,115,014		1,115,014
Treasury shares - nominal value		(13,813)		(13,813)
Costs for capital increase		0.00		0
Reserves		540,138	-16,657	523,481
Treasury shares -amount exceeding nominal value		(4,181)		(4,181)
Reserves for derivative instruments recognised at fair value		(5,993)		(5,993)
Retained earnings (accumulated deficit)		2,061		2,061
Profit (loss) for the period		118,658	759	119,417
Equity pertaining to Parent Company's shareholders		**1,751,884**	**-15,898**	**1,735,986**
Non-controlling interests		142,978	(1,623)	141,355
Total equity		**1,894,862**	**(17,521)**	**1,877,341**
Non-current liabilities				
Borrowings – maturing beyond 12 months	33	2,440,994		2,440,994
Post-employment benefits	34	91,366	21,597	112,963
Provisions for risks and charges	35	251,897		251,897
Deferrred tax liabilities	36	78,114	(4,076)	74,038
Finance lease payments - maturing beyond 12 months	37	13,356		13,356
Financial instruments - derivatives	23	32,963		32,963
Total non-current liabilities		**2,908,690**	**17,521**	**2,926,211**
Current liabilities				
Banks and other borrowings – maturing within 12 months	33	317,560		317,560
Finance lease payments - maturing within 12 months	37	3,767		3,767
Trade payables	38	1,165,838		1,165,838
Current tax liabilities	39	20,463		20,463
Other current liabilities	40	350,060		350,060
Financial instruments - derivatives	23	38,229		38,229
Total current liabilities		**1,895,917**		**1,895,917**
Non-current liabilities held for sale	**31**	**0**		**0**
TOTAL LIABILITIES		**4,804,607**	**17,521**	**4,822,128**
TOTAL EQUITY AND LIABILITIES		**6,699,469**	**0**	**6,699,469**

Accounting standards, amendments and interpretations applied as of 1 January 2013

The amendments to IFRSs issued by the IASB and endorsed by the European Union apply as of 1 January 2013.

Amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards (Regulation 1255/2012). This amendment introduces simplifications for first-time adopters and companies that could not use IFRSs due to hyperinflation.
The application of this amendment is not expected to have any effect on the Group's accounts.

Amendments to IAS 1 – Presentation of Financial Statements (Regulation 475/2012). These amendments, issued by the IASB on 16 June 2011, require the aggregation of items of other comprehensive income in two categories, one involving items that can be reclassified subsequently to profit or loss and one involving items that will never be reclassified to profit or loss. Application is retrospective.
The application of this amendment is not expected to have any effect on the Group's accounts.

Amendments to IAS 19 – Employee benefits (Regulation 475/2012). The amendments, issued by the IASB on 16 June 2011, concern such substantive aspects as: the elimination of the "corridor method" to account for actuarial gains and losses; the presentation and recognition of changes in assets and liabilities arising from defined benefit plans in the income statement and in other comprehensive income; enhanced disclosure requirements for defined benefit plans and the risks that entities participating in those plans are exposed to. These amendments apply retrospectively.
As the Group applied the corridor method, in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, until 31 December 2012, the opening balances of the relevant items in the statement of financial position were restated, together with comparative balances. Reference is made to "Summary of adjustments" in these notes for the analysis of the effects of this amendment for the group's accounts.

Amendment to IAS 32 – Financial Instruments: Presentation – Disclosure and **amendment to IFRS 7** – Financial Instruments: Disclosure (Regulation 1256/2012). The amendment, issued by the IASB on 16 December 2011, concerns the offsetting of assets and liabilities and the relevant disclosure requirements in connection with certain financial instruments. As to IAS 32, the amendment applies retrospectively as of 1 January 2014. With respect to IFRS 7, the amendments came into force as of 1 January 2013. The required disclosure must be provided retrospectively.

IFRS 13 – Fair Value Measurement (Regulation 1255/2012). The amendment, issued by the IASB on 12 May 2011, defines the concept of fair value, provides guidance for its determination and introduces qualitative and quantitative disclosure common to all items recognised at fair value, to guarantee greater consistency and reduce complexity. The amendment is applied prospectively and, currently, it has not had any effect on the Group's accounts.

IFRIC 20 – "Stripping Costs in the Production Phase of a Surface Mine" (Regulation 1255/2012).
This interpretation, which was published by the IASB on 19 October 2011, applies prospectively but has no bearing on the Group's industry and, consequently, on its accounts.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government loans (Regulation 183/2013). Document issued by the IASB on 19 March 2011. With reference to loans provided to an entity by government at a below-market rate, the amendment allows a first-tme adopter to apply IAS 20 prospectively, not changing the amount recognised initially for than loan, if this had not been accounted for in accordance with IAS 39.

On 17 May 2012 the International Accounting Standards Board (IASB) published "Improvements to International Financial Reporting Standard (2009-2011 Cycle)", which were subsequently adopted by the European Union with Regulation 301/2013. These improvements include amendments to the following existing international accounting standards:

- **Improvement IFRS 1** – First-Time Adoption of International Financial Statements: Repeat application. This improvement clarifies that in case of new transition to IFRSs, if the entity had switched again to different GAAP, it is necessary to apply IFRS 1 again.
- **Improvement IFRS 1** – First-Time Adoption of International Financial Statements: Capitalised borrowing costs. This improvement clarifies that, on first-time adoption, an entity is not required to restate the borrowing cost component that was capitalised in the carrying amount of an asset but will use IAS 23 subsequently.
- **Improvement IAS 1** – Presentation of Financial Statements: Comparative information.
  This improvement clarifies that additional comparative information must be presented in accordance with IAS/IFRSs. In addition, in case of retrospective adjustments, the entity is required to present a statement of financial position at the beginning of the comparative period (third statement of financial position), without providing complete information for this statement but only for the items concerned.
- **Improvement IAS 16** – Property, Plant & Equipment: Classification of servicing equipment. This improvement clarifies that servicing equipment must be classified as property, plant and equipment if it is used for more than one fiscal year and inventories, if it is used for only one fiscal year.
- **Improvement IAS 32** – Financial Instruments Presentation: Income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction must be accounted for in accordance with IAS 12 Income Taxes
- **Improvement IAS 34** – Interim Financial Reporting: Total assets for a segment. The improvement clarifies that total assets must be indicated only if that information is used by management and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The application of these improvements is not expected to have any effects on the Group's accounts.

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

Starting 1 January 2014 the IAS/IFRSs and amendments to IAS/IFRSs listed below will apply, as they have already completed the EU's endorsement process:

IFRS 10 – Consolidated Financial Statements (Regulation 1254/2012). Published by the IASB on 12 May 2011, this IFRS replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities". The new standard introduces a new definition of control, sets out the concept of de facto control (control with less than the majority of voting rights) and clarifies the link between control and agency relationship. Application is retrospective.

The Group is currently considering the potential effects deriving from the adoption of this IFRS on its consolidated financial statements.

IFRS 11 – Joint Arrangements (Regulation 1254/2012). Published by the IASB on 12 May 2011, this IFRS replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities–Non-monetary Contributions by Venturers. The new IFRS draws a distinction between a joint operation and a joint venture, emphasising the rights and obligations of the parties to a joint arrangement, more than the legal form of the arrangements. Application is retrospective.
The Group is currently considering the potential effects deriving from the adoption of this IFRS on its consolidated financial statements.

IFRS 12 – Disclosure of Interests in Other Entities (Regulation 1254/2012). Published by the IASB on 12 May 2011, this is a new IFRS to be applied when an entity has interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity discloses information about significant judgments and assumptions it has made in determining the existence of control, joint control or significant influence over another entity. The Group is currently considering the potential effects deriving from the adoption of this IFRS on its consolidated financial statements.

IAS 27 Revised – Separate Financial Statements (Regulation 1254/2012). Amendment introduced by the IASB on 12 May 2011, due to the issue of IFRS 10, to limit the application of IAS 27 to separate financial statements. This standard provides for the accounting treatment of investments in subsidiaries, associated companies and joint ventures in separate financial statements.

IAS 28 Revised – Investments in Associates and Joint Ventures (Regulation 1254/2012). Amendment introduced by the IASB on 12 May 2011, due to the issue of IFRS 10 and IFRS 11, to provide for the treatment of investments in associates ad joint ventures and to set out the criteria for the application of the equity method.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition guidance (Regulation 313/2013). The paper, published by the IASB on 28 June 2012, clarifies first-time application of IFRS 10 and provides guidance in case the application of IFRS 10 causes the consolidation or deconsolidation of an entity. In addition, relief is provided with reference to the first-time application of IFRS 11 and IFRS 12.

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

The following changes in and amendments to IFRSs (already approved by the IASB) and the following interpretations (already approved by the IFRS IC) are being reviewed for endorsement by the competent bodies of the European Union.

IFRS 9 – Financial instruments. Published by the IASB on 12 November 2009 and subsequently amended. This IFRS, whose application was postponed until 1 January 2015, is part of a broader multi-stage project designed to replace IAS 39. It introduces new criteria to account for financial assets and liabilities, the derecognition of financial assets and the treatment and recognition of hedging transactions.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities. Amendments issued by the IASB on 31 October 2012. The paper introduces the exemption of entities that recognise their investments at fair value (investment entities) from the consolidation requirements set out by IFRS 10, as the Board considers disclosure of the way these entities measure the fair value of their assets and liabilities more meaningful than that made with the consolidation of their assets and liabilities. In addition, the paper clarifies that an investment entity is not required to apply IFRS 3 at the time it obtains control of an entity, but can measure fair value in accordance with IFRS 9 or IAS 39. Guidance is provided on the treatment of separate financial statements and on the type of disclosure to be provided.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets. Amendments issued by the IASB on 29 May 2013 and applicable retrospectively starting from 1 January 2014. The paper indicates that disclosure requirements on the recoverable amounts of assets and GCUs apply only when impairment charges are made or previous impairment charges are reversed. It also provides clarifications on the disclosure required in case of asset impairment, when recoverable amount has been determined by using fair value, minus transaction costs.

Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting. Amendments issued by the IASB on 27 June 2013 and applicable retrospectively as of 1 January 2014, with earlier application permitted. The paper indicates a number of exemptions to the hedge accounting requirements set out by IAS 39, in the case where a derivative must be replaced with a derivative which has a direct or indirect central counterparty, as a consequence of law or regulations. In particular, the objective of the amendments is to avoid any impact on an entity’s hedge accounting from derecognising the derivative, following its novation, unless specific conditions are met.

IFRIC 21 – Levies. Interpretation issued by the IFRS IC on 20May 2013 and applicable retrospectively as of 1 January 2014 or subsequently. The interpretation was issued to set out the accounting treatment of levies, i.e. payments to a government entity for which the entity does not receive specific goods or services. The paper identifies different types of levies, clarifying the event that gives rise to the obligation which in turn must be accounted for as a liability, in accordance with IAS 37.

4 Revenues

	1st half 2013	1st half 2012	Changes
Revenues from sales and services	2,425,653	2,297,740	127,913
Change in contract work in progress	3,564	1,209	2,355
Changes in inventories of work in progress, finished and semi-finished products and contract work in progress	196	(32)	228
Total	**2,429,413**	**2,298,917**	**130,496**

For further details of sales trend by business sector reference is made to the report on operations and the section on information by business area.

Revenues are generated mainly in Italy.

5 Other operating revenues

	1st half 2013	1st half 2012	Changes
long term construction contracts	61,179	55,378	5,801
white certificates	12,934	6,541	6,393
Operating grants and grants for separated collection	11,746	8,912	2,834
Use and reassessment of provisions	4,475	2,146	2,329
Costs reimbursed	4,250	1,688	2,562
Payments for plant operations grants	3,320	2,066	1,254
Insurance reimbursements	3,077	1,224	1,853
Leases	1,182	801	381
Sale of materials and stocks to third parties	963	292	671
Plusvalenze da cessione di beni	98	161	(63)
grey certificates	0	708	(708)
other revenue	4,237	4,528	(291)
Total	**107,461**	**84,445**	**23,016**

Below a description is provided of the most significant changes with respect to the comparable period of the previous years.

"Long-term contracts" include revenues generated from the construction or improvement of infrastructures held under concession arrangements, in application of IFRIC 12. The change compared to the first half of 2012 was mainly due to lower investments (Euro 8,671 thousand) and an increase associated with the merger of the Acegas Group (Euro 14,472 thousand). Further details are provided in the report on operations.

“White certificates” and “Grey certificates” show the revenues recorded for the Compensation Fund of the electricity sector, after energy goals were attained (white certificates) and for the Ministry for the Environment (for the grey certificates) mainly pertaining to the cogeneration plant in Casalegno, as provided for by the applicable laws (Law Decree no. 72 of 20/5/2010, later converted with Law no. 111 of 19 July 2010).

"Operating grants and revenues from waste sorting". Operating grants, amounting to Euro 2,165 thousand (Euro 2,364 thousand in the first half of 2012), reflect mainly feed-in tariffs provided by the GSE for the production of energy from renewable sources.

Revenues from waste sorting, amounting to Euro 9,581 thousand (Euro 6,548 thousand in the first half of 2012), reflect mainly the value of packaging (cardboard, iron, plastic and glass) transferred to the consortia of the Conai chain.

The increase on the previous year is due to the combined effect of:

- greater quantities of paper packaging, Euro 248 thousand;
- lower quantities of cardboard packaging, Euro 76 thousand;
- higher revenues from “platform cardboard processing”, Euro 363 thousand;
- greater quantities of plastic and glass packaging, Euro 912 thousand;

as well as the increase due to the merger of the Acegas Group for Euro 1,565 thousand.

"Use and revisions of provisions" include mainly:

- use for labour costs, percolate disposal and vehicle hours related to the Group's landfills (Euro 3,466 thousand versus Euro 1,468 thousand in the first half of 2012);
- revisions of past provisions, in relation to the final settlement for the dispute related to the use of geothermal wells in the Ferrara area, Euro 510 thousand;
- revisions of past provisions, in relation to the amount of ecotaxes for 2006 ad 2007 for the Ravenna landfill, Euro 101 thousand;

as well as the amount associated with the merger of the Acegas Group, Euro 362 thousand.

"Reimbursement of costs", made up mainly of repayments from companies or entities relating to personnel seconded and the recovery of expenses from customers. The change compared with the first half of 2012 was due entirely to the consolidation of the Acegas Group.

"Insurance reimbursements" rose by Euro 1,853 thousand. In particular:

- Euro 882 thousand related to damage to property and equipment located in the areas of Modena, Ferrara and Bologna, due to the earthquake of 20 and 29 May 2012;
- Euro 150 thousand related to damage caused by the flooding of the purification plant in Cesenatico;
- Euro 933 thousand related to the consolidation of the Acegas Group.

"Other revenues" reflect mainly the reimbursement of costs for the provision of environmental services, gas and electricity services and the sale of optical fibre rights.

6 Use of raw materials and consumables

	1st half 2013	1st half 2012	Variations
Methane ready for sale and LPG net of change in stock	660,363	692,704	(32,341)
Electricity ready for sale	575,629	635,226	(59,597)
Maintenance materials: handling and spare parts net of change in stock	30,219	22,124	8,095
Electricity for industrial use	18,145	14,556	3,589
Water	17,923	18,574	(651)
Fuels and lubricants	8,696	8,132	564
White, grey and green certificates	7,341	21,378	(14,037)
Chemical products	6,663	7,214	(551)
Income and charges from derivatives	5,703	(9,351)	15,054
Fuels for heat generation	3,603	3,264	339
Consumables and sundry	748	5,746	(4,998)
Income and charges from certificates measurement	(4,211)	(19,761)	15,550
Total	**1,330,822**	**1,399,806**	**(68,984)**

For the analysis of trends in the costs of raw materials and the consumables, reference should be made to the report on operations and the notes showing information by business segment. Note 23 of the statement of financial position provides additional information on "Derivative gains and losses".

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

“Maintenance materials net of change in inventories” rose on the first half of 2012, due entirely to the consolidation of the Acegas Group.

“White, grey and green certificates,” includes the cost for the acquisition of white, grey and green certificates incurred in the first half of 2013. Specifically:

- white certificates, Euro 4,197 thousand (Euro 4,280 thousand in the first half of 2013);
- grey certificates, Euro 975 thousand (Euro 2,660 thousand in the first half of 2013);
- green certificates, Euro 2,169 thousand (Euro 14,438 thousand in the first half of 2013).

The change from the previous year was due to the different purchasing requirements in view of the Group’s certificate needs.

“Gains and losses from certificate valuation” reflect the valuation of certificates in stock, particularly:

- white, gain of Euro 976 thousand.(none in the first half of 2012)
- green, gain of Euro 6,471 thousand (Euro 20,621 thousand in the first half of 2012);
- grey, loss of Euro 1,284 thousand (Euro 860 thousand in the first half of 2012).

7 Service costs

	1st half 2013	1st half 2012	Changes
Charges for works and maintenance	119,499	103,884	15,615
Transportation and storage	115,620	108,933	6,687
Waste transportation, disposal and collection services	97,161	82,158	15,003
Fees paid to local authorities	37,635	36,698	937
Rents and leases payable	13,534	10,690	2,844
Legal, tax and organisation professional services	12,169	11,410	759
Insurance costs	10,787	6,827	3,960
IT and data processing services	9,882	9,224	658
Recruitment, training and other staff costs	7,986	6,251	1,735
Postal and telephone costs	7,721	7,824	(103)
Technical services	7,054	5,944	1,110
Bank fees and other charges	6,701	5,250	1,451
Transports	5,523	2,314	3,209
Published notices, classified and advertising	4,018	2,017	2,001
Remuneration to Directors, Statutory Auditors and local committees	3,653	2,809	844
Cleaning and security costs	3,561	2,993	568
Meter readings	2,271	2,185	86
Laboratory analyses	2,084	2,164	(80)
Fees payable	1,732	1,887	(155)
Utilities	1,329	1,010	319
Other service costs	26,854	15,031	11,823
Total	**496,774**	**427,503**	**69,271**

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

"Construction and maintenance expenses". This item includes the costs for the construction or improvement of licensed infrastructures pursuant to IFRIC 12 interpretation. The change from the first half of 2012 was due to the combined effect of:

- an increase of Euro 21,842 thousand due to the consolidation of the Acegas Group;
- a decrease in investments for Euro 6,227 thousand, as explained in greater detail in the report on operations.

"Energy transportation and storage" rose due entirely to the consolidation of the Acegas Group.

"Waste transportation, disposal and collection services" increased as a result of the inclusion in the scope of consolidation of Feronia S.R.L. and Enorgonut S.p.A. (which were consolidated on aline-by-line basis in the first half of 2012) and to the Acegas Group (Euro 12,754 thousand) and the provision of additional waste collection and sanitation services to achieve a greater percentage of sorted waste collection.

The item “Fees paid to local authorities” includes the charges incurred for the use of public owned networks, fees paid to companies that own these assets for the rent of gas, water and electricity cycle assets and the leasing of the drop-off points. Compared to the first half of 2012, the change was due entirely to the inclusion of the Acegas Aps Group (Euro 902 thousand).

“Insurance”, the change in this item was due entirely to the consolidation of the Acegas Group (Euro 2,432 thousand).

“Personnel selection, training and other personnel expenses”, the change in this item was due entirely to the consolidation of the Acegas Group (Euro 1,308 thousand).

“Postage, shipping and telephone expenses, the change in this item was due to the combined effect of:

- cost increase due to the consolidation of the Acegas Group (Euro 1,299 thousand);
- cost decrease in general postal services following the gradual adoption of more attractively prices services from other suppliers (Euro 1,402 thousand).

“Bank fees and charges” rose due mainly to the consolidation of the Acegas Group (Euro 974 thousand).

“Announcements legal and financial notices, information to customers”, this item rose mainly due to the consolidation of the Acegas Group (Euro 1,284 thousand) and an increase in advertising activities, compared to the first half of 2012.

“Fees to Statutory Auditors, Directors, Area Committees”, includes costs incurred for the different company bodies and for Area Committees. Compared to the first half of 2012, the change was due mainly to the consolidation of the Acegas Group (Euro 830 thousand).

“Other service costs”, the change was due mainly to:

- an increase in costs for the marketing and sale of energy services (Euro 2,804 thousand
- consolidation of the Acegas Group (Euro 8,946 thousand).

8 Personnel costs

	1st half 2013	1st half 2012	Changes
Wages and salaries	174,419	136,102	38,317
Social security contributions	57,814	45,048	12,766
Employee leaving indemnity and other benefits	845	226	619
Other costs	13,367	10,808	2,559
Total	**246,445**	**192,184**	**54,261**

This item rose mainly as a result of the inclusion in the scope of consolidation of the Acegas Group (Euro 48,859 thousand) and Ergonut S.p.A. (Euro 935 thousand) and as a result of the application of labour agreements.

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

	1st half 2013	1st half	Changes
Managers	153	130	23
Middle managers	452	356	96
Employees	4,259	3,391	868
Workers	3,502	2,638	864
Average number	**8,366**	**6,515**	**1,851**

The average number of employees rose by 1,851 due mainly to the inclusion in the scope of consolidation of the Acegas Group (1,794 employees, on average) and Ergonut S.p.A. (26 employees, on average).

On the whole, the average pro-capita labour cost for the first half of 2013 was equal to Euro 29.8 thousand (Euro 30 thousand in the first half of 2012).

As to companies consolidated with the proportionate method, in determining the average pro-capita labour cost, the average employee number is proportional to the percentage held in the respective companies.

As 30 June 2013, the Hera group had 8,360 employees (6,494 employees at 30 June 2012).

9 Amortisation, depreciation and provisions

	1st half 2013	1st half 2012	Changes
Depreciation of tangible fixed assets	79,660	65,754	13,906
Depreciation of intangible fixed assets	70,594	50,164	20,430
Provisions for doubtful debt	29,504	23,108	6,396
Provision for risks and charges	18,906	12,524	6,382
Total	**198,664**	**151,550**	**47,114**

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

This item rose mainly due to the change in the scope of consolidation with respect to:

- Acegas Group, Euro 34,823 thousand;
- Energonut S.p.A., Euro 3,394 thousand;
- Feronia S.R.L., Euro 909 thousand.

10 Other operating costs

	1st half 2013	1st half 2012	Changes
Taxation other than income taxes	7,070	4,809	2,261
Special landfill levy	4,110	5,217	(1,107)
State rentals	3,710	1,760	1,950
Membership fees and other fees	1,926	1,517	409
Capital losses on disposal of assets	492	458	34
Other minor charges	7,984	5,576	2,408
Total	**25,292**	**19,337**	**5,955**

The most substantial changes by comparison with the first half of 2013 are described below.

"Taxation other than income taxes", the increase on the first half of 2012 was due mainly to:

- greater Tares costs compared to the old TIA in the amount of Euro 245 thousand;
- an increase in property taxes (IMU) for Euro 167 thousand; in the first half of 2012 (first year of application of IMU) the first instalment of the tax was calculated on the basis of a fixed tax rate while the second instalment was computed in accordance with the tax rate approved by the Municipalities;
- change in the scope of consolidation, in relation to the Acegas Group, Euro 1,259 thousand, of which Euro 498 thousand for IMU and Euro 761 thousand for minor taxes, such as stamp duty, registry, and excise taxes.

"Special landfill levy", corresponds to the payment of ecotax on landfills managed by the Group for the first half of 2013. The decrease reflects lower quantities disposed of in landfills.

"State rentals", the increase on the first half of 2012 was due mainly to the higher payments made to the Province of Pesaro for tax collections (Euro 528 thousand) and the consolidation of the Acegas Group (Euro 1,320 thousand).

"Losses on disposals", due mainly to the following disposals:

-
- waste disposal bins, containers and other equipment, for Euro 128 thousand (Euro 64 thousand, in the first half of 2012);
-
- sundry equipment, for Euro 206 thousand.

"Other minor charges" included, among others:

- decrease in charitable donations; to this end, attention is called to the Parent Company's participation in the fundraising drive organised by the Emilia Romagna Region for the populations hit by the earthquake in May 2012;
- decrease in contributions to low-income customers in the water service sector, following the application of the new tariffs, which make no provisions in this area for 2013;
- increase in other current costs, mainly damages to water service customers following the new third-party-liability insurance contract as of 1 July 2012;
- increase of Euro 1,458 thousand due to the consolidation of the Acegas Group. This amount includes damages, fines, penalties, and other operating costs.

11 Capitalised costs

	1st half 2013	1st half 2012	Changes
Increases in self-constructed assets	7,764	13,057	(5,293)
Totale	**7,764**	**13,057**	**(5,293)**

Increases in self-constructed assets include mainly labour costs, borrowing costs and other charges (such as materials and vehicle hours) directly attributable to the Group's self-constructed assets. The decrease was due to the decline in investments compared to the first half of 2012. Investments are analysed in the notes to the statement of financial position and the report on operations.

12 Share of profits (losses) pertaining to associated companies

	1st half 2013	1st half 2012	Changes
Share of profits	4,377	3,189	1,188
Share of losses	(1,277)	(292)	(985)
Total	**3,100**	**2,897**	**203**

The "Share of profits/losses pertaining to associated companies" include the effects generated from measurement using the equity method.

Specifically, the "Share of profits" showed the following changes compared with the first half of 2012:

- Aimag S.p.A., Euro 1,717 thousand (Euro 1,070 thousand in the first half of 2012);
- Sgr S.p.A., Euro 21,855 thousand (Euro 1,810 thousand in the first half of 2012);
- Set S.p.A., Euro 571 thousand (Euro 144 thousand in the first half of 2012);
- FlamEnergy Trading Gmbh, Euro 159 thousand (Euro 116 thousand in the first half of 2012).

"Share of losses" refers to the following companies:

- Tamarete Energie S.R.L., Euro 1,207 thousand (Euro 193 thousand in the first half of 2012);
- Refri S.R.L., Euro 56 thousand (Euro 99 thousand in the first half of 2012);
- Q.Thermo S.R.L., Euro 14 thousand.

The loss attributable to Refri S.R.L. refers to fiscal year 2012, as the financial statements for that period were made available after the approval of the Hera Group's accounts.

13 Financial income and expense

Financial income	1st half 2013	1st half 2012	Changes
Income from measurement at fair value of financial liabilities	37,015	3,274	33,741
Interest rate derivatives	18,464	35,544	(17,080)
Banks	3,755	3,076	679
Customers	3,041	2,459	582
Capital gains on equity investments and dividends from other companies	235	106	129
Other financial income	2,008	1,141	867
Total	**64,518**	**45,600**	**18,918**

Oneri finanziari	1° semestre 2013	1° semestre 2012	Variazioni
Bond loans	55,896	48,147	7,749
Interest rate derivatives	52,292	24,418	27,874
Mortgages	8,671	5,746	2,925
Factoring costs	7,545	5,213	2,332
Discounting of provisions and finance leases	7,339	7,015	324
Bank current account overdrafts	3,941	1,661	2,280
Losses on investments	688	66	622
Write-down of financial assets	8	350	(342)
losses related to changes in the fair value of financial liabilities	-	16,814	(16,814)
Other financial losses	2,098	838	1,260
Total	**138,478**	**110,268**	**28,210**

The change in financial income/(expense) is described, overall, in the report on operations.

For “Gains and losses related to changes in the fair value of financial liabilities” and “C” reference is made to note 23 of the statement of financial position.

Changes in the most significant items compared with the previous year are discussed below.

Financial expense related to bonds includes:

- Euro 50,401 thousand in interest expense (Euro 42,583 thousand in the first half of 2012);
- Euro 5,495 thousand in changes due to the valuation of such financial liabilities at amortised cost (Euro 5,564 thousand in the first half of 2012).

For details of the bonds issued, reference is made to note 33 “Banks and medium/long- and short-term loans”.

The item “Factoring costs” refers to borrowing costs incurred in relation to factoring and securitization transactions related to the sale of receivables so as to optimise working capital management for the Group. The change with respect to the first half of 2012 is due entirely to the consolidation of the Acegas Group.

The increase in “Loans” on the first half of 2012 was due to new loans obtained by the Parent Company in the first half of 2013 as well as the portion attributable to the Acegas Group for Euro 2,193 thousand. Also in this case reference is made to note 32 of the statement of financial position.

The item “Losses on investments” breaks down as follows:

- Euro 538 thousand, following the disposal of cemetery and funeral services. To this end, it is noted that on 1 August 2013 the tender launched by the Municipality of Bologna to select a private partner for these services ended. The agreement with the Municipality of Bologna calls for the handover to the Municipality of the Parent Company’s investments in Hera Servizi Cimiteriali S.R.L. and Hera Servizi Funerari S.R.L.;
- Euro 138 thousand, following the sale of the investment in Refri S.R.L., a company engaged in WEEE, to Unieco Costruzioni Meccaniche S.R.L., based on an agreement signed on 19 June 2013;
- Euro 12 thousand, reflecting a loss on disposal of the investment in Modena Formazione S.R.L., a company engaged in professional training.

“Gains on disposals of investments and dividends from other companies”:

- Euro 85 thousand received from Service Imola S.R.L. and Banca di Credito Cooperativo;
- Euro 150 thousand in dividends received from Centro Idrico Novoledo (a company acquired with the merger of the Acegas Aps Group).

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

	1st half 2013	1st half 2012	Changes
Landfill post-closure provision	3,780	2,789	991
Employee leaving indemnity and other benefits	1,913	2,095	(182)
Restoration of third party assets	1,158	1,991	(833)
Finance leases	418	140	278
Plants dismantling	70	-	70
Total	**7,339**	**7,015**	**324**

The increase in financial expense related to the discounting to present value of the funds for landfill closures was due mainly to the greater uses made in the period compared with cash flows forecasts.

The decrease in financial expense in relation to “Restoration of third-party assets” is attributable to the expiration of the concession arrangements related to the gas service in the province of Ravenna and the water service in the province of Rimini.

The item “Other financial expense” rose on the comparable amount for the first half of 2012 due mainly to the merger of the Acegas Group. In fact, in the acquired company’s accounts, this item reflects, for the part not eliminated, interest on loans provided to group companies consolidated with the proportionate method, in addition to interest expense on fixed-rate loans arisen following the transfer to the Municipality of Trieste the management of Acegas S.p.A.’s Pension Fund.

14 Other non-operating revenues

	1st half 2013	1st half 2012	Changes
Other non operating non recurring revenues	74,806	-	74,806
Total	**74,806**	**-**	**74,806**

For a comment, reference is made to the section “Change in the scope of consolidation”, “Table summarising the effects of the Business Combination”, in the introductory part of these notes.

15 Taxes for the period

This item is broken down as follows:

	1st half 2013	1st half 2012	Changes
Current taxes (Ires, Irap and substitute tax)	83,837	72,508	11,329
deferred tax	268	(674)	942
prepaid tax	(6,393)	(7,871)	1,478
Total	**77,712**	**63,963**	**13,749**

Taxes for the period amount to EUR 77,712 thousand, compared to EUR 63,963 thousand of the first half of 2012.

Current taxes are broken down as follows:

Current taxes	1st half 2013	1st half 2012	Changes
Ires	61,821	56,157	5,664
Irap	21,855	16,190	5,665
Subtitute tax "scope split-up"	161	161	0
	83,837	**72,508**	**11,329**

The tax rate for the 1st half of 2013, calculated without including the extraordinary effect produced by the item “Other non-operational and non-recurring revenue” totals 44.21% compared to 44.34% of the first half of 2012.

In calculating the taxes for the financial period, the effects deriving from the IAS tax reform introduced by Italian Law no. 244 of 24 December 2007 were duly considered, and of the associated implementing decrees, Ministerial Decree no. 48 of 1 April 2009, and Ministerial Decree of 8 June 2011, coordination of the international accounting standards with the rules of calculation of the Ires and Irap taxable base, envisaged under art. 4, paragraph 7-quater, of Legislative Decree no. 38/2005. In particular the strengthened principle of derivation set forth under art. 83 of the Consolidation Act on Income Taxes that now envisages that “the criteria of qualification, time allocation and classification in the financial statements required by the international accounting standards apply to parties that apply the international accounting standards, also in derogation of the provisions of the Consolidation Act on Income Taxes.

Information on the "tax moratorium”

In accordance with Decree Law no. 10 of 15 February 2007, subsequently converted into Law no. 46 of 6 April 2007, governing the terms for reimbursement of government aid declared illegitimate by the Ruling of the European Commission no. 2003/193 dated 5 June 2002, on 6 April 2007 Hera Spa (with respect to the position regarding the former Seabo Spa) was served the notices/orders issued by the Inland Revenue office responsible for the area, demanding the payment of a total amount of EUR 22,313 thousand for the tax periods from 1997 to 1999 involved in the recovery.
The appeals submitted to the Provincial Tax Commission of Bologna were rejected by means of rulings dated 19 April 2008, except for that relating to the tax period 2007. In this case, the commission recognised the legitimacy of the deduction of tax withheld and of the tax receivable carried over from previous years amounting to EUR 3,738 thousand; therefore, in June 2008, a total of EUR 17,400 thousand was paid. Subsequently, on 11 September 2008, the Inland Revenue office sent an additional payment request for interest related to the suspension period, paid in December 2008, for EUR 660 thousand. Appeals were presented on 3 October 2008, rejected by rulings filed on 29 January 2010, by the Regional Tax Commission of Emilia Romagna which, by amending the first instance rulings, derecognised the legitimacy of the deduction of tax withheld and of the tax receivable for tax periods before 2007; therefore, on 27 October 2010, an additional EUR 7,455 thousand was paid in this respect. The appeals in Cassation were filed in on 29 April 2010. The hearing was held on 24 January 2012 and the related rulings were favourable.

Please also note that, under the terms of agreements made between shareholders (and specifically reported in the IPO prospectus) at the time of the incorporation giving rise to the creation of Hera Spa, local authorities undertook “to compensate Hera Spa for any cost, loss or damage sustained by the same in relation to mandatory regulatory measures revoking tax benefits that the company and the companies taking part in the incorporation have enjoyed”. Therefore, in relation to the above-mentioned recovery no cost was accounted for. It should be noted that as at 31 December 2011, outstanding receivables for collection from public entities, related to all payments made by Hera Spa for the position related to the former Seabo Spa, amounted to EUR 44 thousand as at the date of 31 December 2012.

Decree Law no. 185/2008 and Decree Law no. 135/2009

Art. 24 of Decree Law no. 185 of 29 November 2008, converted with amendments into Law no. 2 of 28 January 2009, intervened “in order to fully implement" the repeatedly mentioned decision of the Commission on 5 June 2002. As for this provision, on 30 April 2009, the Emilia Romagna Regional Management sent three tax assessment notices on the position of the former Meta for the 1997, 1998 and 1999 tax periods, for which EUR 4,823 thousand was paid on 8 May 2009. Appeals were filed with the Provincial Tax Commission of Bologna against the aforementioned assessment notices on 7 July 2009; at the hearing on 14 February 2011, following the reunification with proceedings to deal with additional assessment notices, pending before another section of the same provincial tax commission, commented on hereunder, all proceedings were adjourned so that the parties could attempt to reach a reconciliation. Discussion of the dispute should be scheduled for before the end of 2013.

Art. 24 of the Decree Law no. 185 of 29 November 2008, was then amended by art. 19 of the Decree Law no. 135 of 25 September 2009, which added paragraph 1-bis to the above-mentioned art. 24. On 2 October 2009, the Emilia Romagna Regional Management sent two assessment notices for the former company Meta Spa, regarding the 1998 and 1999 tax periods, as a “supplement" to notices already sent on 30 April 2009, in order to cancel two deductions made and previously accepted according to the opinion, shared by the Attorney General, expressed on 28 April 2009 by the Presidency of the Council of Ministers on profits, which were reissued into the public circuit due to the distribution to public bodies shareholders, and the further portion of profits made in the electricity segment. The amounts requested total EUR 22,751 thousand.

On the same date, the Emilia Romagna Regional Management sent four assessment notices for the former company Seabo Spa, regarding the 1997, 1998, 1999 tax periods, in order to acknowledge the irregularities already contained in the report on findings of 17 October 2005. These irregularities could not be taken into account when the notices and injunctions were issued on 6 April 2007, as, at that time, art. 1 of the Decree Law no. 10 of 15 February 2007 granted the Inland Revenue Office powers of “simple settlement” of the tax returns submitted by the taxpayer. The amounts required for the former company Seabo, amounted to EUR 759 thousand.

The total amounts required, by effect of the proceeding provided for by art. 19 of Decree Law no. 135/2009, amounted therefore to EUR 23,510 thousand, and were paid on 20 October 2009.

On 27 November 2009, the Company filed all appeals to the Bologna Provincial Tax Commission to cancel all assessment notices of 2 October 2009, regarding the positions of both former Seabo and former Meta. As regards the former Seabo position, discussion at the public hearing took place on 26 January 2011, in which the Board adjourned the case to attempt a reconciliation between the parties; The lawsuits were discussed on the occasion of the hearing held on 15 February 2012 and four rulings were handed down by the Provincial Tax Commission of Bologna, Section no. 17, and filed on 23 February 2012. These rulings partially upheld the Company’s appeal with reference to the recoveries concerning landfill post-closure provisions and have currently become final. To this purpose, it should be specified that, by effect of the agreements between the above-mentioned shareholders, the amounts collected to this end shall be returned.

As regards the ex Meta case, discussion at the public hearing occurred on 14 February 2011, with the case adjourned for all proceedings to attempt reconciliation between the parties. Discussion of the disputes could be scheduled for before the end of 2013.

Except for the still-outstanding disputes, aimed at recovering what has already been paid, the entire "tax moratorium" situation shall be considered concluded, since future disbursements which create financial impacts on the Group's accounts are not expected.

Report on the assessment notices issued in 2010: Ferrara and Forlì-Cesena management fee

Seven notices were issued to Hera Spa and Hera Comm Srl on 19 November and 22 December 2010 in their capacities of beneficiary companies of the total spin-off of the company Hera Ferrara Srl effective as at 31 December 2009. Said notices for first and second assessment levels concerning IRES and IRAP followed the tax audit on the Ferrara area operating company for tax years 2005, 2006 and 2007 that came to an end on 16 September 2010 with the report on findings of the Ferrara Tax Police Squad.

The irregularities basically concerned a mere error that took place in financial year 2005 in the intercompany costs accounting between Hera Ferrara Srl and Hera Spa, which caused a double recording of the same cost amounting to about EUR 200 thousand. Nevertheless, after said error of double recording of the same cost was discovered in the following financial year 2006, it was corrected by recording a contingent asset of the same amount, duly subject to taxation. It ensued that in force of the consolidated taxation system, the effect of the double deduction of the cost during tax year 2005 was eliminated by the recording, and subsequent taxation, of the cost as a contingent asset. On 13 January 2011, tax settlement proposals were submitted to the Emilia Romagna Regional Management, Large Taxpayers Office, pursuant to art. 6, paragraph 2, of Legislative Decree no. 218 of 1997, which concluded positively for the companies, solely involving the payment of penalties reduced to one quarter.

With reference to said event, on 27 December 2011, the company was notified of a tax assessment for VAT purposes regarding the aforementioned accounting error, amounting to EUR 40 thousand; on 29 February 2012, the company submitted an appeal, proceeding with a provisional payment of a third on 31 August 2012; discussions on the dispute took place 15 May 2013 and the ruling submitted 20 June 2013 found in favour of the company.

Three assessment notices for IRES, IRAP and VAT concerning 2005 tax year were issued to Hera Spa on 29 December 2010 following the tax audit on tax year 2005 that was completed with the report on findings dated 1 October 2010, drawn up by the Financial Police, Bologna Tax Police Squad; the subject matter of the report is an irregularity regarding intercompany services (so-called management expenses regarding use of the trademark) supplied by Hera Spa in its capacity of Parent Company of the Hera Group, to the Area Operating Company subsidiary of Forlì-Cesena, Hera Forlì-Cesena Srl.

Although it found the cost split criteria initially established by the intercompany contracts legitimate, the Tax Authorities question the subsequent reduction of the recharge percentages of the management expenses, generally called management fees, following a subsequent agreement that the parties entered into which adjusted the criteria initially envisaged. In the opinion of the Tax Authorities, said adjustment reducing fees due for the services that the holding company supplied entailed tax evasion on the part of Hera Spa, since the lower recharge of management fees to Sot of Forlì-Cesena ensured said costs remained the responsibility of Hera Spa, which would have therefore “illegitimately deducted” them when calculating its IRES and IRAP tax base in the absence of the inherence principle. Likewise, the failure to charge the fee for using the "Hera Group" trademark would have brought about a lower revenue for Hera Spa compared to what was originally foreseen in the intercompany agreement, and so IRES, IRAP and VAT tax evasion allegedly occurred in this case as well in the opinion of the office. On 18 February 2011, tax settlement proposals were submitted to the Emilia Romagna Regional Management, Large Taxpayers Office, pursuant to art. 6, paragraph 2, of Legislative Decree no. 218 of 1997, which concluded negatively for the company. Therefore, on 20 May 2011, the related appeals were submitted to the Provincial Tax Commission of Bologna.

Following said appeals presented by the company, the Tax Authorities, by means of act notified on 17 August 2011, partially cancelled, under the appeal process, the payment orders already issued in respect of the IRES component regarding royalties for use of the trademark, and for the entire recovery made for VAT purposes. Pending the tax proceedings, the company was notified of a tax payment request on 4 January 2012, for the provisional recording of EUR 653 thousand, which the company paid on 29 February 2012. The hearing at the Province Tax Commission of Bologna took place on 19 September 2012.

The rulings, registered 31 October 2012, are all in favour of the company, in terms of IRES, IRAP and VAT.

Following these rulings, with the measures of 19 November 2012, Emilia Romagna Regional Revenue Management notified the company of the reduction of their entries in the tax register pending judgement; in the month of December 2012, the company was reimbursed for the provisional entry that it had paid in the amount of EUR 653 thousand.

On 29 April 2013 there was notification of the appeals submitted by Emilia Romagna Regional Revenue Management against the first-degree sentences and, on 26 June 2013, the company submitted acts of counter-deduction and filed an appeal.

Information on the tax assessments communicated in the 2011 tax period: relationship with the Atesir and VAT on rental fees and mortgage rates

On 29 September 2011, a tax assessment commenced at the company regarding income taxes and IRAP, conducted by the Financial Police, Bologna Tax Police Squad. The inspections, concluded in March 2012, examined, for IRES and IRAP purposes, the tax years from 2006 to 2010, with a particular focus on the company's economic-financial transactions with public service AATOs. On 24 October 2011, the report on findings solely relating to the 2006 tax year was drafted and issued to the company, limited to the alleged incorrect tax accounting of AATO running costs. According to the contents of the report on findings, the aforementioned costs, relating solely to the 2006 tax year, totalling EUR 2,581 thousand, regarding the functioning of the AATOs, would be considered, on the basis of the joint provisions of article 148, paragraph 4, and article 154, paragraph 1 of Legislative Decree no. 152 of 3 April 2006, non-deductible as irrelevant, pursuant to art. 109 of T.U.I.R. (Italian Income Tax Code), to the company activities carried out. The company submitted its defensive arguments, following which, the Office did not follow up the assessment proposal formalised in the Financial Police's report on findings.

Another report on findings was drawn up on 26 March 2012 for the tax years from 2006 to 2011, with special reference to VAT for rentals related to the concession for the use of grids, networks and plants and the reimbursements to local entities, as well as lease rents of business branches or related to agreements on assets connected with the management of the integrated water supply service and the municipal waste management charged to Hera S.p.a. by asset companies. According to the contents of the report on findings, the aforementioned rentals relating to the use of infrastructures are to be considered as relevant for VAT calculation purposes, with the application of the pro-tempore ordinary rate (20%) currently in force. In the opinion of auditors, this would result in the eligibility of Hera S.p.a. to the administrative penalties of art. 6, paragraph 8 of Legislative Decree no. 471 of 18 December 1997 with reference to invoices without VAT, or reporting a reduced VAT rate (10%). The Company submitted its defensive arguments on 31 May 2012 and the Office has not sent an assessment notice yet.

On 2 October 2012, the company was notified by Emilia Romagna Regional Revenue Management about the act objecting to penalties (n. TGBCOP400039/2012) in relation to VAT for the tax year 2007, through which it imposed a financial-administrative penalty on the company amounting to EUR 1,164,239.76. On 29 November 2012 the company filed specific defensive deductions against this act pursuant to art. 16, paragraph 4 of Legislative Decree no. 472 of 1997, which did not lead to notification of the subsequent act of imposition of the aforementioned penalties.

Information on the tax assessments communicated in the 2012 and 2013 tax period

Herambiente Spa

On 7 March 2012, a tax assessment commenced at the company Herambiente S.p.a. regarding income taxes, VAT and IRAP, conducted by the Inland Tax Office – Emilia Romagna Regional Management – Large Taxpayers Office.
The assessment concerned the 2009 tax year and especially the eligibility, then objected, for the IRAP tax facility as per Art. 11, paragraph 1 letter a), no. 2), 3) and 4) of the Legislative Decree no. 446/97, the so-called tax wedge, as well as, for IRAP tax purposes, the application of the provisions set out by Art. 36, paragraph 7, of the Decree Law no. 223/2006 regarding the amortisation of land.
Moreover, for VAT purposes, objection was made on the incorrect VAT deduction at 20% and not 10% rate charged to some suppliers as regards waste disposal services. On 22 May 2012, the Company was served with another Report on findings, in which the defensive arguments were entirely objected.

On 20 May 2013, the company was notified of an assessment notice relative to the VAT for 2008, with which objection was made on the incorrect deduction of the tax incorrectly charged by one suppliers on waste disposal services at 20% instead of 10%. The company filed an appeal on 11 July 2013 proceeding with the provisional payment of a third equalling EUR 13 thousand.

Hera Trading Srl

On 12 June 2012, a tax assessment commenced at the company Hera Trading S.r.l., regarding income taxes, VAT and IRAP and conducted by the Inland Tax Office – Emilia Romagna Regional Management – Large Taxpayers Office.
The assessment concerned the 2009 tax year and the tax years before and after 2009 for any possible impacts resulting to transactions connected with the year in question.
In particular, the increased IRAP tax rate application was assessed, then objected, related to the production and distribution of electricity, gas and heat, as per Art. 1 of the Regional Law of Emilia Romagna no. 19/2006, which will be addressed below.
For IRES and IRAP purposes, objection was made on the Company's non-reporting of a contingent asset related to the lack of alleged payables for invoices to be received, recorded in previous years, pursuant to Art. 88, par. 1, of the Consolidation Act on Income Taxes.
Special attention was drawn by auditors to VAT applied by the Company to derivative contracts on commodities and related indexes, with special reference to the qualification of the same transactions as "exempt" from VAT, pursuant to Art. 10, paragraph 1, item 4) of the Presidential Decree 633/72; And following application of the pro-rata deduction of the tax pursuant to Art. 19, paragraph 5, of the Presidential Decree 633/72, by objecting the company regarding the identification of the aforementioned transactions on derivatives as excluded from the VAT pro-rata deduction as these transactions are undoubtedly "ancillary" to taxable transactions related to wholesale activities of electricity and natural gas.

On 12 July 2012 the company was served with the report on findings that outlined the defensive arguments made on 11 September 2012, objecting to its entire content. Emilia Romagna Regional Management has not yet released the assessment notice.

The company decided it did not have to make any allocation to the provision for risks for the report on findings in question, considering the alleged violations charged against the company groundless.

In relation to the increased IRAP tax rate, on 3 February 2012 the company received a payment request for the 2008 tax period for a total of EUR 126,624.91 following an automated audit pursuant to art. 36-bis of Presidential Decree 600/73, against which it filed an appeal; the hearing for the suspension took place on 16 January 2013 (however, the company, in arrears, paid the overdue account) and the merit hearing took place on 15 May 2013; the judgement was filed on 20 June 2013 and the finding was unfavourable to the company.

Furthermore, additionally in relation to the increased IRAP tax rate for 2009, on 10 October 2012 the company was served with a notification of irregularity following an automated audit pursuant to art. 36-bis of Presidential Decree 600/73 for EUR 282,385.05, against which it filed an appeal on 7 December 2012.
On 13 May 2013, the company received the associated payment request totalling EUR 376,353.23 against which it filed an appeal on 5 July 2013, additionally requesting the suspension of the execution of the disputed order; the suspension was granted with a presidential decree lasting until 29 August 2013.

Finally, still in relation to the increased IRAP tax rate for 2007, on 28 December 2012, following the notification contained in the above-mentioned report, the company received a tax assessment (no. TGB03F300284) for a total of EUR 110,246.47, against which it filed an appeal on 26 February 2013. With the decree of 27 June 2013, the Provincial Tax Commission of Bologna rejected the suspension request and the company has carried out provisional payment of a third of the owed tax and interest amounts.

Hera Comm Srl

In relation to the increased IRAP tax rate to be applied to the production and distribution of electricity, gas and heat, as per Art. 1 of the Regional Law of Emilia Romagna no. 19/2006, on 13 March 2012 the company was served with a payment request for a total amount of EUR 126,940.20 relative to the 2008 tax period, following an automated audit pursuant to art. 36-bis of Presidential Decree 600/73, against which it filed an appeal; the hearing for the suspension of the order took place 16 January 2013 and the outcome is still unknown at this time.

Furthermore, additionally in relation to the increased IRAP tax rate for 2009, on 11 October 2012 the company received a notification of irregularity following an automated audit pursuant to art. 36-bis of Presidential Decree 600/73 for EUR 376,174.78, against which it filed an appeal on 7 December 2012.
On 19 April 2013 the company was served with the associated payment request for EUR 501,353.02 against which it filed an appeal on 3 May 2013. On 24 May 2013, the suspension of the execution of the order was granted with a presidential decree lasting until 10 October 2013.

On 1 June 2013 the company was served with a notification of irregularity relative to the increased IRAP tax rate for the 2010 tax period in the amount of EUR 564,338.19, against which it filed an appeal.

On 12 March 2013 the Financial Police, Bologna Tax Police Squad began a tax audit of Hera Comm S.r.l. in relation to IRES, IRAP and VAT. On 13 June 2013 the company received the final report, where exceptions were raised in connection with receivables sold on a non-recourse basis and loses on receivables. In particular, in connection with one of the above contracts, the company obtained to defer losses on receivables for Euro 638 thousandHera Comm is evaluating possible defensive actions.

Information on ICI assessment notices sent in the 2012 tax period

On 24 April 2012, Herambiente received an assessment notice from the Municipality of Ferrara for having failed to declare and pay the ICI tax for the 2009 tax period, with reference to the WtE plant in Ferrara; the assessed amount, including penalties and interest, totals EUR 718 thousand.

On 24 April 2012, Hera S.p.a. received two assessment notices from the Municipality of Ferrara for having failed to declare and pay the ICI tax for the 2008 and 2009 tax periods, with reference to the WtE plant in Ferrara; the assessed amounts, including penalties and interest, total EUR 1,461 thousand and EUR 723 thousand respectively.

The assessment notices, all disputed with an appeal filed 23 July 2012, originate from a process of cadastral re-classification initiated at the end of 2001 by the Ferrara Territorial Agency in relation to the incinerator in Via Diana, which was re-classified by the Agency from the E9 categorization – exempt from taxation due to the nature of buildings “designated to fulfil specific public needs and/or of public interest” – that had been proposed by the company to the D1 category of “Industrial plants”, with the obligation to pay the municipal real estate tax (currently IMU) in the amounts specified in the disputed notices. No date has yet been set for the hearings to discuss the appeals.

15.1 Earnings per share

	1st half 2013	1st half 2012
Earnings (loss) for the year attributable to the owners of ordinary shares of the parent company (A)	165,199	73,782
Interest expense for the liability component of convertible bonds	1,210	1,218
Adjusted earnings (loss) attributable to the owners of ordinary shares of the parent company (B)	166,409	75,000
Weighted average number of outstanding shares for the purposes of calculating earnings (losses) per share:		
- basic (C)	1,329,056,701	1,102,232,451
- diluted (D)	1,412,454,568	1,178,568,329
Earning (loss) per share (in euro)		
basic (A/C)	**0.124**	**0.067**
diluted (B/D)	**0.118**	**0.064**

The basic earnings per share are calculated on the profit attributable to holders of ordinary shares of the parent company. Diluted earnings per share takes account of the issuing of the convertible bond referred to under note 33.

Following the merger of Acegas-Aps Holding S.R.L. with and into Hera S.p.A., and the consequent conclusion of the first phase of the mandatory tender offer - pursuant to article 106, paragraphs 1 and 2-bis, of legislative decree 24 February 1998 No. 58 - launched by Hera S.p.A. on all the outstanding ordinary shares of Acegas-Aps S.p.A., as described in greater detail in the Report on operations, on 3 May 2013, the closing date of the offer, Hera S.p.A. became the sole shareholder of Acegas Aps S.p.A., as its equity stake rose from 62.691% to 99.784%, with the remaining 0.216% being represented by treasury shares.
As of this writing Hera S.p.A.'s share capital consisted of 1,342,876,078 ordinary shares, compared with the 1,115,013,754 ordinary shares outstanding at 30 June 2012, which were used in calculating basic and diluted earnings per share.

16 Property, plant and equipment

	30-giu-13	of which assets owned through finance lease contracts	31-dic-12	of which assets owned through finance lease contracts	Changes
Land and buildings	502,265	5,900	426,742	9,765	75,523
Plant and equipment	1,379,649	15,552	1,266,578	16,646	113,071
Other moveable assets	118,464	1,816	105,648	2,025	12,816
Assets under construction and advance payments	141,459	-	148,629	-	(7,170)
Total	**2,141,837**	**23,268**	**1,947,597**	**28,436**	**194,240**

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

Thousands of euro	Valore iniziale netto	Investimenti	Disinvestimenti	Ammortamenti	Variazione dell'area di consolidamento	IFRS 5	Altre variazioni	Valore finale netto	di cui Valore finale lordo	di cui Fondo ammortamento
30.06.2012										
Land and buildings	398,860	3,637	(2,388)	(5,689)	2,240	9,930	6,521	413,111	501,574	88,463
Plant and equipment	1,227,184	7,124	(2,575)	(47,191)	14,031	676	23,600	1,222,849	1,958,791	735,942
Other moveable assets	109,971	8,376	(147)	(12,874)	5	-	747	106,078	362,687	256,609
Assets under construction and advance payments	148,461	40,872	(1,208)	-	5,166	-	(26,263)	167,028	167,028	-
	1,884,476	**60,009**	**(6,318)**	**(65,754)**	**21,442**	**10,606**	**4,605**	**1,909,066**	**2,990,080**	**1,081,014**
30.06.2013										
Land and buildings	426,742	1,908	0	(7,143)	69,576	1,377	9,805	502,265	615,456	113,191
Plant and equipment	1,266,578	12,649	(587)	(57,754)	129,579	(1,405)	30,589	1,379,649	2,322,664	943,015
Other moveable assets	105,648	5,342	(87)	(14,709)	18,078	(297)	4,489	118,464	400,842	282,378
Assets under construction and advance payments	148,629	30,639	(1,011)	-	7,404		(44,202)	141,459	141,459	-
	1,947,597	**50,538**	**(1,685)**	**(79,606)**	**224,637**	**(325)**	**681**	**2,141,837**	**3,480,421**	**1,338,584**

The breakdown and main changes within each category are commented below.

"Land and buildings", totalling Euro 502,265 thousand, consist of Euro 396,085 thousand in buildings and Euro 106,180 thousand in land. Land includes mainly company-owned properties on which the majority of the sites and production plants stand. Investments for the period refer mainly to the construction work performed on the anaerobic digesters in Ca' Baldacci (Rimini) and Voltana di Lugo (Ravenna).

“Plant and equipment”, amounting to Euro 1,379,649 thousand, is made up mainly of distribution networks and plants relating to business not falling within the scope of the concession system, viz.: district heating, electricity in the Modena area, waste disposal, waste treatment, purification and composting, material recovery and chemical-physical treatment, anaerobic digesters, and special waste treatment plants. Investments in the first half of 2013 involved mostly the expansion of a number of still-active landfills.

"Other moveable assets", equal to Euro 118,464 thousand, include equipment and waste disposal bins for Euro 81,439 thousand, furniture and fittings for Euro 4,700 thousand, electronic machines for Euro 5,657 thousand and motor vehicles and motor cars for Euro 26,668 thousand. Disposals referred mainly to bins and motor vehicles.

“Assets under construction and advance payments”, amounting to Euro 141,459 thousand, included mainly investments for the development of district heating and electricity distribution and non-routine maintenance on Group property and WTE plants. Other significant investments concerned the CIC plant for the recovery of bottom ashes in Modena, the revamping work at 3rd line in Modena’s WTE plant and at the Ravenna chemical and physical plant and work in different waste sorting plants.

“Changes in the scope of consolidation”, amounting to Euro 224,637 thousand, refers to the following:

- Euro 216,864 thousand in property, plant and equipment attributable, at 31 December 2012, to the Acegas Aps Group, which was acquired on 1 January 2013;
- Euro 7,576 thousand in property, plant and equipment attributable to Modena Network S.p.A., which was consolidated on a line-by-line basis starting from 30 June 2013;
- Euro 197 thousand, for the acquisition of Lombardi S.R.L.

The above transactions are described in detail in the section “Changes in the scope of consolidation” and “Changes in the consolidated companies” in these notes.

The item “Other changes” included:

- Euro 8,241 thousand (increase) related to the reclassification from “Non-current assets held for sale” of the portion of the Berti area;
- Euro 8,566 thousand (decrease) related to the property, plant and equipment of Hera Servizi Cimiteriali S.R.L. and Hera Servizi Funerari S.R.L., reclassified to “Non-current assets held for sale”.

Both reclassifications are commented in note 31 “Non-current assets and liabilities held for sale”.

For a more accurate analysis of investments in the period, reference is made to the report on operations, paragraph 1.03.01.

17 Intangible assets

	30-giu-13	31-jun-2012	Changes
Industrial patent rights and know-how	36,770	29,569	7,201
Licenses, trademarks and similar rights	121,013	46,926	74,087
Public services under concession	2,011,798	1,530,864	480,934
Work in progress and advance payments for public services under concession	217,239	170,501	46,738
Work in progress and advance payments	51,313	38,594	12,719
Other	52,073	39,512	12,561
Total	**2,490,206**	**1,855,966**	**634,240**

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

Euro migliaia	Valore iniziale netto	Investimenti	Disinvestimenti	Ammortamenti	Variazione dell'area di consolidamento	IFRS 5	Altre variazioni	Valore finale netto	di cui Valore finale lordo	di cui Fondo ammortamento
30.06.2012										
Diritti di brevetti industriali ed opere ingegno	30.761	908	(14)	(6.434)	-	-	4.682	29.903	189.495	159.592
Concessioni licenze marchi e simili	53.976	397	-	(4.275)	-	-	(25)	50.073	207.811	157.738
Servizi pubblici in concessione	1.487.399	8.598	-	(36.661)	-	-	24.755	1.484.091	2.040.641	556.550
Attività immateriali in corso ed acconti servizi pubblici in concessione	156.164	46.700	-	-	-	-	(24.832)	178.032	178.032	-
Attività immateriali in corso ed acconti	41.892	5.632	-	-	-	-	(12.811)	34.713	34.713	-
Altre	32.329	1.213	(54)	(2.795)	222	-	5.963	36.878	88.421	51.543
	1.802.521	**63.448**	**(68)**	**(50.165)**	**222**	**0**	**(2.268)**	**1.813.690**	**2.739.113**	**925.423**
30.06.2013										
Diritti di brevetti industriali ed opere ingegno	29.569	313	-	(8.212)	-	(50)	15.150	36.770	228.041	191.271
Concessioni licenze marchi e simili	46.926	17	-	(6.368)	95.312	-	(14.874)	121.013	371.670	250.657
Servizi pubblici in concessione	1.530.864	15.923	(114)	(52.202)	447.756	-	69.571	2.011.798	2.995.291	983.493
Attività immateriali in corso ed acconti servizi pubblici in concessione	170.501	44.708	-	-	70.066	-	(68.036)	217.239	217.239	-
Attività immateriali in corso ed acconti	38.594	7.015	-	-	3.886	-	1.818	51.313	51.313	-
Altre	39.512	1.868	-	(3.812)	19.567	-	(5.062)	52.073	119.948	67.875
	1.855.966	**69.844**	**(114)**	**(70.594)**	**636.587**	**(50)**	**(1.433)**	**2.490.206**	**3.983.502**	**1.493.296**

The breakdown and main changes within each category are commented on below.

“Industrial patent rights and know-how”, totalling Euro 36,770 relates mainly to costs incurred for the purchase and implementation of IT systems SAP R/3 ECC6 and related applications. These costs are amortised over five years.

"Concessions, licences, trademarks and similar rights", amounting to Euro 121,013 thousand, mainly includes the value of the rights in relation to the gas, water and purification plants. This item fell mainly due to the amortisation for the period and the reclassification of the assets related to the purification services in the municipalities of Castello di Serravalle e Monzuno and the assets related to the gas service in the municipalities of Monte San Pietro and Pieve di Cento from "Concessions, licences, trademarks and similar" to "Public services under concession", in accordance with the relevant contracts after the expiration of the concession arrangements.
"Public services under concession", equal to Euro 2,011,798 thousand, made up of the assets relating to the gas, water, purification, sewerage, and public lighting businesses throughout the entire territory managed by the Hera Group, and the electricity distribution business in the Imola area only. The assets mainly relate to distribution grids and networks and plants. This item reflects also costs capitalised to these assets, receivables outstanding with the entities that own these assets, and reclassifications from "Concessions, licences, trademarks and similar", following the expiration of the concession arrangements with the municipalities of Castello di Serravalle, Monzuno, Monte San Pietro and Pieve di Cento.

"Intangible assets under construction and advance payments for public services under concession", amounting to Euro 217,239 thousand, relate to said assets detailed above which are still to be completed as at the end of the period.
"Work in progress and advance payments", equal to Euro 51,313 thousand, essentially comprise still incomplete IT projects.

The item "Other", equal to Euro 52,073 thousand, mainly relates to other sundry long-term charges, rights of use of networks and infrastructures for the passage and laying of optical fibre telecommunication networks. This item reflects the costs incurred for the AIA (Autorizzazioni Integrate Ambientali – Integrated Environmental Authorizations) requests for the WTE plants and the landfills.

Compared to 31 December 2012, "Changes in the scope of consolidation", amounting to Euro 636,587 thousand, related to the consolidation of the Acegas Group.

18 Investment property

	30-giu-13	31-dic-12	Changes
Property investments	3,053	-	3,053
Total	**3,053**	**0**	**3,053**

The table below shows changes in investment property.

Euro migliaia	Valore iniziale netto	Investimenti	Disinvestimenti	Ammortamenti	Variazione dell'area di consolidamento	Altre variazioni	Valore finale netto	di cui Valore finale lordo	di cui Fondo ammortamento
30.06.2013									
Investimenti immobiliari	-	-	-	(54)	3.107	-	3.053	3.754	701
	0	**0**	**0**	**(54)**	**3.107**	**0**	**3.053**	**3.754**	**701**

Investment property obtained with the merger of the Acegas Group includes shops located inside the "Modello" building in Trieste and a number of rented apartments.

19 Goodwill

	30-giu-13	31-dic-12	Changes
Goodwill	321,830	321,656	174
Goodwill arising on consolidation	56,735	56,735	0
Total	**378,565**	**378,391**	**174**

The main values are as follows:

- residual goodwill from the 2002 integration resulting in the creation of Hera Spa, EUR 81,258 thousand;
- goodwill relating to the integration of Agea Spa in 2004, for EUR 41,659 thousand. Said goodwill represents the additional value of the purchase cost compared to the fair values of the Group's portion of assets and liabilities recorded. In particular, with regard to the fair value of Hera Spa shares issued following the increase in capital for the merger by incorporation of Agea spa, in accordance with IFRS 3 the share value was calculated as at the effective date control was taken of Agea Spa (1 January 2004);
- goodwill and goodwill from consolidation procedure, related to the integration operation of the Meta Group, EUR 117,686 thousand. This goodwill, entered in assets and initially measured at cost, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the current value of Hera Spa shares issued following the increase in capital to service the merger by incorporation of Meta Spa, this value was calculated as at the end of 2005, accepted as the effective date that control was taken of Meta Spa;
- goodwill relating to the merger of Geat Distribuzione Gas Spa into Hera Spa. This goodwill of EUR 11,670 thousand represents the excess purchase cost over and above the fair value of assets and liabilities recognised for the Group as at 1 January 2006 (the date at which effective control was taken by Hera Spa);
- goodwill relating to the merger of Sat Spa. This goodwill of EUR 54,883 thousand represents the excess acquisition cost over and above the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of the Hera Spa shares issued following the increase in capital from the merger by incorporation of Sat Spa, this value was determined referring to 1 January 2008, date at which the transaction was actually concluded.

The increase, compared to the previous year, is due to the acquisition of the business branch related to "heat management" by the Lombardi Srl as shown in the paragraph "Change in the scope of consolidation" .

"Goodwill arising on consolidation" was due mainly to the following companies consolidated on a line by line basis:

- Marche Multiservizi S.p.A., Euro 20,790 thousand;
- Hera Comm Marche S.R.L., Euro 4,565 thousand;
- Medea S.p.A., Euro 3,069 thousand;
- Asa Scpa, Euro 2,789 thousand;
- Hera Luce S.R.L., Euro 2,328 thousand;
- Gastecnica Galliera S.R.L., Euro 2,140 thousand;
- Nuova Geovis S.p.A., Euro 1,775 thousand.

The balance of goodwill and goodwill arising on consolidation refers to minor transactions.

In accordance with IAS 36, and in the absence of trigger events referred to by IAS 36, no impairment test was conducted on goodwill reported at 30 June 2013.

20 Equity investments

	30-giu-13	31-dic-12	Changes
Non-consolidated subsidiaries			
Adrialink Srl	167	-	167
Calor Più Italia Scrl	6	6	-
Consorzio Frullo	4	4	-
Solhar Alfonsine Srl	10	10	-
Solhar Piangipane Srl	5	5	-
Solhar Ravenna Srl	5	5	-
Solhar Rimini Srl	10	10	-
Total	**207**	**40**	**167**
Associated companies			
Aimag Spa	41,423	40,331	1,092
Elettrogorizia Spa	2,100	-	2,100
FlamEnergy Trading Gmbh	1,752	1,893	(141)
Ghirlandina Solare Srl	70	57	13
Modena Network Spa	0	1,105	(1,105)
Q.Thermo Srl	1,303	1,317	(14)
Refri Srl	0	2,313	(2,313)
Sei Spa	902	702	200
Set Spa	36,896	36,197	699
Sgr Servizi Spa	17,872	18,780	(908)
Sosel Spa	655	646	9
Tamarete Energia Srl	1,876	3,084	(1,208)
Altre minori	80	35	45
Total	**104,929**	**106,460**	**(1,531)**
Other companies			
Calenia Energia Spa	9,073	9,073	-
Energia Italiana Spa	13,233	13,233	-
Galsi Spa	10,732	10,524	208
Other minor companies	9,746	400	9,346
Total	**42,784**	**33,230**	**9,554**
Total Equity investments	**147,920**	**139,730**	**8,190**

Below the main changes from 31 December 2012 are shown.

Following the merger of the Acegas Group, the companies listed below became part of the Group:

- Adrialink S.R.L., with registered office in Gorizia, engages in the design, implementation and management of electricity grids. This company is not consolidated, because it is not operational yet, and is recognised at cost. The Group’s percentage ownership is 33.3%;
- Elettrogorizia S.p.A., with registered office in Trieste, engages in the management and lease of an energy production plant. The company is 33%-owned by the Group and is accounted for with the equity method.

Equity investments in associated companies

Compared with 31 December 2012, the changes in the investments in Aimag S.p.A., Set S.p.A., Sgr Servizi S.p.A., FlameEnergy Trading Gmbh and Tamarete Energia S.R.L. reflect the share of profit/loss of the respective companies.

On 19 April 2013 Acantho S.p.A. acquired an additional 10% equity interest in Modena Network S.p.A. from Sorgea S.R.L. The company, which previously was accounted for with the equity method, is now consolidated on a line-by-line basis, as the Group has a controlling interest in it.

On 19 June 2013 Herambiente S.p.A. sold its investment in Refri S.R.L. to Unieco Costruzioni Meccaniche S.R.L.

The increase in the investment in Sei S.p.A. was due following the Parent Company's conversion into equity of a shareholder loan to the company, pursuant to the resolution adopted by the company on 22 November 2012.

Equity investments in other companies

Following the shareholders' resolutions of 28 March 2012, the Group exercised its pre-emption rights on the new shares issued by Galsi S.p.A., pursuant to the resolution approved by the company's Board of Directors, thereby purchasing 20,809 shares with a nominal value of Euro 1 each.

The change in "Other" was due mainly to the merger of Acegas Aps, which entailed the acquisition of the following minor investments:

- 17.50% investment in Veneta Sanitaria Finanza di Progetto S.p.A. The company engages in the planning and construction of the new Mestre hospital in Norgo Pezzana di Zelarino (Euro 3,587 thousand).
- 5.24% investment in Amga S.p.A. The company distributes gas in the city of Udine and manages the integrated water cycle and public lighting activities in the province (Euro 5,579 thousand).
- 7.61% investment in Dolomiti Ambiente S.p.A. The company engages in urban waste and sorted waste collection and transportation (Euro 161 thousand).
- 5.08% investment in Energeica S.R.L. The company engages in the coordination and organisation of construction phases in building plants and grids for the production of electricity and thermal power (Euro 63 thousand).

21 Financial assets

	30-giu-13	31-dic-12	Changes
Loans to associated and other companies	20,186	17,176	3,010
Fixed income securities	309	309	-
Receivables for mortgages to be collected and advanced commissions	60	72	(12)
Other financial receivables	26,083	-	26,083
Totale	**46,638**	**17,557**	**29,081**

"Loans to associated and other companies", comprises non-interest bearing loans or loans extended at arm's length to the following companies:

	30-giu-13	31-dic-12	Changes
Set Spa	13,179	10,059	3,120
Sei Spa	3,398	3,548	(150)
Oikothen Scarl	2,572	2,572	-
Other minor companies	1,037	997	40
Total	**20,186**	**17,176**	**3,010**

Changes related to the following companies:

- Set S.p.A., for two additional disbursements in January and June 2013, for Euro 195 thousand and Euro 2,925 thousand, respectively;
- Sei S.p.A., which changed as a result of the combined effect of an increase due to as additional disbursement of Euro 50 thousand in May 2013 and a decrease for the conversion of a shareholder loan of Euro 200 thousand, as mentioned in note 20 "Equity investments".

The item "Other financial receivables" reflects transactions conducted at arm's length with:

- the municipality of Padua for the construction of photovoltaic plants, for Euro 22,804 thousand, which is expected to be repaid in 2030;
- Veneto Sanitaria Finanziaria di Progetto S.p.A., for Euro 1,051 thousand;
- the municipality of Padua for the supply of electricity for public lighting, for Euro 2,228 thousand, which will be settled in 10 years.

22 Deferred tax assets

	30-giu-13	31-dic-12	Changes
Prepaid taxes	135,865	107,498	28,367
Receivables for substitute tax	3,682	3,953	(271)
Total	**139,547**	**111,451**	**28,096**

"Prepaid taxes" are generated from the temporary differences between balance sheet profit and taxable income, primarily in relation to the following items: "taxed provision for doubtful receivables", "taxes provisions for risks and charges" and "statutory amortisation greater than amortisation subject to tax". This item also includes the "prepaid taxes" that were generated from the application of the International Accounting Criteria.

"Receivables for substitute tax" relate to tax paid for the tax sheltering of 2002 goodwill, which is an advance payment of current taxes.

The increase of Euro 23,974 thousand in deferred tax assets was due to the consolidation of the Acegas Group.

23 Financial instruments – derivatives

Non-current Assets/liabilities euro/000 € / 000	Fair value hierachy	Hedge underlying asset	30-giu-13			31-dic-12		
			Notional	Fair Value of assets	Fair Value of liabilities	Notional	Fair Value of assets	Fair Value of liabilities
Derivatives on exchange rates								
- Interest rate Swap	2	Loans	501,8 mln	49,121		501,8 mln	54,360	
- Interest rate Swap	2	Loans	295,9 mln		23,914	310,7 mln		32,383
- Interest rate Option	2	Loans	6,5 mln		425	7,5 mln		580
Total derivatives on exch. rates				**49,121**	**24,339**		**54,360**	**32,963**
Derivatives on exch. Rates (financial transcations)								
- Cross Currency Swap	2	Loans	20 mld JPY	8,242		20 mld JPY	34,208	
Total derivates on exch. rates (fin transactions)				**8,242**	**0**		**34,208**	**0**
Total				**57,363**	**24,339**		**88,568**	**32,963**

Current Assets / liabilities € / 000	Fair value Hierachy	Hedged underlying	30-giu-13			31-dic-12		
			Notional	Fair Value of assets	Fair Value of liabilities	Notional	Fair Value of assets	Fair Value of liabilities
Derivatives on exchange rates								
- *Interest rate Swap*	2	Loans						
- *Interest rate Swap*	2	Loans	7,4 mln		80	1,0 mln		18
- *Interest rate Option*	2	Loans						
Totale derivati su tassi				***0***	***80***		***0***	***18***
Derivatives on commodiies								
- *Swap*	3	Foreign Gas Hub	317.896 MWh	559		529.603 MWh	887	
- *Swap*	2	Crude oil	101.800 Bbl	521		442.700 Bbl	1,179	
- *Swap*	2	Commodity	66.250 Ton	1,448		75.750 Ton	2,580	
- *Swap*	2	El. Energy Formula	3.728.793 MWh	21,738		3.818.240 MWh	29,480	
- *Swap*	2	Fuel Formula				10.795 MWh	3	
- *Swap*	2	Crude oil	80.700 Bbl		417	262.400 Bbl		764
- *Swap*	2	Commodity	15.100 Ton		629	37.600 Ton		1,845
- *Swap*	2	El. Energy Formula	4.747.193 MWh		29,055	4.485.815 MWh		34,215
- *Swap*	2	Fuel Formula				21.590 MWh		25
Total derivatives on commodites				***24,266***	***30,101***		***34,129***	***36,849***
Derivatives on exch. rates (commercial transactions)								
- *Swap*	2	Exch. rate EUR/USD	35,5 mln Usd	211		4,0 mln Usd	70	
- *Swap*	2	Exch. rate EUR/USD	30,4 mln Usd		190	90,0 mln Usd		1,362
Totale derivatives on exch. rates (commercial transactions)				***211***	***190***		***70***	***1,362***
Total				**24,477**	**30,371**		**34,199**	**38,229**

Derivative financial instruments classified under non-current assets amounted to Euro 57,363 thousand, (Euro 88,568 thousand as at 31 December 2012); Euro 49,121 thousand refer to interest rate derivatives, and Euro 8,242 thousand refer to exchange rate derivatives related to loans. **Derivative financial instruments classified under non-current liabilities** amounted to Euro 24,339 thousand, (Euro 32,963 thousand as at 31 December 2012), and all refer to interest rate derivatives

Financial instruments recorded under current assets and liabilities represent derivative contracts expected to be realised within the next year. Derivative financial instruments recognised as current assets amounted to Euro 24,477 thousand (Euro 34,199 thousand at 31 December 2012), including commodity derivatives for Euro 24,266 thousand and currency derivatives for Euro 211 thousand in relation to commercial transactions. **Derivative financial instruments classified under current liabilities** amounted to Euro 30,371 thousand, (Euro 38,229 thousand as at 31 December 2012); of these Euro 80 thousand refers to interest rate derivatives, Euro 30,101 thousand to commodity derivatives and Euro 190 thousand to foreign exchange rate derivatives relating to commercial transactions.

With regard to **derivatives on current and long-term interest rates** as at 30 June 2013, the Group's net exposure is positive by Euro 24,702 thousand, compared with a positive exposure of Euro 21,379 thousand as at 31 December 2012. The change in fair value, compared with the previous year, was due mainly to the upward shift of the yield curve in connection with the hedges of floating-rate and fixed-rate financial liabilities.

The fair value of the **derivatives subscribed to hedge the exchange rate and the fair value of the loans denominated in foreign currency** as at 30 June 2013 was positive by Euro 8,242 thousand, compared to an also positive valuation of Euro 34,208 thousand as at 31 December 2012. The significant change in fair value was due mainly to the substantial appreciation of the euro against the Japanese yen and, to a lesser extent, to shifts in the yield curves

At 30 June 2013 the net fair value of **commodity and currency derivatives on commercial transactions** was negative for Euro 5,814 thousand, compared to a negative net fair value of Euro 4,012 thousand at December 31, 2012. There is nothing to report, in particular, given that the situation at 30 June 2013 was largely similar to that prevailing on 31 December 2012, especially in relation to the contracts linked to special price arrangements ("Formule Energia Elettrica"), which constitute the majority of the company's contracts.

The fair value of financial instruments, both on interest rates and foreign exchange rates, derives from market prices; in the absence prices quoted on active markets, the method of discounting to present value future cash flows is used, taking the parameters observed on the market as reference. The fair value of the commodity derivatives is calculated using input directly observable on the market. All derivative contracts entered into by the Group are with leading institutional counterparties

Interest rate and foreign exchange derivative instruments held as at 30 June 2013, subscribed in order to hedge loans, can be classed into the following categories (figures in thousands of €):

Hedging derivatives on interests	Underlying asset	30-giu-13					31-dic-12			30-giu-12				
		Notional	Fair Value assets	Fair Value liabilities	Inc.	Char.	Notional	Fair Value assets	Fair Value liabilities	Notional	Fair Value assets	Fair Value liabilities	Inc.	Char.
- Cash Flow H	Finanziamen	157,3 mln	0	11,053	20	2,824	166,0 mln	0	14,457	374,2 mln	0	15,963	1	5,501
- Fair Value H	Finanziamen	649,8 mln	57,363	13,358	18,433	49,460	649,8 mln	88,566	18,506	649,8 mln	112,994	11,477	35,382	18,858
- Non Hedge A	Finanziamen	4,5 mln	0	8	11	8	5,2 mln	2	18	6,1 mln	1	28	161	59
Total			**57,363**	**24,419**	**18,464**	**52,292**		**88,568**	**32,981**		**112,995**	**27,468**	**35,544**	**24,418**

Interest rate derivatives designated as cash flow hedges show a residual notional amount of Euro 157.3 million (Euro 166.0 million as at 31 December 2012) against floating-rate loans of the same amount.
Gains and losses associated to said class of derivatives predominantly refer to cash flows realised, or to the recording of portions of future cash flows arising in future periods.

As at 30 June 2013 the breakdown of net losses relating to derivatives designated as cash flow hedges, amounting to Euro 2,804 thousand, is as follows:

Coperture Cash Flow Hedge €/000	30-giu-13 Income / (Charges)	30-giu-12 Income / (Charges)
- Realised Cash Flow	-2,600	-5,116
- Accrued Interest	-176	-337
- Ineffective portion	-28	-47
Total	**-2,804**	**-5,500**

The decrease in net financial expense from the comparable figure of the previous year (see note 13 “Financial income and expense”) was due mainly to the expiration at the end of August 2012 of a derivative contract with a notional amount of Euro 200 million to hedge a floating-rate bond. On the other hand, in connection with designated fixed-rate hedges, higher Euribor rates, compared to the first half of 2012, had a negative impact on cash flows.

The ineffective portion relating to this class of interest rate derivative led to the recording of net charges totalling Euro 28 thousand in the income statement. The hedging relationships between the aforementioned derivatives contracts and the related underlying liabilities are designated as Cash Flow Hedge and involved the recording in the Group shareholders’ equity, of a specific negative reserve, amounting to Euro 4,261 thousand, net of the related tax effect.

Interest rate and foreign exchange derivatives designated as fair value hedges of liabilities show a residual notional amount of Euro 649,8 million (unchanged compared to 31 December 2012), against loans of the same amount. In the case of loans denominated in foreign currency, the notional amount of the derivative expressed in Euro is the translation to the currency rate hedged. Specifically, the financial liabilities hedged comprise a bond loan in Japanese yen with a residual nominal amount of JPY 20 billion and a ten-year fixed rate bond of Euro 500 million. These derivatives generated gains for Euro 49,460 thousand and losses for Euro 37,015 thousand; attention is called to the positive credit valuation adjustment to the underlying bonds which resulted in net financial income for Euro 37,015 thousand.

The table below provides a breakdown at 30 June 2013 of gains and losses associated with derivatives designated as fair value hedges and related underlying liabilities, as adjusted for the gains and losses attributable to the hedged risk:

Fair Value Hedge	30-giu-13			30-giu-12		
€/000	Income	Charges	Total	Income	Charges	Total
- Evaluation of derivatives	5,148	-42,163	-37,015	20,825	-7,285	13,540
- Accrued Interest	10,960	0	10,960	11,622	0	11,622
- Realised Cash Flow	2,325	-7,297	-4,972	2,935	-11,573	-8,638
- Ineffective portion	0	0	0	0	0	0
Total economic effect derivates	**18,433**	**-49,460**	**-31,027**	**35,382**	**-18,858**	**16,524**

Hedged underlying	30-giu-13			30-giu-12		
€/000	Income	Charges	Total	Income	Charges	Total
Evaluation of financial liabilities	37,015	0	37,015	3,274	-16,814	-13,540
Total	**37,015**	**0**	**37,015**	**3,274**	**-16,814**	**-13,540**

The losses arising from the valuation of this type of hedges, compared to the first half of the previous year, reflects the changes in the fair value of the financial instruments illustrated above, specifically with reference to the decrease in the yield curve and change in the fair values of foreign exchange derivatives. With reference only cash inflows, the increase in gains was due to lower Euribor, especially in the second half of 2012

The interest rate derivatives not treated as hedges have a residual notional value of Euro 4.5 million (Euro 5.2 million as at 31 December 2012); some of these contracts are the result of mirroring transactions carried out in previous years as part of a restructuring of the derivatives portfolio. The remaining contracts which, under the criteria envisaged by the international accounting standards, cannot be accounted for under hedge accounting, were however put in place for hedging purposes only.

Commodity derivatives held as at 30 June 2013 can be classed into the following categories (figures in thousands of €):

Commodity / foreign exch. derivatives (commercial transactions)	Underlying	30-giu-13				31-dic-12		30-giu-12			
		Fair Value of assets	Fair Value of liabilities	Income	Charges	Fair Value of assets	Fair Value of liabilities	Fair Value of assets	Fair Value of liabilities	Income	Charges
- Cash Flow Hedge	El. Formule	0	0	0	0	0	0	0	0	0	0
- Non Hedge Accounting	Commodity transactions	24,477	30,291	36,255	41,958	34,199	38,211	43,051	34,156	51,247	41,896
Total		**24,477**	**30,291**	**36,255**	**41,958**	**34,199**	**38,211**	**43,051**	**34,156**	**51,247**	**41,896**

The **commodity derivatives not treated as hedges** also include contracts put in place substantially for hedging purposes, but which, on the basis of the strict requirements set forth by international accounting standards, cannot be formally accounted for as hedges. In any event, these contracts result in gains and losses referring to higher/lower purchase prices of raw materials and, as such, are recognised as operating costs.

Overall, in the first half of 2013 these derivatives generated gains for Euro 36,255 thousand and losses for Euro 41,958 thousand, with a negative effect recognised through profit and loss of Euro 5,703 thousand. In essence, such gains and losses are offset by changes in the opposite direction of in commodity prices (gas and electric energy), forming an integral part thereof, as explained in greater detail in the report on operations.

In the first half of 2013 there were no transfers between the various fair value levels indicated above or changes related to the method to measure the financial instruments in question.

In the first half of 2013, in aggregate, these derivatives generated income totalling EUR 36,255 thousand and charges amounting to EUR 41,958 thousand, with a negative net effect to the income statement equal to EUR 5,703 thousand.

Interest rate risk and currency risk on financing transactions

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

Market risk and currency risk on commercial transactions

In relation to the wholesale activities carried out by the subsidiary Hera Trading Srl, the Group must handle the risks associated with the misalignment between the index-linking formulas relating to the purchase of gas and electricity and the index-linking formulas linked to the sale of said commodities, including therein fixed price contracts stipulated, as well as any exchange rate risk in the event that the commodity purchase/sale agreements are concluded in currencies other than the EUR (essentially the US dollar).

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

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

24 Inventories

	30-giu-13	31-dic-12	Changes
Raw materials and stocks	53,095	71,088	(17,993)
Finished products	1,284	734	550
Total	**54,379**	**71,822**	**(17,443)**

“Raw materials and stocks”, stated net of an obsolescence provision of Euro 882 thousand (Euro 523 thousand as at 31 December 2012) are comprised mainly of gas stocks, Euro 21,175 thousand (Euro 47,785 thousand as at 31 December 2012) and raw materials and stocks (Spare parts and equipment used for maintenance and running of operating plants), equal to Euro 31,920 thousand (Euro 23,303 thousand as at 31 December 2012).

The change in this item was due mainly to the combined effect of:

- Decrease of stored gas (Euro 26,610 thousand) due to commercial policies that emphasised purchases on the spot market;
- Increase of materials and equipment intended for plant maintenance (Euro 8,845 thousand) due to the consolidation of the Acegas Group.

Changes in the obsolescence fund for the first half of 2013 were as follows:

	31-dic-11	Allocations	Changes in scope of uses	other consolidation	30-giu-12
obsolescence fund	675	-	-	(14)	**661**

	31-dic-12	Allocations	Changes in scope of uses	other consolidation mov.	30-giu-13
obsolescence fund	523	-	364	(5)	**882**

The change in the scope of consolidation refers to the merger of Acegas Aps Holding S.p.A. with and into Hera S.p.A. as illustrated in these notes in the section on “Changes in the scope of consolidation”.

25 Trade receivables

	30-giu-13	31-dic-12	Changes
Trade receivables	1,077,865	752,086	325,779
Trade receivables for invoices to be issued	509,477	543,577	(34,100)
Receivables from associated companies	14,881	12,298	2,583
Total	**1,602,223**	**1,307,961**	**294,262**

Trade receivables as at 30 June 2013 amounted to Euro 1,602,223 thousand (Euro 1,307,961 thousand as at 31 December 2012) and comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 30 June 2013. The balances are stated net of the allowance for bad debts amounting to Euro 163,374 thousand (Euro 118,490 thousand as at 31 December 2012) which is considered to be fair and prudent in relation to the estimated realisable value of said receivables.
With reference to disputes related to receivables arising from sales in the standard offer market to 8 customers that are part of the Terni chemical hub (a technical dispute, which required the intervention of the Authority for Electric Energy and Gas), compared with the end of the previous year, where the situation was described extensively in the notes for the year ended 31 December 2012, it is noted that at 30 June 2013 the balance of receivables outstanding (which have already been paid in advance to the Group by the Equalization Fund for the Electricity Sector) amounted to Euro 4,770 thousand (unchanged from 31 December 2012). Collection for one receivable is still pending, in relation to accepted extraordinary charges, for Euro 166 thousand (unchanged from the comparable amount at 31 December 2012).

Changes in the allowance for bad debts in the first halves of 2012 and 2013 were as follows:

	31-dic-11	Changes in scope of consolidation	Allowances	Uses and other mov.	30-giu-12
Allowance for bad debt	105,244	-	23,108	(8,338)	120,014

	31-dic-12	Changes in scope of consolidation	Allowances	Uses and other mov.	30-giu-13
Allowance for bad debt	118,490	24,176	29,504	(8,796)	163,374

Allowance for bad debt is made on the basis of analytical considerations on specific receivables, and by considerations based on historical analyses of the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the following paragraph “credit risk”.
Changes in the scope of consolidation refer to the Acegas merger and the line-by-line consolidation of Modena Network S.p.A., as illustrated in these notes in the “Changes in the scope of consolidation”.

Credit risk

The book value of the trade receivables shown in the financial statements is the maximum theoretical exposure to credit risk for the Group as at 30 June 2013. Even if not standardised, there is a procedure for providing credit to customers that provides for individual evaluations to be made. These operations make it possible to reduce the concentration and exposure to credit risk posed by both business and private customers. Analyses are periodically made of the credit standings still open so as to single out any critical issues. Should individual positions turn out to be entirely or partially uncollectible, an adequate write-down is provided. With regard to the receivables that do not undergo individual write-downs, allocations are made to the provision for doubtful receivables, on the basis of historic analysis (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the creditor).

26 Contract work in progress

	30-giu-13	31-dic-12	Changes
Contract work in progress	24,873	20,635	4,238
Total	**24,873**	**20,635**	**4,238**

At 30 June 2013 “Contract work in progress” related to long-term contracts for:

- the development of plants for gas and water services;
- start of the activities related to Florence’s WTE plant;
- planning intended to obtain contracts in the national and international markets.

The increase on the previous year reflects mainly new contracts obtained in the national and international markets and to engineering activities related to the water service.

27 Financial assets

	30-giu-13	31-dic-12	Changes
Financial receivables outstanding with associated companies	36,428	32,960	3,468
Receivables for loans granted to others	15,666	8,099	7,567
Portfolio securities and financial policies	5,480	5,480	-
Receivables for mortgages to be collected	615	747	(132)
Other financial receivables	4,567	-	4,567
Total	**62,756**	**47,286**	**15,470**

The table below shows details of the “Financial receivables outstanding with associated companies” resulting from interest-bearing loans:

	30-giu-13	31-dic-12	Changes
Tamarete Energia Srl	36,013	31,036	4,977
Modena Network Spa	-	1,500	(1,500)
Ghirlandina Solare	244	244	-
Set Spa	115	-	115
Other minor receivables	56	180	(124)
Total	**36,428**	**32,960**	**3,468**

Compared to 31 December 2012, additional loans were made to:

- Tamarete Energia S.R.L, in January and April 2013 for a total of Euro 4,164 thousand, plus interest accrued during the period and not yet collected for Euro 813 thousand;
- Set S.p.A interest accrued during the period and not yet collected for Euro 115 thousand.

In addition, following the line-by-line consolidation of Modena Network S.p.A., intercompany loans are eliminated, thus causing this item to decrease.

The table below shows “Receivables for loans given to others”:

	30-giu-13	31-dic-12	Changes
Isontina Reti Gas Spa	4,410	-	4,410
Unirecuperi Srl (Gruppo Unieco)	4,000	4,000	-
EstPiù Spa	2,940	-	2,940
Enomondo Srl	2,425	2,425	-
Trading Srl conti vincolati	1,073	532	541
Wimaxer Spa	204	204	-
minor receivables	614	938	(324)
Total	**15,666**	**8,099**	**7,567**

Concerning the possibility to collect the Euro 4,000 due from Unirecuperi S.R.L., it is worthy of note that in March 2013 Unieco S.C.R.L. filed a petition under article 161, sixth paragraph, of the bankruptcy law. On 9 July 2013, with the application filed with the Court of Reggio Emilia for the registration of the agreement reached with creditors, pursuant to article 182 bis of Royal Decree 267/1942, Unieco S.C.R.L. exited the pre-composition-with-creditor procedure. The restructuring process did not concern Asa S.C.P.A.'s receivable outstanding with Unirecuperi S.R.L., which will be repaid at its original due date.

The change on 31 December 2012 was due to the consolidation of the Acegas Group, particularly with respect to the receivables outstanding with EstPiù S.p.A. and Isontina Reti Gas S.p.A.

"Portfolio securities and investment insurance contracts" includes bonds issued by Banca di Credito Cooperativo, amounting to Euro 4,150 thousand, and investment policies with banks, amounting to Euro 1,330 thousand.

"Sundry financial receivables" reflect grants receivable for the construction of the plants for integrated water services, which have already been approved and resolved by the competent authorities and for which disbursement is pending. The increase is due entirely to the consolidation of the Acegas Group.

28 Current tax assets

	30-giu-13	31-dic-12	Variazioni
Income tax credits	18,851	12,665	6,186
Income tax credits	22,162	18,217	3,945
Totale	**41,013**	**30,882**	**10,131**

“Income tax credits” refer to the excess advance IRES and IRAP payments over the tax amount payable. At 30 June 2013, the amount pertaining to the Acegas Group amounted to Euro 9,592 thousand.

“Income tax credits” refer to the excess advance IRES and IRAP payments over the tax amount payable. The increase from the previous year was due mainly to the deduction for IRES purposes of the IRAP paid on labour costs under Law Decree 201/2011 not deducted from these advance payments. The change from the comparable prior-year amount was due to the adoption of the clarifications of Ministerial Circular 8/E of 3 April 2013, in relation to which the Group had to submit “corrective” applications, to reflect the latest guidance. At 30 June 2013, the amount included Euro 4,008 thousand related to the consolidation of the Acegas Group.

29 Other current assets

	30-giu-13	31-dic-12	Changes
Energy efficiency and emission trading certificates	116,048	92,102	23,946
Equalisation fund for the electricity and gas sectors for balancing and continuity income	39,925	16,346	23,579
Security deposits	21,312	22,437	(1,125)
VAT, excise and additional taxes	16,959	22,321	(5,362)
Sundry tax receivables	6,423	3,293	3,130
Insurance costs	9,938	6,508	3,430
Accrued salaries and bonuses	8,882	7	8,875
Advances to suppliers/employees	8,860	5,668	3,192
Receivables due from asset companies	7,039	6,884	155
Costs advanced for leasing and rentals	5,917	6,040	(123)
Receivables related to tarif components	4,925	1,712	3,213
Prepaid rentals and fees for network services	4,452	124	4,328
Grants	4,136	4,529	(393)
Prepaid costs for waste disposal	2,420	3,688	(1,268)
Dividends receivables	2,334	0	2,334
Receivables from social security institutions	1,548	746	802
Receivables from municipal authorities for tax moratorium	34	44	(10)
Other recievables	34,357	16,659	17,698
Total	**295,509**	**209,108**	**86,401**

The breakdown and changes in the main items are described compared with 31 December 2012.

"Energy efficiency and emission trading certificates", include:

- green certificates, Euro 68,098 thousand (Euro 55,457 thousand as at 31 December 2012);
- white certificates, Euro 37,239 thousand (Euro 24,001 thousand as at 31 December 2012);
- grey certificates, Euro 10,711 thousand (Euro 12,644 thousand as at 31 December 2012).

The change from the comparable amount at 30 June 2012 was due mainly to the contribution of the Acegas Group, which accounted for green certificates for Euro 12,168 thousand generated by the production of electricity from renewable sources and white certificates for Euro 6,851 thousand.

In relation to green certificates, in connection with the WTE plants in Modena and Forlì, based on applicable rules and regulations, the Government pays incentives only for electricity from renewable sources (organic part of urban and special waste), representing 51% of the total. In December 2012 the certificates related to Modena's WTE plant for 2009, 2010 and 2011 were sold to the GSE, though only for the part of the incentives attributable to the production of urban waste, save for any future adjustments for the part related to special waste. In this respect, considering that the possibility to apply the lump-sum calculation introduced by Ministerial Decree of 6 July 2012 is extended also to productions prior to 2013, following specific guidance given by the Ministry of Economic Development to the GSE, in May 2013 the certificates related to the Modena WTE plant for 2009, 2010 and 2011 were sold to the GSE.

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

"Equalisation fund for the electricity and gas sectors for balancing and continuity income", amounting to Euro 39,925 thousand (Euro 16,346 thousand at 31 December 2012).The increase on the previous year was due to the receivable due from the Electricity Sector Equalisation Fund in relation to the discounts applied to the water and gas customers in the area hit by the earthquake of May 2012.

"Security deposits", composed of:

- the deposit made to Acosea Impianti S.R.L. for Euro 12,000 thousand;
- other minor deposits in favour of public institutions and companies, Euro 7,163 thousand (Euro 8,288 thousand as at 31 December 2012). The decrease was due to the return of the deposits made by GME to secure the purchase of green certificates and the ability to transport electric energy on international grids;
- deposits in favour of the Property Valuation Office, Euro 2,149 thousand (same amount as at 31 December 2012) to guarantee the payment of revenue tax collected from customers.

"VAT, excise and additional taxes", amounting to Euro 16,959 thousand, reflect VAT credits for Euro 9,556 thousand (of which Euro 5,085 thousand attributable to the Acegas Group) and excise and additional regional taxes for Euro 7,403 thousand (of which Euro 349 thousand attributable to the Acegas Group). Compared with 31 December 2012, the difference was due to the combined effect of a decrease of Euro 9,274 thousand in excise and additional regional taxes receivable (Euro 16,677 thousand at 31 December 2012) and an increase of Euro 3,912 thousand in VAT credits (Euro 5,644 thousand at 31 December 2012). These changes are to be interpreted together with the changes shown in the item in liabilities, "Other current liabilities" - note 40. To understand these changes, particularly with regards to excise duties and additional taxes, note must be taken of the procedures that regulate financial relations with the Tax Authorities. In particular, advance payments during the year were calculated according to quantities of gas and electricity billed in the previous year. Using these methods, credit/debit positions can be generated with differences that are also significant between one period and another.

"Sundry tax receivables", amounting to Euro 6,423 thousand (Euro 3,293 thousand at 31 December 2012). They refer mainly to tax credits on district heating. Compared to 31 December 2012, this item rose mainly due to the consolidation of the Acegas Group (Euro 1,203 thousand).

“Insurance costs”, amounting to Euro 9,938 thousand (Euro 6,508 thousand at 31 December 2012). This item reflects the costs of insurance policies and surety bonds, which were paid before the balance sheet date. The increase on the comparable year-earlier amount was due mainly to the consolidation of the Acegas Group.

“Accrued salaries and bonuses”, amounting to Euro 8,882 thousand (Euro 7 thousand at 31 December 2012), relate to one the two one-month-salary bonuses payable to employees during the year accrued at 30 June 2013.
“Advances to suppliers/employees”, amounting to Euro 8,860 thousand (Euro 5,668 thousand at 31 December 2012).The increase on the previous year was due a prepayment to a supplier for the transmission of electric energy obtained from distributors from the national grid, as well as the contribution of the Acegas Group, which accounted for Euro 1,519 thousand.

“Receivables related to tariff components”, amounting to Euro 4,925 thousand, reflect the amount made up of the tariff components for electric energy debited to the Group’s distributors, which are eventually charged to final customers. The change from the previous period is attributable to sums “recovered” from final customers.

“Prepaid rentals and fees for network services”, amounting to Euro 4,452 thousand (Euro 124 thousand at 31 December 2012), related to prepayments made to the companies that own the assets.

“Grants”, amounting to Euro 4,136 thousand (Euro 4,529 thousand at 31 December 2012), refer mainly to forgivable loans provided by different Authorities, which were still uncollected at year-end.

“Prepaid costs for waste disposal” reflect the difference between contributions for inconveniences paid to Municipalities and other companies (based on agreements and arrangements) and the amount attributable for the year as calculated on the basis of the tons of actual waste disposed.

“Dividends receivable”, amounting to Euro 2,334 thousand, refers to dividends approved in 2013 and not yet collected:

- Estenergy S.p.A., Euro 1,623 thousand (amount receivable by the Group after intercompany eliminations);
- Service Imola S.R.L., Euro 86 thousand;
- Aimag S.p.A., Euro 625 thousand.

As to “Receivables from municipal authorities for tax moratorium”, reference is made to note 15 “Income taxes for the year”.

30 Cash and cash equivalents

As at 30 June 2013, cash and cash equivalents totalled Euro 483,322 thousand (Euro 424,162 thousand as at 31 December 2012) and include cash, cash equivalents, and bank cheques and drafts held in centralised and decentralised accounts for a total of Euro 165 thousand. They also include bank and financial institution deposits in general, available for current transactions and post office accounts totalling Euro 483,187 thousand. To get a better grasp of the financial trends in the first half of 2013, reference is made to the cash flow statement and the comments shown in the report on operations.
The contribution of the Acegas Group to this item was Euro 33,540 thousand.

31 Non-current assets and liabilities held for sale

	30-giu-13			31-dic-12	Changes
	Berti Pichat area	Cemeterial and funeral services division	Total	Berti Pichat area	
Property,plant and equipment	5,912	8,030	13,942	14,154	(212)
Intangible assets		50	50	-	50
Deferred tax assets		214	214	-	214
Trade receivables		3,355	3,355	-	3,355
Receivables for current taxes		106	106	-	106
Other current assets		216	216	-	216
Cash and cash equivalents		2,641	2,641	-	2,641
Total non-current assets held for sale	**5,912**	**14,612**	**20,524**	**14,154**	**6,370**
Borrowings – maturing beyond 12 months		7,818	7,818	-	7,818
Post-employment benefits		629	629	-	629
Provisions for risks and charges		171	171	-	171
Banks and other borrowings – maturing within 12 months		436	436	-	436
Trade payables		115	115	-	115
Current tax liabilities		1,014	1,014	-	1,014
Other current liabilities		1,161	1,161	-	1,161
Total non-current assets held for sale		**11,344**	**11,344**	**-**	**11,344**

"Non-current assets and liabilities held for sale", in accordance with IFRS 5, reflects:

- the reclassification of a portion of the real estate complex of the Berti Pichat area from "Property, plant and equipment" for Euro 5,912 thousand (Euro 14,154 at 31 December 2012). The area in question was supposed to be revitalized, with the construction of a new small office building and the urbanization of the surrounding space. The decrease from 2012 was due to the redrawing of the area for sale in relation to new negotiations under way. Contrary to initial expectations, the sale was not completed in 2012 for reasons not directly attributable to the company; since negotiations with a potential buyer are under way, these assets are still reported as held for sale;
- the assets and liabilities of Hera Servizi Cimiteriali S.R.L. and Hera Servizi Funerari S.R.L., following the award of the contract as a result of the public tender held by the Municipality of Bologna, with the consequent selection of the private partner to manage this service. In particular, the agreement signed on 1 August 2013 calls for the handover of the above companies to the Municipality of Bologna.

The above table shows the main assets and liabilities of these companies. Property, plant and equipment amount to Euro 8,567 thousand while assets and liabilities recognised at fair value are shown net of the loss of Euro 537 thousand, as described in note 13 "Financial expense". Concerning the income statement, since revenues and expenses are immaterial within the Group, they are not shown separately, as provided for by the standard of reference.

32 Share capital and reserves

The statement of changes in shareholders' equity is shown in section 2.01.05 of these consolidated financial statements.

Share capital

The share capital at 30th June 2013 was 1,342,876,078 Euro units, fully paid in and is represented by 1.342.876.078 ordinary shares with a nominal value of 1 Euro each. This amount reflects the capital increases following the AcegasAps acquisition

Reserves for treasury shares

The “Reserve for treasury shares” has a negative value equal to EUR 13,819 thousand; it reflects the number of treasury shares in the portfolio as at 30 June 2013 and it is considered a reduction of share capital. The items "Reserve for gain/losses on sale of treasury shares” and “Reserve for treasury shares exceeding nominal value” are recorded among the shareholders’ equity reserves for a positive value of EUR1,339 thousand and a negative value of EUR 5,391 thousand, respectively. These reserves reflect the treasury shares transactions carried out as at 30 June 2013. The change during the first and second quarter of 2013 generated gains for EUR 2,216 thousand.

Fees for share capital increase

Costs associated to share capital increase are in relation to the take-over bid with share swop (OPAS) on Acegas Aps's shares; costs amount to EUR 135 thousand and are considered a reduction of shareholders' equity.

Reserves

The item “Reserves”, equal to EUR 574,292 thousand, includes the following reserves:

- “legal”, EUR 41,950 thousand;
- “extraordinary”, EUR 3,675 thousand;
- “revaluation”, EUR 2,885 thousand;
- “share premium reserves”, EUR 15,269 thousand;
- “capital account payments”, EUR 5,400 thousand;
- “retained earnings”, EUR 51,505 thousand;
- “share swap surplus”, 42,408 thousand Euro;
- “IFRS 3 reserve” for EUR 278,732 thousand, deriving from the integrations of Agea Spa, Meta Spa , Geat Distribuzione Gas Spa, Sat Spa, Agea Reti Spa, Con.Ami , Area Asset Spa and Gruppo Acegas;
- “IAS/IFRS reserve” for EUR 144,105 thousand, generated after adoption of international accounting standards;
- “reserve for dividends received on treasury shares”, EUR 3,007 thousand
- “Actuarial gains/losses reserve", negative by EUR 14,644 thousand.

Cash Flow-Hedge Reserve

As at 30 June 2013, this reserve had a negative balance of EUR 4,261 thousand following changes determined by fair value valuation of referent derivatives.

Retained profit

The item totals EUR 2,061 thousand.

33 Payables to banks and medium/long- and short-term loans

As at 30 June 2013, Gruppo Hera's financial debts amount to EUR 3,366,768 thousand. The portion of medium-long term loans totals EUR 2,652,058 thousand (EUR 2,440,994 thousand as at 31 December 2012) and comprises bond loans (EUR 1,959,322 thousand), mortgages, stipulated loans (EUR 682.554 thousand) and other payables (EUR 10.182 thousand).

Short-term loans totaled EUR 714,710 thousand (EUR 317,560 million as at 31 December 2012) and include payables to banks and other lenders. The change in medium/long term payables, with respect to the previous year, is due to the entering of new loans, amounting to EUR 800 million, partly used for the restructuration of Puttable bonds and loans portfolio assets. Specifically, in early 2013 the Group issued a nominal bond loan of EUR 700 million due to mature in 15 years, at 5.20% fixed rate. On 22 May 2013, a nominal bond loan was issued for EUR 100 million in two fixed rate tranches of 10 and 12 years respectively, at 3.375% and 3.5%.

As at 30 June 2013, Gruppo Hera guarantees collateral security to adequately cover for some loans. Of note we report:

- mortgages and special liens on land, plants and machinery recorded by HERA Group in favour of the pool of banks that awarded a loan to the subsidiary Fea Srl, have a residual nominal value of EUR 48,900 thousand;
- mortgages guaranteeing the loan awarded to subsidiary Nuova Geovis Spa have a residual nominal vaue of EUR 1,781 thousand;
- mortgages on buildings in Pesaro and Urbino of the Marche Multiservizi Group issued in favour of the bank awarding the loan, have a residual nominal value of EUR 5,124 thousand.

The table below shows the bonds and loans as at 30 June 2013, with an indication of the portion expiring within and after 5 years (millions of Euro):

Type	Residual amount 30-giu-13	Portion due within the year	Portion due within 5 years	Portion due after 5 years
Bond	1,959		499	1,460
Convertibile bond	139	139		
Loans and mortgages	788	151	488	148
Loan secured by collateral	53	7	32	14
Current bank borrowing	372	372		
Other financial borrowing	55	45	10	

The main terms and conditions of the bond loans as at 30 June 2013 are shown below:

Bonds and puttable loans		Tenor (years)	Maturity	Nominal value (€/mm)	Coupon	Annual interest rate
Convertibile bond	Luxembourg stock exchange	3	1-ott-13	140	Fixed, six-monthly.	1.75%
Eurobond	Luxembourg stock exchange	10	15-feb-16	500	Fixed annual	4.13%
Eurobond	Luxembourg stock exchange	10	3-dic-19	500	Fixed annual.	4.50%
Bond	EuroTLX Markets	13	17-nov-20	100	Fissa semestrale.	6.32%
Bond Aflac	Cross Currency Swap 149,8 €mln	15	5-ago-24	20.000 JPY	Fixed, six-monthly.	2.93%
Bond	Luxembourg stock exchange	10	22-mag-2023	68	Fixed annual.	3,375%
Bond	Luxembourg stock exchange	12	22-mag-2025	32	Fixed annual.	3,5%
Bond	Not listed	15/20	14-mag-2027/2032	102.5	Fixed annual.	5.25%
Bond	Luxembourg stock exchange	15	29-gen-2028	700	Fixed annual.	5.20%

As at 30 June 2013, outstanding bonds equal to a nominal EUR 2,292 million and feature a fair value of EUR 2,443 million.

At 30 June 2013 a significant proportion of the Group's net debt was represented by loan agreements which include a collection of clauses, in line with international practice, which impose a series of negative covenants. The main ones are pari passu, negative pledge and change of control clauses. In relation to mandatory early repayment clauses. There is also a clause which requires the Group's ratings by any rating agency not to fall below investment grade (BBB-).

Liquidity Risk

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

Current cash, cash equivalents and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. In particular, as at 30 June 2013, there are unused committed credit lines totalling over EUR 1,000 million and EUR 540 million.

34 Employee leaving indemnity and other benefits

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

The item "gas discount" represents annual indemnities provided to Federgasacqua employees, hired prior to January 1980, which may be transferred to their heirs. "Premungas" is a supplementary pension fund for employees members of Federgasacqua hired prior to January 1980. The fund was closed with effect from January 1997 and quarterly changes regard solely settlement of payments made to entitled retirees. The item "tariff reduction provision" was provided to cover the charges deriving from the acknowledgement to retired staff of the electricity business unit of tariff concessions for electricity consumption. The benefits were recalculated using the same actuarial method applied to leaving indemnities.

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

	31-dic-12	Provisions provisions	Financial charges	Actuarial losses and gains	Uses and other movements	Changes inthe scope of consolidation	30-giu-13
Employee leaving indemnity	100,925	845	1,770	-1,787	(3,714)	22,784	120,823
Provision for tariff reduction	6,407	-	92	47	(256)	-	6,290
Premugas fund	3,172	-	25	45	(200)	-	3,042
Gas discount	2,459	-	26	37	(136)	-	2,386
Total	**112,963**	**845**	**1,913**	**-1,658**	**(4,306)**	**22,784**	**132,541**

With effect from 1 January 2013, HERA Group has been applying the IAS 19 revised principle, pursuant to which the "corridor" approach for actuarial profit/loss monitoring and recording has been abolished. The application of the new policy required the restatement of assets and liabilities as at 31st December 2012, as well as a P&L statement for the first 6 months of 2012. In particular, the "Employee leaving indemnity and other benefits" fund was increased by EUR 21,597 thousand, as a net equity off-set by EUR 17,521 thousand and as a deferred tax liabilities off-set by EUR 4,076 thousand. This resulted in beneficial effects shown by the income statement of the first two quarters of 2012 for "personnel costs", totaling EUR 613 thousand net of tax effect and booked as "fiscal period tax" for EUR 276 thousand.

The item "Actuarial profits/losses" represents the reassessment of liabilities following the variation of actuarial projections. The items are shown in the general P&L statement 2.01.02 as indicated in these notes.

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

The item "Change in scope of consolidation" comprises leaving indemnity off-sets for Gruppo Acegas companies, as indicated in the paragraph "Change in scope of consolidation" as well as under ""Non-current assets and liabilities for sale" and in note 31, pertaining Hera Servizi Cimiteriali Srl and Hera Servizi Funerari Srl companies for EUR 629 thousand.

The main assumptions used in actuarial estimates are as follows:

	30-giu-13	31-dic-12
Annual discount rate	2.99%	2.89%
Annual rate of inflation	2.10%	2.10%
Annual salary increases	3.90%	3.90%
Annual rate of increase of employee leaving indemnity	3.08%	3.08%
Annual employee departure for reasons other than death	1.10%	1.10%
Annual usage rate of employee leaving indemnity	1.50%	1.50%

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

1. Probabilities of death are based on ISTAT SIMF 2009 tables;
2. Probabilities of disability are based on INPS model gender-sensitive projections for 2010
3. as regards retirement age, new effective dates were considered for pension planning as envisaged by Decree Law no 6 December 2011, n. 201 including “Urgent provisions for growth, equity and consolidation of public accounts”, as well as the adjustment policy of requirements to access the pension system, the increased life expectancy pursuant to Art. 12 of the Decree Law 31 May 2010, n. 78, converted with amendments into Law 30 July 2010. 122;
4. As for probabilities of job termination for causes other than death, they were calculated based on annual frequency under macro categories (profession, age, gender) in order to determine an average percentage for the entire HERA Group.

Please note: actuarial valuations were carried out using Euro Composite A yield curve.

35 Provisions for risks and charges

	31-dic-12	Provisions		Uses and other movements	Changes in scope of consolidation	30-giu-13
		Provisions	financial charges			
Provision for landfill closure and post-closure costs	101,015	789	3,780	(6,498)	-	99,086
Provision for restoration of third party assets	107,008	3,716	1,158	-	-	111,882
Provision for staff disputes and legal costs	24,447	5,490	-	(16,411)	8,820	22,346
Other provisions for risks and charges	19,427	9,078	70	(5,945)	17,410	40,040
Total	**251,897**	**19,073**	**5,008**	**(28,854)**	**26,230**	**273,354**

The **provision for landfill closure and post-closure costs,** equal to EUR 99,086 thousand, represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently in use. Future costs, assessed for each landfill by a specific expert valuation, were discounted pursuant to IAS 37 regulations. Provision increase include the financial element as accounted, while uses are the actual expenses incurred during the year.

The item “uses and other operations” indicates a decrease of EUR 6,498 thousand, following actual cash costs for landfill management, of which EUR 3,466 thousand booked as a contra entry to "other revenues" (please see note 5 of the income statement).

The **provision for the restoration of third party assets,** equal to EUR 111,882 thousand, includes the provisions made in relation to the legal and contractual restrictions encumbering HERA Spa and Group companies in their capacity as leaseholders of the distribution networks owned by the asset companies. The allocations are made on the basis of economic-technical amortisation rates held to be representative of the residual possibility of use of the assets in question in order to compensate the lessor companies for the wear and tear of the assets used for business activities. The provision reflects the current value of these outlays which will be determined in future periods (usually on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the period, including those discounted back, and the financial charges which reflect the element deriving from the discounting back of the flows on an accruals basis.

The provision for staff disputes and legal costs, amounting to EUR 22,346 thousand, reflects the assessments of the outcome of lawsuits and disputes brought by employees. The fund includes EUR 8,5 million for the INPS litigation (EUR 13,8 million as at 31 December 2012). Please note: HERA Spa and some Group companies have been in litigation against INPS concerning the assessment of lack of grounds to proceed of deposit obligation to INPS itself as regards contributions for the Cassa Integrazione Guadagni (CIG, temporary unemployment compensation), the Cassa Integrazione Guadagni Straordinaria (CIGS, extraordinary temporary unemployment compensation), mobility, unvoluntary unemployment and health benefits as well as concerning the incomplete contributions for family and maternity benefits. The litigation was fully resolved following an agreement signed on 25 January 2013 among HERA Group, INPS and Equitalia and the payment of due contributions together with premium and interest charges. For residual civil sanctions, an application has been filed for reduction and deferred payment. The INPS litigation includes the allocation of Gruppo Acegas for EUR 6,1 million as an off-set against liabilities from filings received up until present day and still suspended, amounting to approximately EUR 11,2 million. The fund is reasonable according to the information available to the company at present, to the foreseeable evolution of the litigation, and to the legal advice received in the process. Please note that within July tax demands will be paid in relation to post-2005 filings for EUR 3,1 million.

Item "**other provisions for risks and charges"** equals EUR 40,040 thousand and comprises provisions made against sundry risks. Main items are summarized below:

- EUR 6,298 thousand against future dismantling of waste-to-energy plants in Trieste and Padua. The fund includes discounting financial charges;
- EUR 3,765 thousand against the refund of the return on investment on the basis of Authority resolution on 30 January 2013 n.38/2013/R/IDR “Institution of proceeding for the restitution to the final users of the fee element included in the integrated water service tariff and associated to the return on investment, repealed following to the 12-13 June 2011 referendum, in relation to the 21 July - 31 December 2011 period, not covered by the transit fee method”;
- EUR 3,250 thousand, against potential future charges for the Ponte San Nicolò landfill;
- EUR 2,938 thousand as an off-set following the entry of the Ministry of Economic Development Decree 20 November 2012 "New methods for the assessment of fuel avoided cost (CEC), under provision Cip6/92, and assessment of the value of CEC adjustment for 2011”, introducing new approaches to determine the element of avoided fuel cost (CEC) in relation to 2010, 2011 and 2012;
- EUR 3,067 thousand as provision for costs of the disposal of waste stored in Group plants;
- EUR 1,988 thousand in spending on restoration of free-revert goods, relating to the water supply system of the river Rosola (held under concession) and to other provisions against minor environmental issues;
- EUR 1,364 thousand, relating to ordinary cemetery maintenance in the Trieste area;
- EUR 1,200 thousand as provision set up to cover potential future losses suffered by subsidiary companies;
- EUR 1,100 thousand to cover for charges for environmental issues in favour of Forlì and Modena municipalities. ATERSIR (Territory Water and Waste Agency for Emilia Romagna) is the regulation body entitled to acknowledge such environmental issues in the municipalities in proximity to waste disposal plants as compliant to project planning, in order for charges to be subsequently recognized under urban waste-disposal service management fees. Moreover, the specific ATERSIR statement allowing such indemnities to be part of service management fees, represents a prerequisite for the renewal of expired agreements (like Forlì and Modena). The Group believes that, as far as waste disposal in plants located in these two municipalities is concerned, liabilities should be based on a fair estimate of what can be expected to be allocated to the municipalities, provided prior approval by ATERSIR.

- EUR 1,100 thousand, against potential sanction by the Authority for Electricity and Gas relating to the unaccomplished substitution of 30% of gas ducts in grey cast iron in the Trieste area, pursuant the Authority Resolution n. 168/2004. The fund includes provisions (EUR 300 thousand) against the sanction for the overdue implementation of gas meter remote reading, compliant with the Resolution of the Authority for Electricity and Gas m. 155/2008.
- EUR 1,604 thousand, relating to the provision set up to cover losses actually recorded, taking account of the future prospects of Oikothen Scarl;
- 1.EUR 106 thousand against potential effects of AEEG Resolution 89/08 (ec79/07), which creates an obligation, on the part of companies selling gas, of a financial payout to final customers under OTB (base tariff option) for the period referred to in the first half of 2006. The residual amount, as at 31 December 2012, corresponds to the most prudent scenario in relation to the amount that might be paid to end customers;
- EUR 1,025 thousand relating to potential costs for the creation and maintenance of plants and landfills;
- EUR 833 thousand to cover for sanctions relating to gas supply service;
- EUR 742 thousand to cover charges for electrical service continuity;
- EUR 434 thousand, relating to "Valle Savio" fund, to cover community projects in favour of the community neighbouring Busca landfill in Cesena municipality, compliant with concession agreement;
- EUR 313 thousand, to cover potential charges related to ICI tax, resulting from possible changes in debenture attributed to some environmental plants;
- EUR 164 thousand as provisions in relation to customer compensation for water service leaks.

The item "Change in the scope of consolidation" solely relates to Acegas Aps Holding merger into HERA spa, as under paragraph “Change in the scope of consolidation” in the notes.

36 Deferred tax liabilities

	30-giu-13	31-dic-12	Changes
Deferred tax liabilities	76,014	74,038	1,976
Total	**76,014**	**74,038**	**1,976**

Deferred tax liabilities are generated by temporary differences between the balance sheet profit and taxable income. This item also includes deferred taxes generated after the application of the IAS//IFRS international accounting standards on the “Provision for restoration of third party assets”, "Provisions for land-fill post-closure”, “Tangible fixed assets”, “Financial leases”, and “Employee leaving indemnity and other employee benefits”.

Please see note 15 “Taxes for the period”.

Variation indicates an increase of the item resulting mainly from Gruppo Acegas contribution.

37 Financial leasing payables

	30-giu-13	31-dic-12	Changes
Finance leases payable within 12 months	2,916	3,767	(851)
Finance leases payable beyond 12 months	12,833	13,356	(523)
Total	**15,749**	**17,123**	**(1,374)**

This item represents the recording of payables arising from the accounting of leasing transactions using the financial method. The net change compared to the same period last year is due mainly to the payment of rents that became due in the year.

Details of financial leasing payables, broken down by asset category, are shown below:

Financial leasing payables	31-Dec-12			
	Payabales due within 12 months	m/l payables due between 1 and 5 years	m/l payables due after 5 years Oltre 5 anni	Rent falling due
Land and buildings	1,623	-	-	1,704
Plants and machinery	1,468	3,472	8,845	20,286
Other movable asstes	676	1,039	-	1,794
total financial leasing payables	**3,767**	**4,511**	**8,845**	**23,784**

Financial leasing payables	30-Jun-13			
	Payabales due within 12 months	m/l payables due between 1 and 5 years	m/l payables due after 5 years Oltre 5 anni	Rent falling due
Land and buildings	786	-	-	836
Plants and machinery	1,428	3,521	8,566	19,679
Other movable asstes	702	746	-	1,380
total financial leasing payables	**2,916**	**4,267**	**8,566**	**21,894**

The net value of assets recorded in the financial statements is shown below (please refer to the values indicated under note 16 “Tangible fixed assets”):

Net value of assets recorded in the financial statement	31-dic-12	Assets held under financial leasing agreements		30-giu-13
		Increases	Decreases	
Land and buildings	9,765	0	(3,865)	5,900
Plants and machinery	16,646	452	(1,546)	15,552
Other movable asstes	2,025	84	(293)	1,817
Total assets hel under financial leasing agreement	**28,436**	**536**	**(5,704)**	**23,269**

Please note that above mentioned data solely represent assets used in relation to ongoing leasing agreements.

38 Trade payables

	30-giu-13	31-dic-12	Changes
Payables to suppliers	597,888	626,340	(28,452)
Payables to suppliers for invoices to be received	474,878	515,150	(40,272)
Payables for advances received	14,863	18,315	(3,452)
Payables to associated companies	5,063	6,036	(973)
Payables to non-consolidated subsidiary companies	138	(3)	141
Total	**1,092,830**	**1,165,838**	**(73,008)**

"Trade payables", all of a commercial nature and inclusive of sums set aside to cover invoices due, total EUR 1,072,766 thousand as at 30 June 2013 compared to EUR 1,141,490 thousand as at 31 December 2012.

"Payables for advances received" relate to advances received in relation to tender contracts for environmental reclamation and gas supply. The main differences compared to 31 December 2012 relate to the following items:

- a reduction of deposits received by associated Set Spa in relation to green certificates for year 2011 and grey certificates for 2012, which were physically transferred to Set Spa and booked under item "Revenue";
- an increase for environmental reclamation, EUR 510 thousand.

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

The key amounts owed to associated companies, again for commercial reasons, are itemized below:

	30-giu-13	31-dic-12	Changes
Estense Global Service Soc.Cons. a r.l.	1,800	775	1,025
SO. SEL Spa	1,368	1,748	(380)
FlamEnergy Trading Gmbh	1,009	1,310	(301)
Service imola Srl	985	704	281
SGR Servizi Spa	604	606	(2)
Aimag Spa	526	600	(74)
SET Spa	(1,264)	(413)	(851)
Other minor	35	706	(671)
Total	**5,063**	**6,036**	**(973)**

39 Current tax liabilities

	30-giu-13	31-dic-12	Changes
Payables for income taxes	88,507	6,202	82,305
Payables for substitute tax	14,187	14,261	(74)
Total	**102,694**	**20,463**	**82,231**

"Payables for income taxes" accounts for the setting aside of taxes accrued on the income generated during the period, besides including residual payables in relation to last period's income. Gruppo Acegas contributed for EUR 22,663 thousand.

"Payables for substitute tax" relate to residual instalments resulting from sheltering operations already accounted in previous period financial reports (please see note 15 "Taxes for the period").

40 Other current liabilities

	30-giu-13	31-dic-12	Changes
Excise and surtaxes	116,301	11,044	105,257
Contribution for plants	107,138	76,546	30,592
Security deposit	86,592	81,561	5,031
Payables for IRES	71,726	-	71,726
Equalisation fund for the electricity and gas sector	60,091	15,427	44,664
Employees	42,738	29,602	13,136
VAT	39,425	13,974	25,451
Payables to social securities institutions	35,834	23,041	12,793
Payables due to advances to the Equalisation fund	18,684	18,684	-
Payables for tariff components	17,954	15,253	2,701
Payables to shareholder dividends	12,842	5,950	6,892
Employee withholdings	11,749	11,667	82
Municipalities for environmental inconveniences and guarantees	8,602	9,899	(1,297)
Insurance and deductibles	4,046	3,845	201
Other taxes payables	2,924	3,396	(472)
Customers	2,714	2,387	327
Energy efficiency bonds and emission trading	1,168	4,045	(2,877)
Sewerage fees	700	591	109
Directors and auditors	322	286	36
Third party project and study work	6	8	(2)
Other payables	47,029	22,854	24,175
Total	**688,585**	**350,060**	**338,525**

Comments are provided below on the most significant items and the associated changes as at 31 December 2012.

“Excise and surcharges" raised compared to 2012. For an explanation please see note 29 “Other current assets" and particularly the mechanism that governs the financial relations with the tax authority. As at 30 June 2013, the effect of Gruppo Acegas consolidation equals EUR 11,701 thousand.

“Contributions for plants” refers to investments in the water and environment sector. This item will decrease in proportion to the amount of depreciation calculated on the reference assets. As at 30 june 2013, the effect of gruppo Acegas consolidation amounts to EUR 33,779 thousand, associated to the concession to Wind of the company's cable ducts and to the portion of contribution for plant investments received from the regional administration, the municipality of Trieste and from the Fondo Trieste. Contributions concern industrial water treatment plants (Resider II) and the INTERREG project for ductwork installation between Italy and Slovenia.

Item “Guarantee deposits" reflects the sums paid by customers for gas, water and electricity administration agreements. Item increase results from Gruppo Acegas consolidation effect (EUR 6,780 thousand).

Item “Tares Payables” is associated with the Group's payables towards municipalities for the management, on behalf of the municipalities themselves, of TARES (Tax on waste and services) which, since January 2013 has replaced TARSU (Tax on Urban Waste) and TIA (Tax on public hygiene), which two used to be invoiced directly to final clients. Item represents both payables towards municipalities for the invoiced TARES deposits and the payables to municipalities for Province additional fees on TARES deposits, which municipalities are bound to pay to the Province, based on recorded revenue.

Item “Equalization Fund for the Electricity and Gas Sectors” reflects the debt positions for equalization on the gas distribution/measurement, some elements of the gas service system and equalization of the electricity service.. The increase with respect to the previous period is in relation to the Gruppo Acegas consolidation effect for EUR 27,476 thousand. Gas service system elements for the third and fourth month of 2013 were paid on 1st July (first working day after the end date of the semester).

Item “Personnel” relates to holidays accrued but not yet taken as at 30 June 2013, productivity bonus and accrued salaries recorded. The increase is in relation to the effect of Gruppo Acegas consolidation for EUR 8,057 thousand, as well as to holidays accrued but not yet taken and to productivity bonus.

The increase in item “Value added tax" with respect to the previous period relates to the Gruppo Acegas consolidation effect for EUR 5,148 thousand as well as to the paid deposits lowering debt exposure..

Item “Payables to social security institutions" relate to contributions due to these institutions for the month of June 2013. The net balance as at 30 06 2013, the effect of Gruppo Acegas consolidation equals EUR 6,857 thousand.

Item “Payables and advances for Compensation Fund” amounts to EUR 18,684 thousand as at 30 June 2013 and covers the debt amount by gratuitous advances to the Compensation Fund for the electricity sector (CCSE), compliant with the integration process under AEEG resolutions n. 370, 20 September 2012 and n. 519, 6 September 2012, against overdue and uncollected loans claims against clients managed under safeguard regime as at 31 December 2011. Invoiced amount totals 60% of the claimed amount, while the payment of the remaining 40% is bound to be invoiced as soon as possible .

Item “Payables due to shareholders for dividends” relates to the indebtedness with respect to minority shareholders in the following subsidiaries:

FEA Srl, EUR 5.390 thousand (EUR 5,586 as at 31 December 2012);
Romagna Compost Srl, EUR 329 thousand (EUR 364 thousand as at 31 december 2012);
Sinergia Srl, EUR 246 thousand;
Herambiente Spa, EUR 4,059 thousand;
Marche Multiservizi Spa, EUR 1,195 thousand;
EstEnergy Spa, EUR 1,623 thousand.

Item “Payables for environmental disruption and establishment of securities” relates to contributions due to municipalities for indemnities due to environmental damages, calculated proportionally with waste disposed of in treatment plants as at 30 June 2012. The decrease, compared to 2011, is due to payments made in 2012.

Item “Other tax liabilities" includes the payables for the ecotax related to the last quarter of 2012, paid in 2013.
“Titoli di efficienza energetica and emission trading” refer to:

- grey certificates for EUR 1,119 thousand (EUR 1,768 thousand as at 31 December 2012);
- green certificates for EUR 49 thousand (EUR 2,277 thousand as at 31 December 2012).

This entry reflects the obligation to redeliver the certificates to the competent authorities based on applicable legislation.

The increase in item “Other payables" is mainly in relation to the effect of Gruppo Acegas consolidation for EUR 21,853 thousand.

Notes to the consolidated cash flow statement

Acquisitions and equity investments

In the first half of 2013 the Group took over the AcegasAps Group and made minor investments in consolidated and non-consolidated companies. The table below shows the cash outlays and cash inflows related to these transactions:

thousands of euro	
Transactions where the Group acquired control	
Cash outlay for the acquisition of the AcegasAps Group	(9,425)
Cash outlay for the acquisition of Modena Network S.R.L.	(230)
Other minor investments	(34)
Investments in non-consolidated companies	
Capital increase Galsi	(208)
Other minor investments	(15)
Total cash outlays	**(9,912)**
Cash and cash equivalents held by the AcegasAps Group	26,413
Cash and cash equibvalents held by minor investees	0
Total cash and cash equivalents obtained	**26,413**
Cash outlays for acquisitions and equity investments less cash and cash equivalents	**16,501**

With respect to the merger of the AcegasAps Group, for the analysis of the fair value of the assets acquired and the liabilities assumed, reference is made to the “Table summarizing the effects of the business combination” at the beginning of these Notes.

Divestments

In the first half of 2013 Herambiente sold its investment in associated company Refri S.R.L.; in addition the Hera S.p.A.'s "Cemetery" unit was classified as held for sale pursuant to IFRS 5. The table below provides details of the sums collected and the cash and cash equivalents sold or reclassified:

thousands of euro	
Disposal of investments in consolidated companies	
Cash received from sale of Refri S.R.L.	2,300
Disposal of investments in non-consolidated companies	
Other minor disposals	41
Total proceeds from disposals	**2,341**
Cash and cash equivalents of disposal groups	(2,641)
Cash and cash equivalents related to other minor transactions	0
Total cash and cash equivalents transferred	**(2,641)**
Disposal of investments net of cash and cash equivalents	**(300)**

Investments in consolidated companies

This amount reflects Herambiente S.p.A.'s cash outlay related to the purchase of a non-controlling interest (49% of share capital) in Nuova Geovis S.p.A.

IFRS 8

Income statement June 2013

	Gas	Electricity	Water cycle	Environment	Other services	Structure	Total	Consolidated financial statements
Direct revenues	975.2	725.9	329.4	401.8	90.4	14.1	2536.9	2536.9
Intra-cycle revenues	8.2	45.2	5.4	17.9	5.9	0.1	82.7	
Total direct revenues	**983.4**	**771.1**	**334.8**	**419.7**	**96.3**	**14.2**	**2619.5**	**2536.9**
Indirect revenues	4.4	1.2	1.3	3.7	3.6	-14.2	0.0	
Total revenues	**987.8**	**772.3**	**336.1**	**423.4**	**99.9**	**0.0**	**2619.5**	**2536.9**
EBITDA	**174.2**	**43.7**	**102.4**	**121.2**	**3.8**	**0.0**	**445.3**	**445.3**
Direct depr., amort. and alloc.	30.9	29.5	45.1	63.1	14.7	15.4	198.7	198.7
indirect depr., amort. and allo	3.6	2.0	5.0	4.5	0.4	-15.4		
Total depr., amort. and alloc.	**34.5**	**31.5**	**50.0**	**67.6**	**15.0**	**0.0**	**198.7**	**198.7**
EBIT	**139.7**	**12.2**	**52.4**	**53.6**	**-11.2**	**0.0**	**246.6**	**246.6**

Income statement June 2012 as ajusted

	Gas	Electricity	Water cycle	Environment	Other services	Structure	Total	Consolidated financial statements
Direct revenues	963.1	775.0	282.0	305.7	42.7	14.9	2383.4	2383.4
Intra-cycle revenues	28.2	36.5	3.3	31.2	7.1	1.6	108.1	
Total direct revenues	**991.3**	**811.5**	**285.3**	**336.9**	**49.9**	**16.5**	**2491.4**	**2383.4**
Indirect revenues	2.7	0.7	1.1	12.0	0.0	-16.5	0.0	
Total revenues	**994.0**	**812.2**	**286.4**	**348.9**	**49.9**	**0.0**	**2491.4**	**2383.4**
EBITDA	**148.7**	**35.3**	**74.0**	**90.0**	**9.7**	**0.0**	**357.6**	**357.6**
Direct depr., amort. and alloc.	24.8	20.2	34.0	49.9	8.8	13.9	151.5	151.5
indirect depr., amort. and allo	3.2	1.8	4.5	4.0	0.4	-13.9		
Total depr., amort. and alloc.	**28.0**	**21.9**	**38.5**	**53.9**	**9.2**	**0.0**	**151.5**	**151.5**
EBIT	**120.7**	**13.3**	**35.5**	**36.1**	**0.5**	**0.0**	**206.0**	**206.0**

Statement of financial position June 2013

	Net working capital	Net fixed assets	Provisions	Equity	Net financial position	Consolidated financial statements
Total assets	**2,063.0**	**5,314.5**	**0.0**	**0.0**	**636.7**	**8,014.2**
Financial assets and cash and cash equivalents					636.7	636.7
Tax assets	65.4	139.5				205.0
Non-allocated Group assets	5.9	391.4				397.3
Operating segment assets	**1,991.7**	**4,783.5**	**0.0**	**0.0**	**0.0**	**6,775.2**
- of which:						
GAS	667.8	1,135.7				1,803.5
Electricity	467.6	640.4				1,107.9
Water cycle	287.1	1,477.5				1,764.6
Environment	425.5	1,328.7				1,754.2
Other services	143.7	201.2				345.0
Total liabilities	**1,925.8**	**24.3**	**481.9**	**2,199.6**	**3,382.5**	**8,014.2**
Financial liabilities and loans					3,382.5	3,382.5
Tax liabilities	273.8	0.0	76.0			349.8
Non-allocated Group liabilities	0.0	24.3	4.0	2,199.6		2,228.0
Operating segment liabilities	**1,652.0**	**0.0**	**401.9**	**0.0**	**0.0**	**2,053.9**
- of which:						
GAS	479.9		95.5			575.4
Electricity	340.9		18.8			359.7
Water cycle	289.2		90.0			379.2
Environment	417.4		178.2			595.6
Other services	124.6		19.3			144.0
Total	**137.2**	**5,290.1**	**-481.9**	**-2,199.6**	**-2,745.8**	**0.0**

Statement of financial position June 2012

	Net working capital	Net fixed assets	Provisions	Equity	Net financial position	Consolidated financial statements
Total assets	**1,688.8**	**4,433.1**	**0.0**	**0.0**	**577.6**	**6,699.5**
Financial assets and cash and cash equivalents					577.6	577.6
Tax assets	56.5	111.5				168.0
Non-allocated Group assets	14.1	343.1				357.2
Operating segment assets	**1,618.2**	**3,978.6**	**0.0**	**0.0**	**0.0**	**5,596.7**
- of which:						
GAS	581.5	938.5				1,520.0
Electricity	511.0	554.2				1,065.2
Water cycle	189.2	1,172.7				1,361.9
Environment	286.4	1,188.7				1,475.1
Other services	50.1	124.5				174.6
Total liabilities	**1,574.6**	**14.5**	**438.9**	**1,877.4**	**2,794.2**	**6,699.5**
Financial liabilities and loans					2,794.2	2,794.2
Tax liabilities	61.1	0.0	74.0			135.2
Non-allocated Group liabilities	0.0	14.5	4.0	1,877.4		1,895.8
Operating segment liabilities	**1,513.5**	**0.0**	**360.9**	**0.0**	**0.0**	**1,874.3**
- of which:						
GAS	474.8		88.0			562.8
Electricity	436.6		16.2			452.8
Water cycle	231.1		85.0			316.1
Environment	321.8		163.9			485.6
Other services	49.2		7.8			57.0
Total	**114.2**	**4,418.7**	**-438.9**	**-1,877.4**	**-2,216.6**	**0.0**

2.03.02 Explanatory notes – Related parties

Management of the services

The Hera Group, through Parent Company Hera S.p.A., has public service concession arrangements in place (distribution of natural gas via local gas pipelines, integrated water service and waste management services, including sweeping, collection, transport and waste recovery and disposal) in a large part of the area where it operates and in almost all of the shareholder municipalities (provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna and Rimini).
The electricity distribution service is carried out in Modena and Imola. Other public utility services (including district heating, heat management and public lighting) are provided at arm's length, through special agreements with the local authorities concerned. Through special agreements with local authorities, Hera S.p.A. is responsible for the waste treatment and disposal service excluded from the regulatory activity carried out by the local competent authority (formerly AATO now Atersir).
Under regional and national legislation governing the sector, the local competent authority is responsible for awarding service contracts, planning and controlling the area of integrated water services and urban cleaning services.
In accordance with said regional law and related national legislation, the Hera Group entered into special arrangements with the former AATOs (now Atersirs), which establish the entry into effect of the local technical and tariff plan.

Water sector

The water service managed by Hera in its area of competence is carried out on the basis of agreements entered into with the former AATOs (now Atersir), of varying duration, normally twenty years. The assignment to Hera of management of the integrated water service includes all activities involving the capture, purification, distribution and sale of drinking water for civil and industrial use, and the sewerage and purification service. The agreements also provide for the operator's execution of new network design and construction activities and the building of new plants to be used in managing the service. The management of the service is assigned exclusively to Hera for the different area municipalities involving the obligation of the Municipality not to grant to third parties usage of the subsoil of its property to lay pipelines without the prior consent of the company.
The agreements regulate the economic aspects of the contractual relationship, the forms of management of the service, as well as service and quality standards. The unit tariffs are established annually by the former AATOs (now Atesirs) on the basis of long-term arrangements. However, starting in 2012, tariffs fall within the purview of the Authority for Electric Energy and Gas (AEEG) which, in connection with this new function, set a provisional tariff setting method for 2012-2013. The new 2012 tariffs will be approved by AEEG by 30 June 2013.
Any works carried out to upgrade or expand the networks must be compensated at the end of concession with the payment of the residual value of the assets in question. Hera's relations with users are regulated by sector laws and by the provisions set out by the regional councils and environmental agencies. The duties of the operator in terms of service quality and resources and the users' rights are illustrated in the specific Service Charters drafted by the operator based on templates approved by the former AATOs (now Atesirs).

Waste management sector

Hera manages municipal waste management services; the agreements drawn up between Hera and the former AATOs (now Atesirs) covers the exclusive management of waste management services, street sweeping and washing, initial recycling and waste disposal, etc. The agreements with the former AATOs (now Atesirs) govern the financial aspects of the contractual relationship, the forms of organization and management of the service, as well as levels of service quality and quantity. Starting in 2013, the rules of reference to determine the fees for the services rendered are those on Tares. The amount payable to the operator for the services performed was defined in accordance with Presidential Decree No. 158/1999, with the deduction of the portion related to assessment and collection activities; when they are awarded to the operator, such assessment and collection activities are billed separately to the individual Municipalities. . For the operations of waste treatment plants, the Hera Group must obtain authorisations from the authorities of the Italian provinces.

Management of the networks, plants and equipment

The infrastructure required for the provision of services whose management has been assigned to Hera, including local gas pipelines and waterworks and sewage systems, are partly owned by Hera and partly owned by third parties (municipalities, asset companies owned by local authorities).
In particular, the asset companies own the capital assets used to manage services following their direct contribution by the Municipalities (generally Hera shareholders) or following the assignment to the asset companies of business units which took place, in almost all cases, at the time of business combinations involving companies in the Emilia-Romagna region with Seabo Spa (then Hera Spa).
In the case of assets owned by Local Entities and asset companies, relations between the service operator and the owners are governed by service award agreements or business unit lease contracts and, for anything not covered thereunder, by prevailing industry rules.
As regards the financial aspect, business unit lease contracts fix the amount due from the operator to the owners for the use of networks and plants. On the basis of these contracts Hera must carry out, at its own cost and expense, routine and non-routine maintenance as well as the expansion of the networks, as provided for in the investment plans agreed with the asset companies and, where relevant, by the area plans defined by the former AATOs.
Upon expiry of the lease contracts, provision is made for the handover of the business units to the owner, in a normal state of repair. All works performed by Hera, involving expansion and extraordinary maintenance, will be similarly handed over to local authorities in return for the payment to the operator of compensation/supplement equal, as a general rule, to the net book value or residual value of the associated assets.

Energy sector

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

The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Tariffs for the distribution of gas are set pursuant to the regulations in force and AEEG’s periodic resolutions. The territory in which Hera carries out the gas distribution services consists of “tariff areas” in which a In the case of electricity, the purpose of the concessions (30 years in duration and renewable according to current regulations) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, routine and non-routine maintenance and planning and identification of development initiatives and measurement. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner. As to distribution services, the concessionaire is required to apply the tariffs set by regulations in force and resolutions adopted by the Italian Authority for Electricity and Gas to the consumers. The tariff regulation in force when the consolidated half-year financial statements were approved, to which this report is attached, was resolution ARG/elt no. 199/2011 of the Italian Authority for Electricity and Gas as subsequently amended and supplemented (“Consolidated text of the provisions of the Italian Authority for Electricity and Gas for carrying out electricity transmission, distribution and measurement services for the regulatory period 2012-2015 and provisions regarding the prices for the supply of the connection service”).

2.04 Net financial debt

2.04.01 Consolidated net financial debt

In accordance with Consob's Communication dated 28 July 2006, and in keeping with the CESR's "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", details of consolidated net borrowings are as follows:

millions of euros		30-giu-2013	31-dic-2012
a	**Cash**	**483,3**	**424,2**
b	**Other current financial receivables**	**62,8**	**47,3**
	Current bank debt	(375,0)	(74,7)
	Current portion of bank debt	(297,8)	(225,7)
	Other current financial liabilities	(41,9)	(17,1)
	Finance lease payables due within 12 months	(2,9)	(3,8)
c	**Current financial debt**	**(717,6)**	**(321,3)**
d=a+b+c	**Net current financial debt**	**(171,5)**	**150,2**
e	**Non-current financial receivables**	**46,6**	**17,6**
	Non-current bank debt and bonds issued	(2.597,9)	(2.371,0)
	Other non-current financial liabilities	(10,2)	0
	Finance lease payables due after 12 months	(12,8)	(13,4)
f	**Non-current financial debt**	**(2.620,9)**	**(2.384,4)**
g=e+f	**Net non-current financial debt**	**(2.574,3)**	**(2.366,8)**
h=d+g	**Net financial debt**	**(2.745,8)**	**(2.216,6)**

2.04.02 Net financial debt – resolution 15519 of 2006

(millions of euros)		30-giu-13	of which related parties A	B	C	D	31-dic-12	of which related parties A	B	C	D
a	**Cash**	**483,3**					**424,2**				
b	**Other current financial receivables**	**62,8**					**47,3**				
	of which related parties			*36,4*	*0,6*	*0,2*			*33,0*		*0,2*
	Current bank debt	-375,0					-74,7				
	Current portion of bank debt	-297,8					-225,7				
	Other current financial liabilities	-41,9			-10,1		-17,1				
	Finance lease payables due within 12 months	-2,9					-3,8				
c	**Current financial debt**	**-717,6**			*-10,1*		**-321,3**				
d=a+b+c	**Net current financial debt**	**-171,5**		**36,4**	**-9,5**	**0,2**	**150,2**		**33,0**		**0,2**
e	**Non-current financial receivables**	**46,6**					**17,6**				
	of which related parties			*20,1*	*25,0*				*17,1*		
	Non-current bank debt and bonds issued	-2.597,9					-2.371,0				
	Other non-current financial liabilities	-10,2		-0,8	-7,9		0,0				
	Finance lease payables due after 12 months	-12,8					-13,4				
f	**Non-current financial debt**	**-2.620,9**		*-0,8*	*-7,9*		**-2.384,4**				
g=e+f	**Net non-current financial debt**	**-2.574,3**		*19,3*	*17,1*		**-2.366,8**		**17,1**		
	of which related parties										
h=d+g	**Net financial debt**	**-2.745,8**					**-2.216,6**				
	of which related parties			*55,7*	*7,6*	*0,2*			*50,1*		*0,2*

Change in related parties:	30-giu-13 A	B	C	D	31-dic-12 A	B	C	D
Hera spa disbursed an interest-bearing loan to Tamarete Energia Srl		36,0				31,0		
Herambiente disbursed an interest-bearing loan to Refri Srl						0,2		
Hera spa somme riscosse per tares da versare ai comuni di Modena e Imola			-8,9					
Acantho Spa disbursed an interest-bearing loan to Modena Network Spa						1,5		
Hera Spa disbursed an interest-bearing loan to Modena Network Spa						1,0		
Hera Spa disbursed an interest-bearing loan to Oikothen Scral		2,6				2,6		
Hera spa disbursed an interest-bearing loan to Set Spa		13,2				10,1		
Hera spa disbursed an interest-bearing loan to Sei Spa		**3,5**				3,5		
Hera Energie Rinnovabili Spa disbursed an interest-bearing loan to Ghirlandina Solare Srl		0,2				0,2		
Acantho disbursed an non-interest bearing loan to Wimaxer Spa				0,2				0,2
Acantho –financial payable outstanding with Aimag Spa		**-0,8**						
Marche Multiservizi spa – interest-bearing loan provided to Natura Srl		1,0						
Acegas Aps – financial receivable outstanding with the municipality of Padua due to the construction of photovoltaic plants			**25,2**					
Acegas Aps – due from the Municipality of Trieste for Employee Pension Fund			**-8,7**					
		55,7	7,6	0,2		50,1		0,2

2.05 Investments: list of consolidated companies

Subsidiary companies

Name	Registered office	Share capital	% held		Total interest
			direct	indirect	
Capogruppo: Hera Spa	**Bologna**	**1,340,383,538**			
Acantho Spa	Imola (BO)	22,500,000	79.94%		79.94%
Acegas-Aps Spa	Trieste	283,690,763	99.78%		99.78%
AcegasAps Service Srl	Padova	1,480,400		99.78%	99.78%
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		99.78%	99.78%
Energonut Spa	Bologna	2,481,795		75.00%	75.00%
Eris Scrl	Ravenna	300,000		51.00%	51.00%
Feronia Srl	Finale Emilia (MO)	2,430,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Gal.A. Spa	Bologna	300,000		45.00%	45.00%
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 Servizi Cimiteriali Srl.	Bologna	20,000	100.00%		100.00%
Hera Servizi Funerari Srl	Bologna	10,000		100.00%	100.00%
Herasocrem Srl	Bologna	100,000	51.00%		51.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
Iniziative Ambientali Srl	Padova	110,000		99.78%	99.78%
Insigna Srl	Padova	10,000		99.78%	99.78%
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%
Modena Network Spa	Modena	3,000,000	14.00%	31.97%	45.97%
Naonis Energia Srl in liquidazione	Aviano (PN)	100,000		58.87%	58.87%
Naturambiente Srl	Pesaro	50,000		44.62%	44.62%
NestAmbiente Srl	Padova	1,748,472		99.78%	99.78%
Nuova Geovis Spa	Sant'Agata Bolognese (BO)	2,205,000		75.00%	75.00%
Rila Gas AD	Sofia (Bulgaria)	33.337lev/000		99.78%	99.78%
Romagna Compost Srl	Cesena	3,560,002		45.00%	45.00%
SiGas d.o.o	Pozega (Serbia)	162.260.057,70 din		95.57%	95.57%
Sinergia Srl	Forlì	579,600		59.00%	59.00%
Sinergie Spa	Padova	11,168,284		99.78%	99.78%
Società Italiana Lining Srl	Padova	90,000		99.78%	99.78%
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		99.78%	99.78%
Tri-Generazione Srl*	Padova	100,000		69.85%	69.85%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

* il capitale della società Trigenerazione Srl risulta versato per € 25.000

Jointly controlled companies

Name	Registered office	Share capital	% held		Total interests
			direct	indirect	
Aristea Sinergie Illuminazione Scarl*	Padova	10,000		49.89%	49.89%
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
Estenergy Spa	Trieste	1,718,096		50.89%	50.89%
Est Reti Elettriche Spa	Gorizia	17,450,000		29.93%	29.93%
Estpiù Spa	Gorizia	7,100,000		29.93%	29.93%
Isontina Reti Gas Spa	Gradisca D'Isonzo (GO)	17,450,000		29.93%	29.93%

* il capitale della società Aristea Sinergie Illuminazione Scarl risulta versato per 2.500

Associated companies

Name	Registered office		Share capital	% held		Total interest
				direct	indirect	
Aimag Spa*	Mirandola (MO)	*	78,027,681	25.00%		25.00%
Elettrogorizia Spa	Trieste		5,600,000		32.93%	32.93%
FlameEnergy Trading Gmbh	Vienna		3,000,000		50.00%	50.00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (MO)		60,000		33.00%	33.00%
Q.Thermo Srl	Firenze		10,000		39.50%	39.50%
Set Spa	Milano		120,000	39.00%		39.00%
So.Sel Spa	Modena		240,240		26.00%	26.00%
Sgr Servizi Spa	Rimini		5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)		3,600,000	32.00%		32.00%

* the share capital is composed of € 67.577.681 of ordinary shares and € 10.450.000 of related shares

2.06 Attestation of Consolidated Financial Statements pursuant to article 154 bis of Legislative Decree 58/98

1 – The undersigned Mr. Maurizio Chiarini in his capacity as Managing Director, and Mr. Luca Moroni in his capacity as Manager in Charge of the preparation of the corporate accounting documents of Hera Spa, hereby certify, also in consideration of the provisions of article 154 bis, paragraphs 3 and 4, of the Legislative Decree no. 58 dated 24 February 1998:

- the adequacy with reference to the nature of the company; and
- the actual application of the administrative and accounting procedures for the preparation of the Half-Year Financial Statements for 2013.

2 – We also declare that:

2.1 – The Half-Year Financial Statements:

a. were prepared in compliance with the applicable International Accounting Standards recognised by the European Community pursuant to Regulation 1606/2002 (EC) of the European Parliament and the Council of 19 July 2002;
b. are consistent with the data contained in the accounting books and entries;
c. provide a true and accurate representation of the balance sheet and income statement of the issuer and of all its consolidated companies.

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

The Managing Director

The Manager in charge of the corporate accounting statements

Maurizio Chiarini

Luca Moroni

Bologna, 28 August 2013

2.07 Report by Indipoendent Auditing Firm

AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

To the Shareholders of
Hera SpA

1 We have reviewed the consolidated condensed interim financial statements of Hera SpA (hereinafter also "Company") and its subsidiaries (jointly, "Hera Group") as at 30 June 2013 and for the six month period then ended, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity, the cash flows and the related selected explanatory notes. Hera SpA's Directors are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard (IAS 34) applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

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

The consolidated condensed interim financial statements show as comparatives the amounts of the prior year's consolidated financial statements and the prior's year consolidated condensed interim financial statements. As illustrated in the explanatory notes, the Directors restated the comparative amounts of the prior year's consolidated financial statements and the prior year's consolidated condensed interim financial statements, which we, respectively, audited and reviewed and on which we reported on 8 April 2013 and 28 August 2012. We have reviewed the method applied to restate the amounts and the disclosures made to the aforementioned comparatives, for the purposes of issuing our report on the consolidated condensed interim financial statements for the six months ended 30 June 2013.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.812.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel.0458263001

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3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of Hera Group as at 30 June 2013 and for the six month then ended have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34) applicable to interim financial reporting, as adopted by the European Union.

Bologna, 28 August 2013

PricewaterhouseCoopers SpA

Signed by
Edoardo Orlandoni
(Partner)

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

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