Quarterly report as at 31 march 2015

GRUPPO HERA

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INTRODUCTION

GOVERNANCE AND CONTROL BODIES

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

MISSION

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

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

CHAPTER 1

REPORT ON OPERATIONS

1.01 GROUP PERFORMANCE FOR THE QUARTER ENDED 31 MARCH 2015

(million euro)	Mar 2015		Mar 2014 (*)		Abs. change	% change
Revenue	**1,311.9**		1,225.3		+86.6	+7.1%
EBITDA	**277.2**	21.1%	274.3	22.4%	+2.9	+1.1%
Operating profit	**170.1**	13.0%	172.9	14.1%	-2.8	-1.6%
Net profit	**92.5**	7.0%	89.1	7.3%	+3.4	+3.8%

(*) for better comparison with the period under review, the income statement for the first three months of 2014 was restated by reducing the amount of revenue related to the so-called "leak fund" for €1.3 million, reflecting provisions for the same amount, without any effects on performance.

1.01.01 OPERATING PERFORMANCE

The Group's multi-business strategy characterized the result of the first quarter of 2015, driving its operating and financial performance. In fact, net profit for the period rose by 3.8%, thanks to gross margin, lower net financial expense and tax benefits

The main corporate actions and transactions that resulted in a change in the scope of consolidation for the first quarter of 2015, compared to the same period in 2014, were as follows:

- Merger of Amga Spa with and into Hera Spa as of 1 July 2014 and simultaneous transfer of the assets related to gas distribution and public lighting to AcegasAps Spa which changed its name to AcegasApsAmga Spa.
- Acquisition of equity interests in Amga Energia e Servizi, a company engaged in the sale of gas and electric energy, and Amga Calore e Impianti, following the above merger.
- Acquisition of equity interests in Black Sea Technology Company and Black Sea Gas Company Ltd, two companies engaged in the sale and distribution of gas; both are now under AcegasApsAmga Spa's control.
- HeraComm was awarded the Default gas service contract for the period 1 October 2014 – 30 September 2016 in the regions of Emilia Romagna, Friuli Venezia-Giulia, Toscana, Umbria and Marche. The effects of this contract will materialize mainly starting in 2015.

The consolidated income statement reflects the application of IFRIC 12 "Service Concession Arrangements". The effect of the application of this standard, which did not affect the results, is the recognition in the income statement of the capital expenditure on network assets held under concession. Thus, in the quarter under review other operating revenues were up €43.3 million and €32.0 for the same period of 2014; capitalized costs were down €13.5 million in 2015 and €39.5

million in 2014 while service, material and other operating costs were down €29.9 million in 2014 and €23.2 million in 2014.

The table below shows the results for the quarters ended 31 March 2015 and 2014:

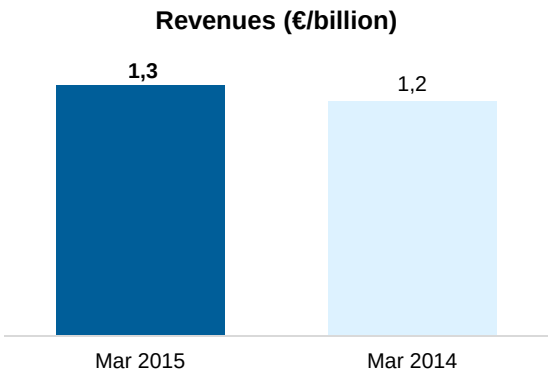
Consistent increases

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014 (*)	% Inc.	Abs. change	% change
Revenue	1,311.9		1,225.3	0.0%	+86.6	+7.1%
Other operating revenues	71.4	5.4%	65.9	5.4%	+5.5	+8.4%
Raw materials and stock	(702.3)	-53.5%	(638.6)	-52.1%	+63.7	+10.0%
Service costs	(266.6)	-20.3%	(243.2)	-19.8%	+23.4	+9.6%
Other operating costs	(9.9)	-0.8%	(11.6)	-0.9%	-1.7	-14.7%
Personnel costs	(131.4)	-10.0%	(127.1)	-10.4%	+4.3	+3.4%
Capitalised costs	4.1	0.3%	3.7	0.3%	+0.4	+10.9%
EBITDA	**277.2**	**21.1%**	**274.3**	**22.4%**	**+2.9**	**+1.1%**
Amortisation and provisions	(107.1)	-8.2%	(101.4)	-8.3%	+5.7	+5.6%
Operating profit	**170.1**	**13.0%**	**172.9**	**14.1%**	**-2.8**	**-1.6%**
Financial operations	(29.4)	-2.2%	(32.4)	-2.6%	-3.0	-9.2%
Pre-tax profit	**140.7**	**10.7%**	**140.5**	**11.5%**	**+0.2**	**+0.1%**
Taxes	(48.2)	-3.7%	(51.3)	-4.2%	-3.1	-6.0%
Net profit for the period	**92.5**	**7.0%**	**89.1**	**7.3%**	**+3.4**	**+3.8%**
Attributable to:			-	0.0%		
Shareholders of the Parent Company	**86.6**	**6.6%**	**83.2**	**6.8%**	**+3.4**	**+4.1%**
Non-controlling interests	5.9	0.4%	5.9	0.5%	-0.0	-0.4%

(*) for better comparison with the period under review, the income statement for the first three months of 2014 was restated by reducing the amount of revenue related to the so-called "leak fund" for €1.3 million, reflecting provisions for the same amount, without any effects on performance.

€1.3 billion in revenues

In the first quarter of 2015 revenues amounted to €1,311.9 million, up €86.6 million, or 7.1%, on €1,225.3 million in the corresponding period of 2014. The increase was due mainly to the change in the scope of consolidation, which accounted for €53 million, the larger volumes of gas sold, which contributed €63 million, and greater trading activities. Revenue growth was somewhat held back by lower revenues from regulated distribution due to extraordinary items in the first quarter of 2014. For further details, reference is made to the analysis of the single business areas.



Other operating revenues grew by €5.5 million, due to higher other revenues resulting from the application of IFRIC12, amounting to approximately €10.3

million, and the change in the scope of consolidation for €1.7 million, which offset the lower contribution derived from white certificates for €6.5 million, following resolution 13/2014/R/efr of the Authority for electricity, gas and water (AEEGSI), which had determined a positive impact in the first quarter of 2014.

Costs of raw and other materials rose by €63.7 million, or 10%, with respect to the comparable amount for 2014. As with revenues, this change was due to larger volumes of gas sales, greater trading activities and changes in the scope of consolidation, for €7 million.

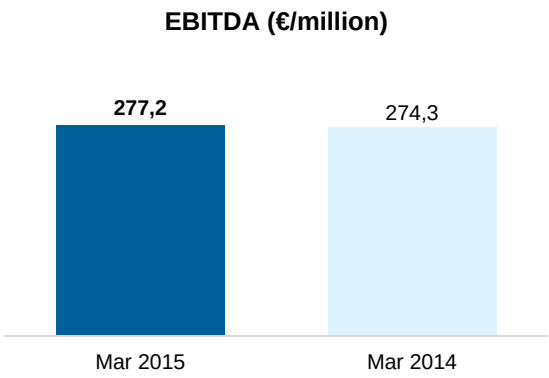
Other operating costs (service costs up €23.4 million and other operating expenses down €1.7 million) grew overall by €21.8 million (+8.5%). This difference was due to several factors: change in the scope of consolidation for approximately €6 million; greater IFRIC 12 costs for €6 million; a reclassification from raw material to service costs of electricity transmission costs, for €4 million and greater transmission costs for customers outside the network for approximately €7 million, offset by lower operating expenses.

Personnel costs rose by €4.3 million, or 3.4%, from €127.1 million in the first quarter of 2014 to €131.4 million in the first quarter of 2015. This increase was due to the salary raises provided for by the national labour agreement and the change in the scope of consolidation due to the merger of Amga with and into the Group, accounting for €3.7 million.

Capitalized costs were up €0.4 million on the comparable amount of 2014.

EBITDA at €277.2 million (up 1.1%)

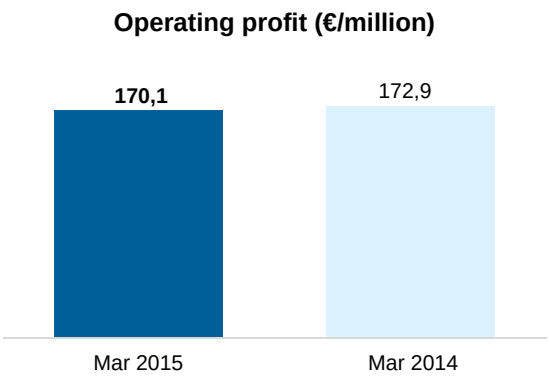
EBITDA went from €274.3 million for the first quarter of 2014 to €277.2 million for the first quarter of 2015, with an increase of €2.9 million, or 1.1%. This was due to the gas business, up €11.8 million, and the Integrated Water Cycle, up €3.2 million, which offset the drop in the other businesses.



Amortization, depreciation and provisions rose overall by €5.7 million, or 5.6%, going from €101.4 million for the first quarter of 2014 to €107.1 million for the same period of 2015. The increase was due to the change in the scope of consolidation for €4.3 million, greater depreciation due to new investments for €1.7 million and greater allowance for bad debt for €1.4 million, particularly in the sales companies. This effect was partly offset by lower depreciation caused by lower levels of waste disposal in landfills.

Operating profit at €170.1 million (-1.6%)

Operating profit for the first quarter of 2015 was €170.1 million, down €2.8 million, or 1.6%, compared to €172.9 million for the same period of 2014.



For the quarter ended 31 March 2015, financial expense exceeded financial income by €29.4 million, down €3.0 million, or 9.2%, compared to the same period of 2014. The decrease was due mainly to the higher profits of associated companies and joint ventures for €2.8 million and the lower cost of average debt, compared to the previous year, as a result of the refinancing transactions undertaken in 2014, which cut the cost of medium/long-term debt.

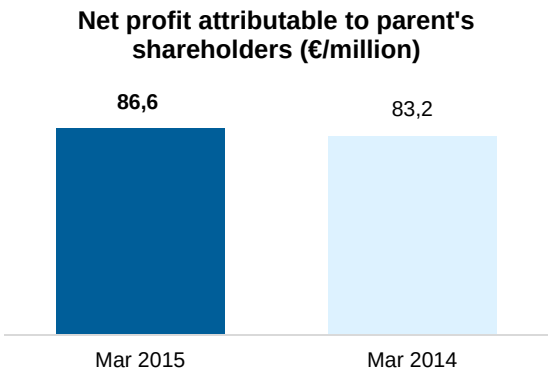
Based on the above, adjusted pre-tax profit rose by €0.2 million, from €140.5 million for the first quarter of 2014 to €140.7 million for the quarter under review.

Income taxes for the first quarter of 2015, amounting to €48.2 million, reflect a tax rate of 34.3%, which was much better than the tax rate for the first quarter of 2014 (36.5%). This improvement was due to the elimination of the "Robin Hood Tax" (the additional 6.5% corporate income tax applicable to the Group companies operating in the energy sector), following decision no. 10 of the Constitutional Court dated 11 February 2015, and the lower IRAP rate, as a result of the ability to deduct from the cost of labour for permanent employees (article 1, paragraphs 20-25, Law 23 December 2014, no. 190).

Thus, net profit was up 3.8%, or €3.4 million, going from €89.1 million for the first quarter of 2014 to €92.5 million for the first quarter of 2015.

Net profit attributable to parent's shareholders €86.6 million (+4.1%)

Net profit attributable to the shareholders of the parent company amounted €86.6 million, up €3.4 million on the comparable amount for the quarter ended 31 March 2014.



1.01.02 ANALYSIS OF FINANCIAL STRUCTURE AND INVESTMENTS

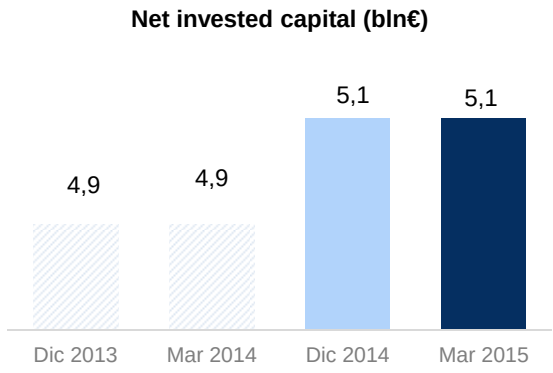
The Group's size increases

The table below shows changes in the Group's net invested capital and sources of financing for the quarter ended 31 March 2015:

Invested capital and sources of financing (€ million)	31-mar-15	% share	31-dic-14	% share	Abs. change	% change
Non-current assets, net	5,434.7	106.8%	5,445.8	106.8%	(11.1)	(0.2%)
Working capital	156.9	3.1%	153.1	3.0%	+3.8	+2.5%
(Provisions)	(503.4)	-9.9%	(499.5)	-9.8%	(3.9)	+0.8%
Net invested capital	**5,088.2**	100.0%	5,099.4	100.0%	(11.2)	(0.2%)
Equity	(2,531.5)	49.8%	(2,459.0)	48.2%	(72.5)	+2.9%
Long-term borrowings	(2,967.7)	58.3%	(2,969.3)	58.2%	+1.6	(0.1%)
Net cash (short-term borrowings)	411.0	-8.1%	328.9	-6.4%	+82.1	+25.0%
Net cash (borrowings)	(2,556.7)	50.2%	(2,640.4)	51.8%	+83.7	(3.2%)
Total rources of financing	**(5,088.2)**	-100.0%	(5,099.4)	100.0%	+11.2	(0.2%)

Net invested capital amounting to €5.1 billion

At 31 March 2015, net invested capital was basically unchanged from 31 December 2014. There was a small change in property, plant and equipment as a consequence of the depreciation schedules of machinery and equipment.



Net investments rose to €6.,2 million

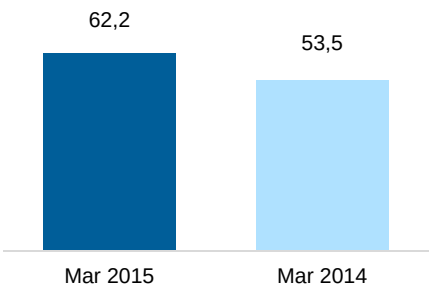
In the first quarter of 2015, Group investments amounted to €62.2 million, thanks among other things to a capital grant of €1.9 million, of which €1.8 million for the New Investment Fund (FoNI), as provided for by the tariff method for the integrated water service. Including capital grants, the Group's total investments amounted to €64.1 million. Net investments grew by €8.7 million, from €53.5 million at the end of March 2014 to €62.2 million at the end of the period under review.

The table below shows investment grants by business segment, with details of the capital grants:

Substantial investments in plants and infrastructure

Total Investments (€ million)	**Mar 2015**	Mar 2014	Abs. change	% change
Gas segment	12.7	10.4	+2.3	+22.1%
Electricity segment	4.0	4.6	-0.6	-13.0%
Water segment	30.2	21.2	+9.0	+42.5%
Waste management segment	5.3	8.5	-3.2	-37.6%
Other services segment	2.5	3.7	-1.2	-32.4%
Headquarters	9.5	7.8	+1.7	+21.8%
Total capital expenditure	**64.1**	56.2	+7.9	+14.1%
Total financial investments	0.0	0.0	+0.0	+0.0%
Total Gross Investments	**64.1**	56.2	+7.9	+14.1%
Capital grants	1.9	2.7	-0.8	-29.6%
of which for FoNI (New Investment Fund)	*1.8*	*2.3*	*-0.5*	-21.7%
Total Investments, net	**62.2**	53.5	+8.7	+16.3%

Total net investments (€/million)



Net investments, amounting to €62.2 million, rose by 16.3% with respect to the first quarter of 2014 and related mainly to works on plants, grids and infrastructure. Regulatory upgrades were in the purification and sewerage areas. Details of the capital expenditures are provided in in the analyses by business segment.

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

At headquarters capital expenditure concerned corporate buildings, information systems and the vehicle fleet, as well as activities in laboratories and remote control structures. Overall infrastructure investment rose by €1.7 million on the previous year, mainly due to activities related to Group Information Systems.

Net working capital amounts to €156.9 million

Net working capital was largely in line with the comparable amount at year-end 2014, due mainly to the collection of receivables from customers receiving last resort service who, as a result, cannot be disconnected. Collection of these receivables, for a total of €78.7 million, from the electricity sector equalization fund (CCSE) – in accordance with resolution 370/12 by the Authority for electric energy, gas and water (AEEGSI) – took place on 2 February 2015. Without considering this amount, the increase in net working capital would have been in line with seasonal trends for working capital.

Provisions amount to €518.3 million

At 31 March 2015 provisions amounted to €518.3 million, up 0.7% with respect to December 2014. This increase was due mainly to provisions for the period, which exceeded uses.

€2.5 billion in equity

Equity rose from €2,459 million at 31 March 2014 to €2,531.5 million at 31 March 2015, due to net profit for the period, which was partly offset by a change in investment in a Group company.

1.01.03 ANALYSIS OF NET CASH (NET BORROWINGS)

A strongly liquid position

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

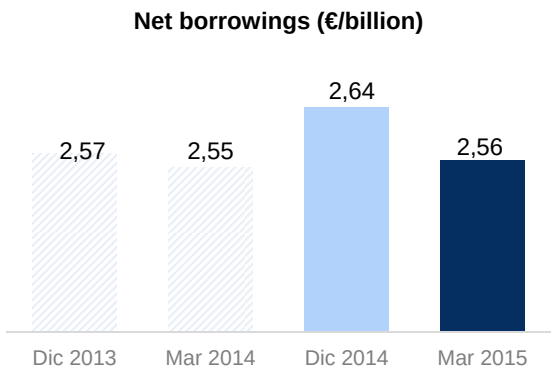
million euro		*31-mar-15*	*31-dic-14*
a	**Cash**	**648.0**	**834.5**
b	**Other current financial receivables**	**24.0**	**45.2**
	Current bank debt	(149.4)	(175.6)
	Current portion of bank debt	(78.0)	(302.2)
	Other current financial liabilities	(30.6)	(69.6)
	Finance lease payables due within 12 months	(3.0)	(3.4)
c	**Current financial debt**	**(261.0)**	**(550.8)**
d=a+b+c	**Net current financial debt**	**411.0**	**328.9**
e	**Non-current financial receivables**	**91.3**	**83.6**
	Non-current bank debt and bonds issued	(3,033.6)	(3,020.6)
	Other non-current financial liabilities	(0.3)	(7.0)
	Finance lease payables due after 12 months	(25.1)	(25.3)
f	**Non-current financial debt**	**(3,059.0)**	**(3,052.9)**
g=e+f	**Net non-current financial debt**	**(2,967.7)**	**(2,969.3)**
h=d+g	**Net financial debt**	**(2,556.7)**	**(2,640.4)**

Short-term borrowings included mainly overdrafts, amounting to approximately €150 million, and maturing portions of bank loans for €78 million, down from 31 December 2014 following repayment of the €180 million loan from the European Investment Bank (EIB), which was reimbursed in January 2015. The amount related to medium/long-term bank debt and bonds consists mainly of bonds issued on the European market and listed on the Luxembourg Stock Exchange (76.5% of the total), with repayment at maturity.

Total borrowings show an average term to maturity of 8.5 years, with 66% maturing beyond five years.

Net borrowings fell to €2.56 billion

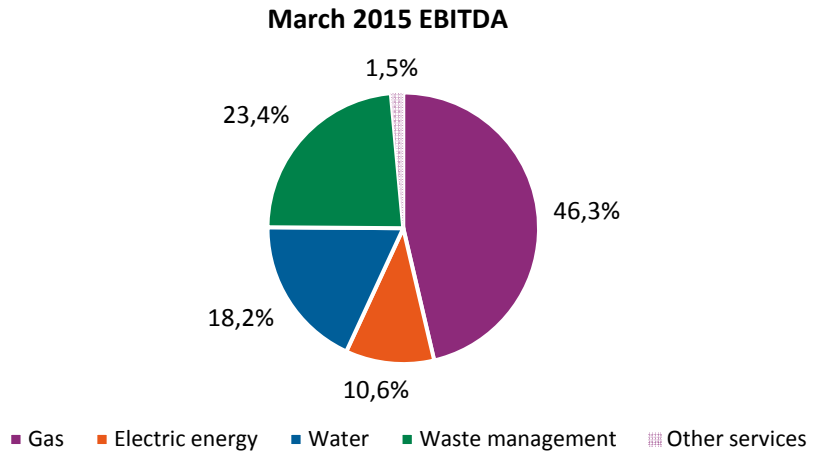
Net borrowings decreased from €2,640.4 million at the end of 2014 to €2,556.7 million at 31 March 2015. This decrease was due mainly to the collection of receivables for €78.7 million from the electricity sector equalization fund (CCSE) on behalf of customers who cannot be disconnected.



1.02 ANALYSIS BY BUSINESS SEGMENT

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

The first quarter was strongly affected by the winter season: the gas business accounts for nearly 50% of Group results.



which includes public lighting, telecommunications and other minor services.

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

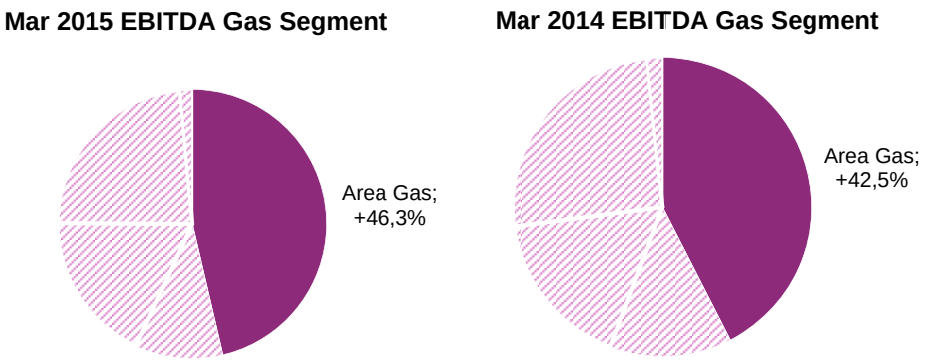
The analysis by business segment considers the increase in revenues and costs, without an impact on the EBITDA, relating to application of IFRIC 12, as shown in the Group's consolidated income statement. The segments affected by the application of IFRIC 12 are: methane distribution services, power distribution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

1.02.01 GAS

Gas: higher margins

In the first quarter of 2015 the gas segment rose on the comparable period of the previous year, both in absolute terms and as a percentage of Group EBITDA:

3.8% increase of contribution to Group EBITDA



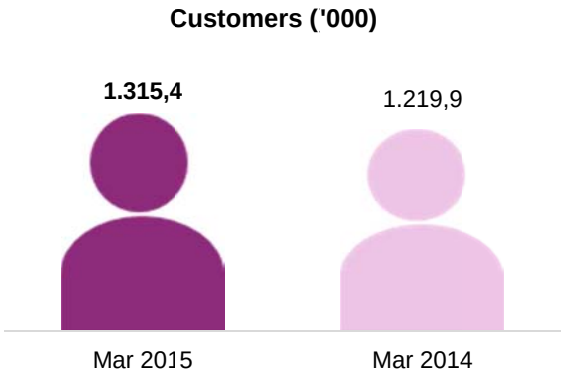
The following table shows the changes occurred in EBITDA:

EBITDA of the gas segment up by 10.2%

(mln/€)	Mar 2015	Mar 2014	Abs. change	% change
Segment EBITDA	**128.4**	**116.6**	**+11.8**	**+10.2%**
Group EBITDA	**277.2**	274.3	+2.9	+1.1%

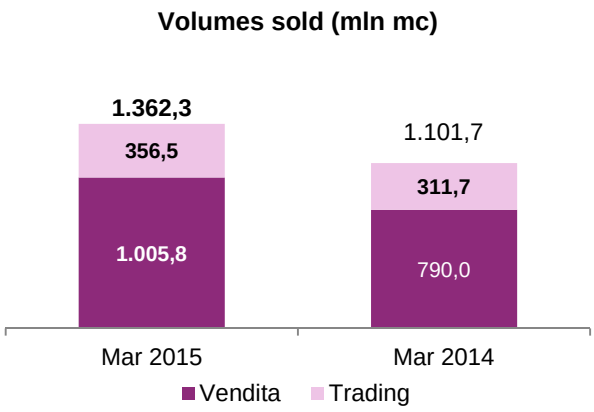
1.3 million gas customers

The number of gas customers rose by 95,500 units, thanks to Amga Energia e Servizi's integration, which contributed 86,100 customers (+ 7.1%), the Bulgarian subsidiary BSTC (8,600 customers, + 0.7%), and the Default gas management (3,300 customers, + 0.3%). After all these changes in the scope of consolidation, the number of customers declined by only 0.2%, compared to the first half of 2014, thanks to the marketing and loyalty-building actions undertaken to ease competitive pressures.



Increase in volume sales: +23.7%

Gas volumes sold rose by 260.6 million cubic meters (+23.7%), going from 1,101.7 million cubic meters for the first quarter of 2014 to 1,362.3 million cubic meters for the quarter under review. Amga Energia & Servizi and BSTC contributed sales of 60.7 million cubic meters and 16.4 million cubic meters respectively, while the remaining part of the increase, or 138.7 million cubic meters was due mostly to colder weather than in the corresponding period of 2014, the warmest year on record for the past 30. Trading volumes rose by 44.8 million cubic meters (+3.3% of total volumes).



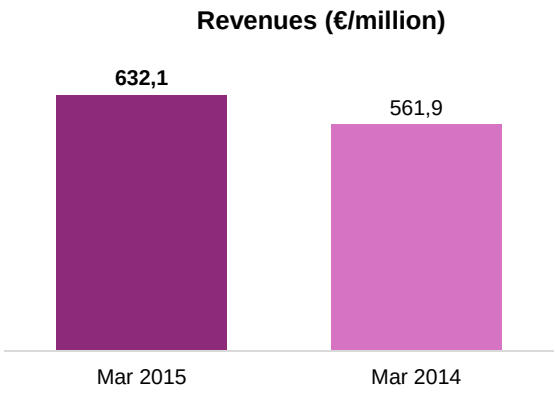
Gas: Improved EBITDA

The table below summarizes the income statement for the segment:

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014	% Inc.	Abs. change	% change
Revenue	**632.1**		561.9		+70.2	+12.5%
Operating costs	**(467.5)**	-74.0%	(411.8)	-73.3%	+55.7	+13.5%
Personnel costs	**(37.5)**	-5.9%	(34.7)	-6.2%	+2.8	+8.1%
Capitalised costs	**1.4**	0.2%	1.1	0.2%	+0.3	+27.5%
EBITDA	**128.4**	20.3%	116.6	20.7%	+11.8	+10.2%

Gas revenues amounting to €632 million

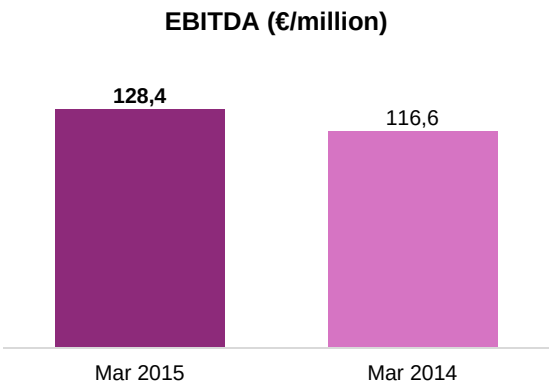
Group revenues, which went from €561.9 million for the first quarter of 2014 to €632.1 million for the quarter under review, rose by €70.2 million (+ 12.5%), mainly due to the greater gas volumes sold and traded, for approximately €63 million, due to the colder weather, compared to the comparable year-earlier period. The greater contribution of the Udine operation and, to a lesser extent, the Default gas service is offset by lower revenues due to lower gas prices and lower revenues generated by white certificates, which in the first quarter of 2014 benefited from the AEEGSI 13/2014/R/efr resolution.



The increase in revenues resulted in a proportionate increase of operating costs (+ 55.7 million).

GAS EBITDA: €128.4 million

EBITDA rose by €11.8 million (+10.2%), going from €116.6 million for the first quarter of 2014 to €128.4 million for the period under review, thanks to the greater volumes of gas sold and the inclusion in the scope of consolidation of the Udine operation and the Default gas service, which made up for the loss of the €4.5 million positive margins generated by white certificates in the first quarter of 2014.

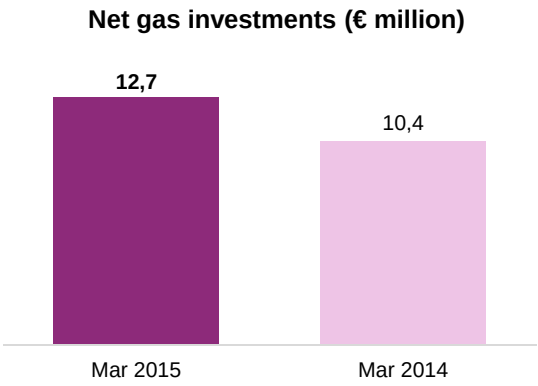


Net investments in gas segment: €12.7 million

In the first quarter of 2015, investments in the gas segment amounted to €12.7 million, up €2.3 million with respect to the same period of 2014. In gas distribution, the €1.4 million increase with respect to the corresponding year-earlier period was due mainly to the enlargement of the scope of consolidation in the markets served by the AcegasApsAmga for Amga Udine (€0.9 million) and BSTC (€0.2 million) as well as the massive meter replacement under law 631/13, which also involve the equipment of the lower class (G4-G6).

Applications for new connections were in line with the same period of the previous year overall, with a slight decrease in the Hera markets offset by the greater scope of operations of AcegasApsAmga.

Investments also rose in district heating and heat management services, by €0.8 million, due mainly to work performed at the University of Forlì and in revamping the Bologna co-generation plant. Also in this service the new connections are in line with the low levels of the previous year, due to the continuing crisis in the construction sector.



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

Gas (mln €)	**Mar 2015**	Mar 2014	Abs. change	% change
Networks and plants	10.6	9.2	+1.4	+15.2%
TLR/Heat mangement	2.0	1.2	+0.8	+66.7%
Total Gross Gas	**12.7**	10.4	+2.3	+22.1%
Capital grants	0.0	0.0	+0.0	+0.0%
Total Gas Net	**12.7**	10.4	+2.3	+22.1%

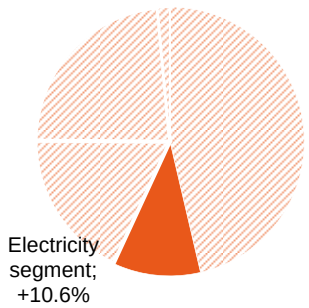
1.02.02 ELECTRICITY

Electricity: lower margins

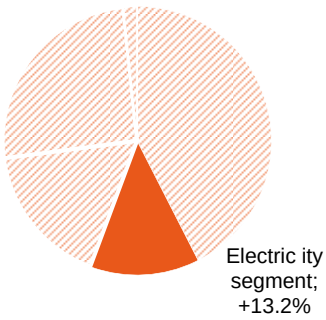
In the first quarter of 2015, the electricity segment's contribution to the Group's EBITDA fell, in both absolute and percentage terms, compared to the first quarter of 2014:

Contribution to Group EBITA: -2.6%

Mar 2015 Electricity EBITDA



Mar 2014 Electricity EBITDA



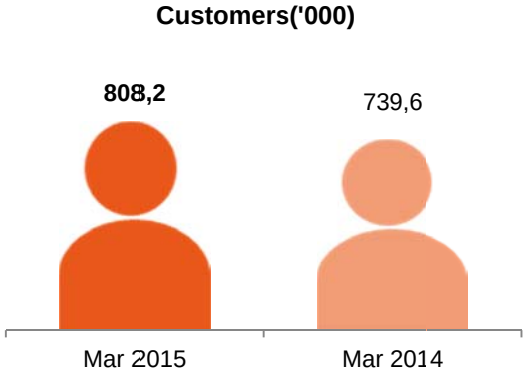
EBITDA of the electricity segment fell by 19.1%

The table below shows the changes that occurred in EBITDA

(mln €)	Mar 2015	Mar 2014	Abs. change	% change
Segment EBITDA	**29.3**	**36.2**	**-6.9**	**-19.1%**
Group EBITDA	**277.2**	274.3	+2.9	+1.1%

Electricity customers total 808,000

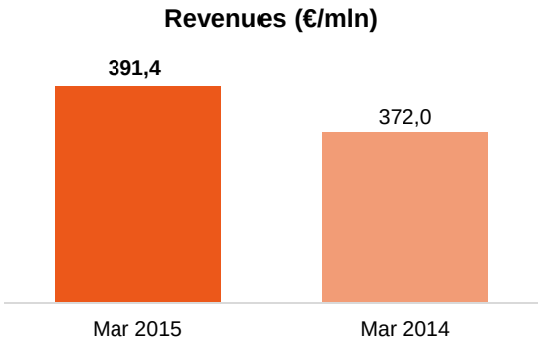
The customer base of the electric energy segment rose by 9.3% (+ 68,600 customers), thanks to the growth of the free market and the contribution of Amga Energia & Servizi (14,000 customers). Confirming the growth trend of previous years, free market customers increased by 12%, reaching 64% of total customers.



Volumes sold rose by 2.7%

Electric energy volumes sold rose from 2,315.5 GWh for the first quarter of 2014 to 2,377.9 GWh for the first quarter of 2015, with a 2.7% increase. Not including the consolidation of Amga Energia & Servizi for 108.4 GWh, the decline was 2.0%, due to both a lower demand and a selective policy of sale to large industrial customers with sound credit ratings.

The table below shows the results for the segment:



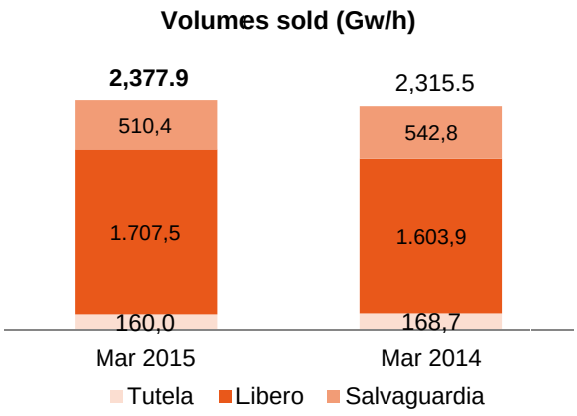
Electricity: decrease due to extraordinary items first quarter of 2014

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014	% Inc.	Abs. change	% change
Revenue	**391.4**		372.0		+19.4	+5.2%
Operating costs	**(353.6)**	-90.3%	(327.6)	-88.1%	+26.0	+7.9%
Personnel costs	**(10.0)**	-2.6%	(9.7)	-2.6%	+0.3	+3.1%
Capitalised costs	**1.5**	0.4%	1.5	0.4%	+0.0	+0.0%
EBITDA	**29.3**	7.5%	36.2	9.7%	-6.9	-19.1%

€383.8 million in revenues from electricity

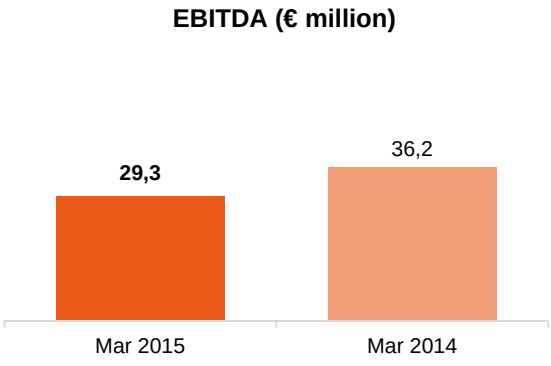
Group revenues rose by €19.4 million (+5.2%), going from €372.0 million for the first quarter of 2014 to €391.4 million for the period under review. This increase was due to greater trading activities and the increased operation of Amga Energia & Servizi; the increase was held back among other things by the lower price of the raw material sold and the lower regulated revenues of the distribution service, due to the collection of amounts past due from the first quarter of 2014, for €6.3 million.

Operating costs went up by €26.0 million (+7.9%) in proportion to revenues.



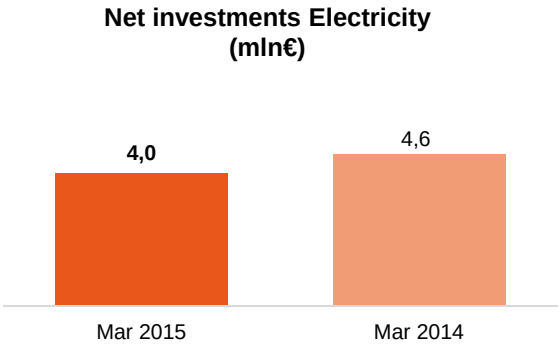
EBITDA of the electricity segment at €29.3 million

At 31 March 2015 EBITDA was down €6.9 million (-19.1%), dropping from €36.2 million for the first three months of 2014 to €29.3 million for the period under review, due to the lower regulated revenues for the distribution services, caused by the equalization effect in the area of Gorizia. Without considering these extroardinary effects, the results for the segment would have been largely in line with those of the comparable quarter in 2014.



Net investments in the electricity area: + 4.0 million

In the electricity area, investments for the first quarter of 2015 amounted to €4.0 million, reflecting a decrease of €0.6 million from the €4.6 million for the previous year.
The activities performed involved mainly non-routine maintenance for distribution plants and networks in the areas of Modena, Imola, Trieste and Gorizia. The decrease compared to the previous year was due to maintenance work performed in the first quarter of 2014 on the Imola co-generation plant for €0.7 million, which was not scheduled for the first quarter of 2015. Connections in this area amounted to €0.4 million, and were slightly down from the previous year.



The table below shows the details of investments in the electricity segment:

Electricity (mln €)	**Mar 2015**	Mar 2014	Abs. change	% change
Networks and plants	4.0	4.5	-0.5	-11.1%
industrial cogeneration	0.0	0.1	-0.1	-100.0%
Total Electricty Gross	**4.0**	4.6	-0.6	-13.0%
Capital grants	0.0	0.0	+0.0	+0.0%
Totale Electricity Net	**4.0**	4.6	-0.6	-13.0%

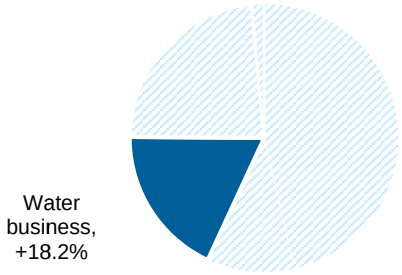
1.02.03 INTEGRATED WATER CYCLE

Integrated water cycle: sustained growth

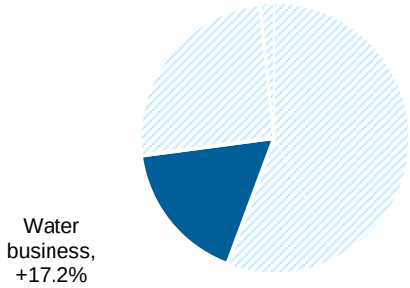
In the first quarter of 2015, this segment grew with respect to the comparable year earlier period, both in absolute terms and in terms of contribution to the Group's EBITDA. This is the second period of application of the Water Tariff Method defined by the Authority for electricity, gas and water (AEEGSI) for the period 2014-2015 (AEEGSI resolution no. 643/2014): for better comparison with the period under review, the income statement for the first three months of 2014 was restated by reducing the amount of revenue related to the so-called "leak fund" for €1.3 million, reflecting provisions for the same amount.

Accordingly, EBITDA for the first quarter of 2014 decreased by €1.3 million but without any effect on the operating performance.

Mar 2015 EBITDA water business



Mar 2014 EBITDA water business



The table below shows the EBITDA changes occurred:

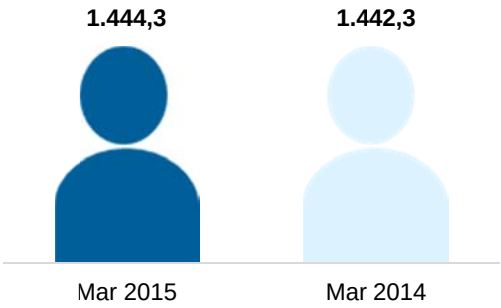
EBITDA of Water Cycle Area up 6.9%

(mln/€)	**Mar 2015**	Mar 2014	Abs. change	% change
Segment EBITDA	**50.5**	47.3	+3.2	+6.9%
Group EBITDA	**277.2**	274.3	+2.9	+1.1%

1.4 million Water Cycle customers

The water cycle sector has a total of 1.4 million customers, up 2,000 (+0.1%), and continues to show organic growth in the geographical areas in which the Group operates, particularly the Emilia Romagna region, where Hera operates.

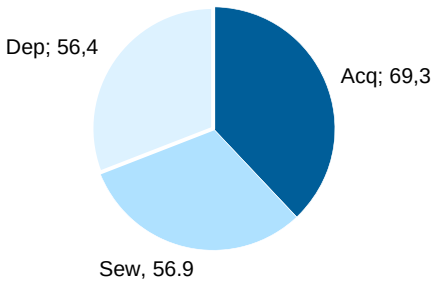
Customers ('000)



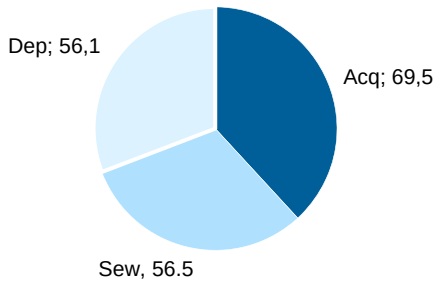
The main metrics for this segment are shown below:

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

Managed volumes Mar 2015 (millions of cubic meters)



Managed volumes Mar 2014 (millions of cubic meters)



Volumes dispensed through the aqueduct were largely in line with the first three months of 2014. Volumes dispensed, following resolution no. 643/2013 of the AEEGSI, are an indicator of activity in the geographical areas in which the Group operates and are subject to equalization in accordance with regulations that call for payments to be made regardless of the volumes distributed.

Integrated Water Cycles: EBITDA up

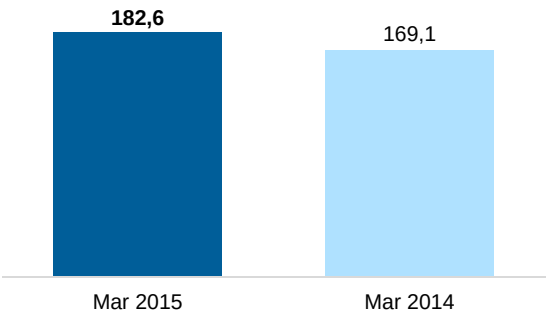
The table below summarizes the segment's operating results:

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014	% Inc.	Abs. change	% change
Revenue	**182.6**	**-**	169.1	-	+13.5	+8.0%
Operating costs	**(97.1)**	-53.2%	(89.2)	-52.8%	+7.9	+8.9%
Personnel costs	**(35.4)**	-19.4%	(33.0)	-19.5%	+2.4	+7.3%
Capitalised costs	**0.5**	0.3%	0.3	0.2%	+0.2	+60.2%
EBITDA	**50.5**	27.7%	47.3	27.9%	+3.2	+6.9%

Water revenues amounting to €183 million

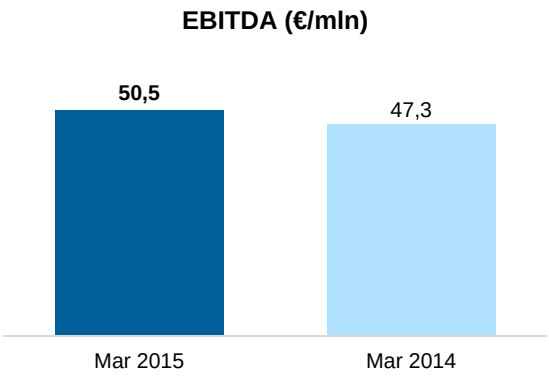
Revenues rose by €13.5 million, or 8.0%, going from €169.1 million for the first quarter of 2014 to €182.6 million for the period under review, due to several reasons: greater revenues from sales for €5 million caused by the application of the rules on the new national tariff method approved by the competent Authority for 2015; greater revenues resulting from the application of IFRIC 12 for €9.0 million; greater

Revenues (mln€)



revenues from contracts and other subcontracted works. This increase was partly offset by lower revenues from connections.

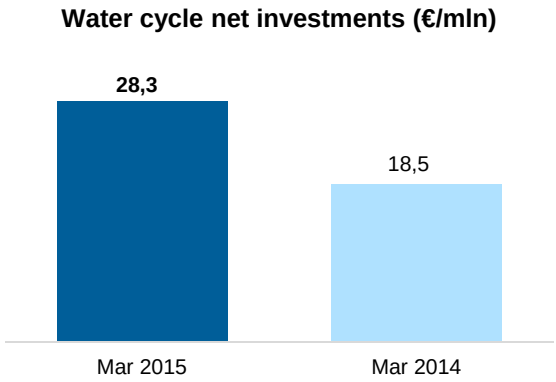
Operating costs rose by €7.9 million, or 8.9%, compared to the corresponding period of the previous year, due to the greater costs incurred as a result of the application of IFRIC 12 for €7.4 million. The remaining €0.5 million increase was due to greater costs and greater concession fees, offset by lower operating costs.



EBITDA rose to €50.5 million

EBITDA rose by €3.2 million, or 6.9%, going from €47.3 million for the first quarter of 2014 to €50.5 million for the first quarter of 2015, due to the implementation of the higher tariffs approved and greater revenues for the performance of subcontracted work.

Net investments in the water cycle area: €28.3 million



Gross investments in the Water Cycle Area amounted to €30.2 million, up €9 million on the previous year. Not including capital grants, investments in the area totalled €28.3 million. The works were related mainly to extensions, reclamation activities and upgrading of networks and plants, as well as regulatory upgrading for purification and sewerage facilities.
Investments totalled €14.3 million in the aqueduct, €8.6 million in sewerage facilities and €7.3 million in purification structures.
Main work activities included: in the aqueduct, works to upgrade the network and scheduled maintenance, up 3.2 million on the first quarter of 2014; in sewers, attention is called, in particular, to the activity, for the Clean Bathing Plan in Rimini (€0.9 million), including the first part to build the AUSA tanker and the construction of the south backbone, first part; in purification, the makeover of the Cesenatico purification plant (€0.9 million), the upgrading and expansion of the purification plant at Ponte Rizzoli di Ozzano, near Bologna, (€1.1 million).
Applications for new water and sewer connections declined slightly compared to the same period of the previous year.
Capital grants for €1.8 million are due in relation to the tariff component under the tariff method for the New Investment Fund (FoNI), down compared to 2014.

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

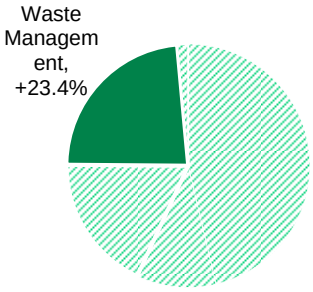
Net investments increased: + €9.8 million

Integrate water cycle (mln €)	**Mar 2015**	Mar 2014	Abs. change	% change
Aqueduct	14.3	11.1	+3.2	+28.8%
Purification	7.3	3.8	+3.5	+92.1%
Sewage	8.6	6.2	+2.4	+38.7%
Total Integrated Water Cycle Gross	**30.2**	21.2	+9.0	+42.5%
Capital grants	1.8	2.7	-0.9	-33.3%
of which FoNI (New Investment Fund)	*1.8*	*2.3*	-0.5	-21.7%
Total Integrated Water Cycle Net	**28.3**	18.5	+9.8	+53.0%

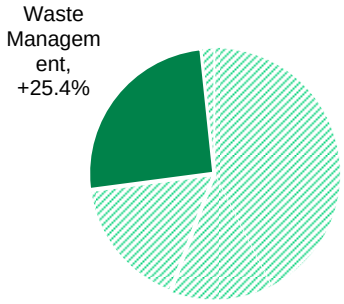
1.02.04 WASTE MANAGEMENT

Even though its EBITDA margin was fit for a growing market, the waste management sector's EBITDA for the first quarter of 2015 was down from the comparable period of 2014, due mainly to maintenance activities performed earlier than scheduled in certain plants.

Mar 2015 EBITDA Waste Management Segment



Mar 2014 EBITDA Waste Management Segment



The table below shows the changes in EBITDA:

Waste management: Lower EBITDA

(€/mln)	Mar 2015	Mar 2014	Abs. change	% change
Segment EBITDA	**64.9**	**69.8**	**-4.9**	**-7.0%**
Group EBITDA	**277.2**	274.3	+2.9	+1.1%

The table below provides an analysis of the volumes commercialized and treated by the Group in the first quarter of 2015:

Urban waste: +3.3%

Quantitative data (thousand of tonnes)	Mar 2015	Mar 2014	Abs. change	% change
Urban waste	470.1	454.9	+15.2	+3.3%
Market waste	468.7	561.9	-93.2	-16.6%
Waste marketed	**938.8**	**1,016.8**	**-78.0**	**-7.7%**
Plant by-products	647.2	671.9	-24.7	-3.7%
Waste treated by type	**1,586.0**	**1,688.7**	**-102.7**	**-6.1%**

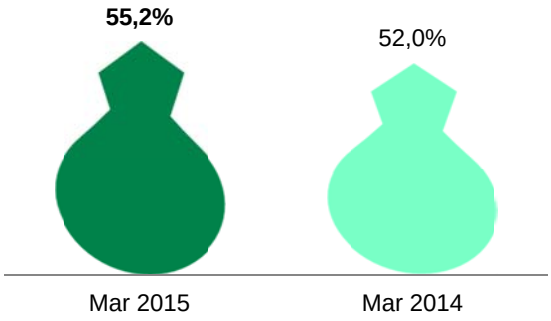
An analysis of the volumes treated shows a 3.3% increase in urban waste, which brings to light the countercyclical character of the activity while volumes of market waste declined temporarily, as a consequence of the scheduled shrinkage of the Group's landfill capacity and the planned, and particularly intense, maintenance

activity conducted on 4 (out of 10) WTE plants. The scheduled maintenance activity conducted on the plants of Ravenna, Bologna and Rimini as well as that of Pozzilli (which benefits from the Cip6 incentives) ended on a positive note, including with a review of the boiler which caused an unexpected interruption in the period under review, making it possible for all the plants to resume the processing and treatment of waste. The plants' by-products benefited from lower leachate production, resulting in more efficient operations.

Sorted waste collection +3.2%

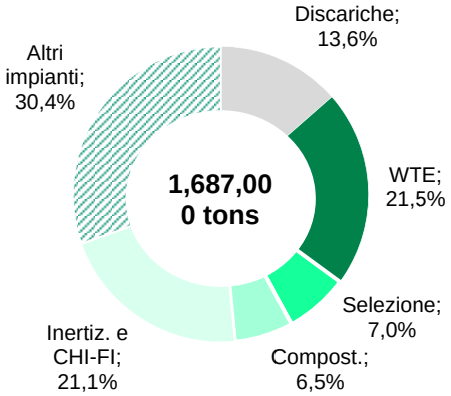
Sorted urban waste collection made further progress, going from 52.0% to 55.2%. This higher recovery rate gives rise to greater environmental benefits and enhances flexibility in the ability of the treatment plants, which can handle in an even more sustainable way the further development of volumes treated and disposed of. This was mainly due to the commencement of full operations of the new selection and recovery plant in Bologna and the efficiency-improvement plans implemented in the recently acquired territories of the Triveneto area, where a targeted process integration action allowed sorted waste collection to increase by over 6 percentage points (from 39.6% to 45.6%).

Sorted waste collection (%)

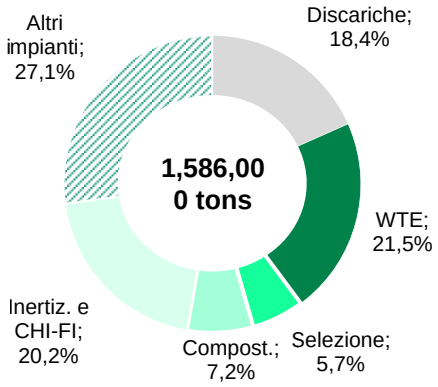


The Group operates in the entire waste cycle, with 78 plants for treatment and disposal of urban and special waste, the most important of which are: 10 WTE plants, 11 composting/digestor plants and 7 sorting plants.

Rifiuti smaltiti per tipolog. impianto Mar 2015



Rifiuti smaltiti per tipolog. impianto Mar 2014



Use of landfills dropped substantially

Quantitative data (thousand of tonnes)	Mar 2015	Mar 2014	Abs. change	% change
Landfills	214.9	310.1	-95.2	-30.7%
Waste-to-energy plants	341.0	362.3	-21.3	-5.9%
Selecting plant and other	110.4	96.5	+13.9	+14.4%
Composting and stabilisation plants	102.4	121.3	-18.9	-15.6%
Stabilisation and chemical-physical plants	334.8	340.7	-5.9	-1.7%
Other plants	482.4	457.7	+24.7	+5.4%
Waste treated by plant	**1,586.0**	**1,688.7**	**-102.7**	**-6.1%**

The waste management business geared up to address the volumes coming from the market and from the customers obtained by Hasi in the quarter, without changing substantially the option to use landfills, in line with the rules set out by European authorities, in accordance with the business plan.

Processing in the WTE plants was affected by the early maintenance activity scheduled for the period while the selection and recovery activity reflects the effects of the fully operational mode of the plants started in 2014.

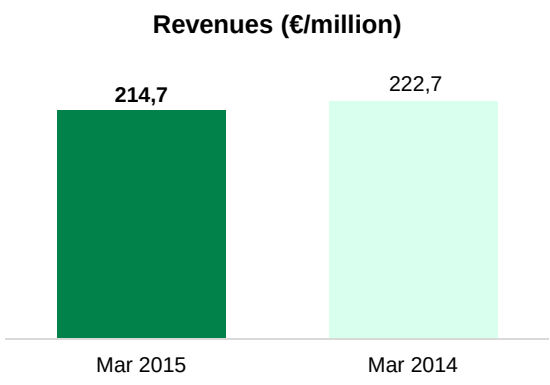
The table below summarizes the results of the segment:

Waste management: margins down, in line with volumes

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014	% Inc.	Abs. change	% change
Revenue	**214.7**		222.7		-8.0	-3.6%
Operating costs	**(106.6)**	-49.6%	(108.3)	-48.6%	-1.7	-1.6%
Personnel costs	**(43.7)**	-20.4%	(45.1)	-20.2%	-1.4	-3.1%
Capitalised costs	**0.5**	0.2%	0.5	0.2%	+0.0	+0.0%
EBITDA	**64.9**	30.2%	69.8	31.4%	-4.9	-7.0%

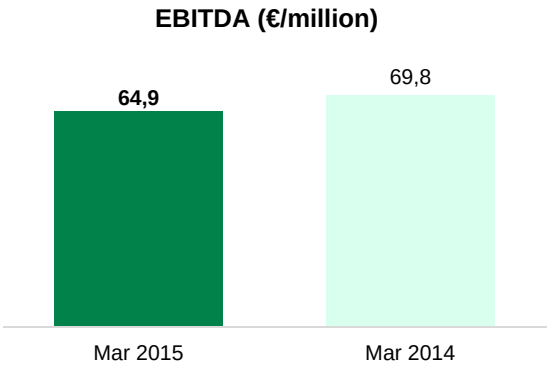
Revenues from waste management at €215 million

In the first quarter of 2015 revenues fell by 3.6%, due to lower energy revenues among other things; however, volumes handled fell at about twice the rate (- 7.7%), reflecting the positive trend of market prices, in line with expectations.



EBITDA for the waste management sector at €65 million

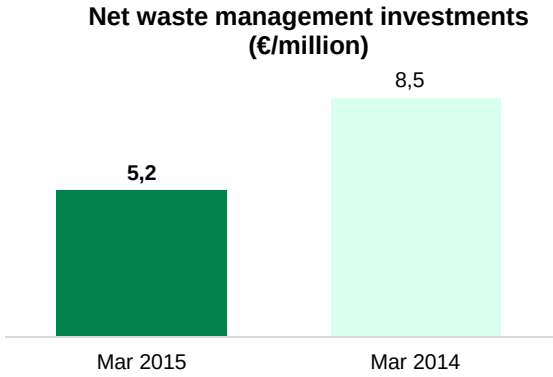
The segment's EBITDA reflects the above, as it was down 7% (down by 7.7% in terms of volumes), showing higher added value per tonne of waste handled (which is even more remarkable if one considers the lower margins from waste-to-energy activities).



Net investments in the Waste management area amount to €5.2 million

Gross investments in the Environment area regard the maintenance and upgrading of plants, amounting to €5.3 million, down €3.2 million from 2014.

Compared to the previous year, the composting/digestor sub-sector did not show any change, as a result of the completion of the dry-fermentation plants which only require routine maintenance activities.



The decrease in the landfill subsector (- €1.8 million) was due nearly entirely to the activities performed in the first quarter of the previous year by Marche Multiservizi for the expansion of the Cà Asprete landfill in Tavullia (PU). Also within Hera's area of reference, maintenance activities decreased for Pago, Tre Monti and Feronia and for the completion of the embankment in Lugo's 1C landfill, which took place in 2014. The most significant activity for 2015 was the continuing preparation of the 8th sector in the Ravenna landfill.

The activities in the WTE sub-sectors and special waste plants were largely in line while the investment for the innovative collection system was up (i.e. Hergo Ambiente).

Sorting and transshipment plants showed a decrease of €2.4 million, mainly due to the completion in the first quarter of 2014 of the Akron Bologna sorting plant and a transshipment plant in Cervia.

The table below shows the details of investments in the waste management area:

Waste Mangement (€/mln)	**Mar 2015**	Mar 2014	Abs. change	% change
Composting/Digestors	0.3	0.3	+0.0	+0.0%
Landfills	1.0	2.8	-1.8	-64.3%
WTE	1.3	1.2	+0.1	+8.3%
RS Plants	0.4	0.3	+0.1	+33.3%
Ecological areas and gathering equipment	1.8	1.1	+0.7	+63.6%
Transshipment, selection and other plants	0.5	2.9	-2.4	-82.8%
Total Waste Gross	**5.3**	8.5	-3.2	-37.6%
Capital grants	0.1	0.0	+0.1	+100.0%
Total Waste Net	**5.2**	8.5	-3.3	-38.8%

Lastly, the quarter under review was characterized by the completion of two corporate and organizational actions which will be operational as of as f 1 July 2015. On one side, Herambiente acquired the remaining 32.5% of the shares that it did not own in Akron, a company engaged in the selection of material coming from sorted waste collection activities through several specific plants. On the other hand, Herambiente was transferred all the waste management activities performed on behalf of the cities of Trieste and Padua by the two WTE plants located there, to achieve greater integration, efficiency and full control of the activities at Group level.

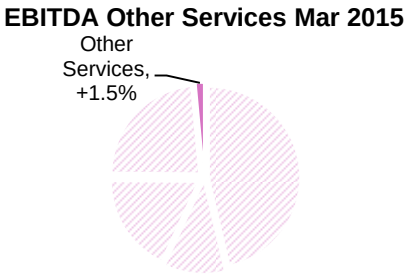
1.02.05 OTHER SERVICES

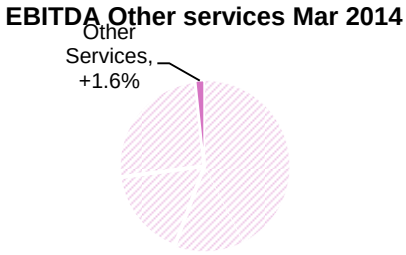
The Other Services segment gathers the Group's minor services: public lighting, le telecommunication and cemetery services.

Other Services: decreasing margins

In the first quarter of 2015, the results of Other Services were down, as EBITDA for the area went from €4.5 million in the first quarter of 2014 to €4.1 million in the first quarter of 2015:

Contribution to the Group's EBITDA slightly down





EBITDA for Other Services area down €0.4 million

The table below shows the changes in EBITDA:

(€/mln)	Mar 2015	Mar 2014	Abs. change	% change
Segment EBITDA	**4.1**	**4.5**	**-0.4**	**-10.0%**
Group EBITDA	**277.2**	274.3	+2.9	+1.1%

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

Quantative data	Mar 2015	Mar 2014	Abs. change	% change
Public lighting				
Lighting points (thousands)	**520.4**	443.2	+77.2	+17.4%
Municipalities served	**157.0**	120.0	+37.0	+30.8%

520,000 lighting points

Public lighting shows an increase of 77,200 lighting points and 37 Towns under management. This increase is due to the inclusion in the scope of consolidation of the Udine area (+ 23,500 lighting points for 15 towns) and the award of new contracts following public tenders. The increase in lighting points is lower than the increase in Towns due to the loss of the Rimini contract, with 29,000 lighting points; there is however still a maintenance contract in place here.

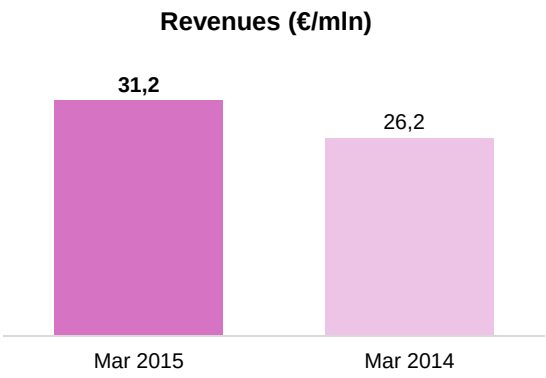
Other Services: lower margins

The table below summarizes the operating performance for the business:

Income statement (€/mln)	Mar 2015	% Inc.	Mar 2014	% Inc.	Abs. change	% change
Revenue	**31.2**		26.2		+5.0	+19.1%
Operating costs	**(22.7)**	-72.7%	(17.2)	-65.6%	+5.5	+32.0%
Personnel costs	**(4.7)**	-15.0%	(4.7)	-18.1%	+0.0	+0.0%
Capitalised costs	**0.2**	0.8%	0.2	0.9%	+0.0	+0.0%
EBITDA	**4.1**	13.0%	4.5	17.2%	-0.4	-10.0%

Revenues from Other Services at €31.2 million

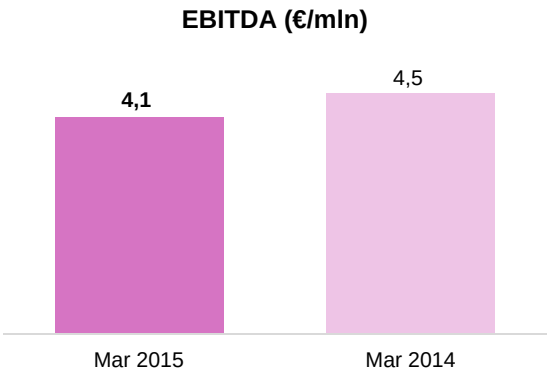
Revenues from the segment rose by €5.0 million, thanks to the increase in public lighting volumes and greater revenues from telecommunications.



EBITDA down by €0.4 million

EBITDA was down €0.4 million in relation to public lighting, which saw its margins squeezed as a result of greater costs related to the works to optimize and bring up to code the plants of the Sinergie Group, on one side, and to the price adjustments for the Consip tenders, which is set by law for the benefit of municipalities.

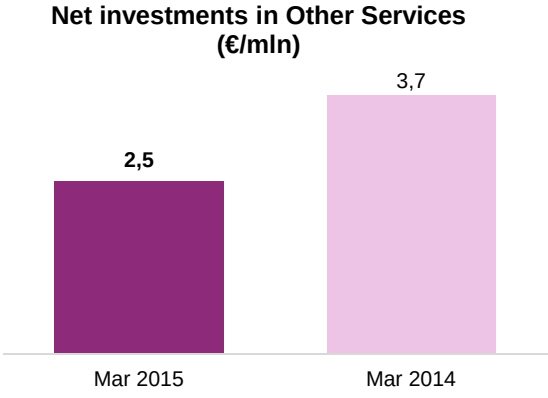
The telecommunication business was slightly up, following the above-mentioned increase in revenues.



Investments in the Other Services segment amounted to €2.5 million, down €1.2 million from the first quarter of 2014.

Net investments for €2.5 million

Total investments in the telecommunication business – for the network and TLC and IDC (Internet Data Centre) services - amounted to €1.8 million, down €0.8 million from the comparable period in 2014.



In public lighting total investments amounted to €0.7 million in relation to the maintenance, revamping and upgrading of public lighting systems; of this decrease, €0.4 million concerned Sinergie and Insigna which are part of AcegasApsAmga.

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

Other Services (mln €)	**Mar 2015**	Mar 2014	Abs. change	% change
TLC	1.8	2.6	-0.8	-30.8%
Public lighting and street lights	0.7	1.1	-0.4	-36.4%
Total Other Services Gross	**2.5**	3.7	-1.2	-32.4%
Capital grants	0.0	0.0	+0.0	+0,0%
Total Other Services Net	**2.5**	3.7	-1.2	-32.4%

1.03 SHARE PERFORMANCE AND INVESTOR RELATIONS

Hera's share returns to pre-crisis levels

Following the sovereign debt crisis of 2011, Hera's share recovered rapidly and consistently, with the closing price for 2014 up 18.5% and the price in January 2015 outstripping the high for the previous year. The positive trend continued throughout the period under review, allowing the share to reach, at 31 March 2015, €2.1967, thanks to a 12.5% increase, reaching in fact the levels preceding the 2008 crisis.

+144,8%
***Total shareholders' return* since IPO**

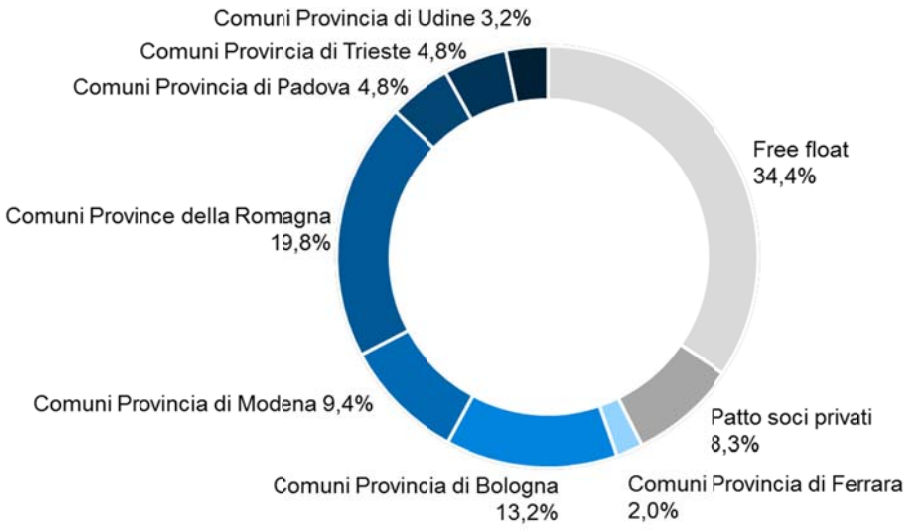
The Italian stock exchange, too, showed a positive performance in the first quarter of 2015, thanks to the inflows of liquidity into the equity market which followed the ECB's decision to initiate a quantitative easing program, with the purchase of European government bonds, for a total of €60 billion until September 2016. The ECB's announcement drove down to a significant extent bond yields, boosting shares such as Hera, which provide attractive and consistent dividends.

The share increase and the consistent distribution of rising dividends, since the IPO, brought the total shareholders' return up to 144.8% at the end of the quarter.

The Hera Group's market capitalization at 31 December 2015 amounted to €3.3 billion, the highest in its sector and even higher than that of shares included in the FTSE Mib, the main Italian stock index.

2,62 €
Average target price and no negative recommendation

The number of financial analysts covering the share is unchanged: Banca Akros, Banca IMI, Equita, Fidentiis, Goldman Sachs, Intermonte, Kepler Cheuvreux and Mediobanca. At the end of the first quarter, Hera had mostly "Buy/Outperform" ratings and one "Hold/Neutral". The consensus target price of €2.62€ (vs. €2.52 at the end of 2014) shows an average upside potential of + 19%.



Group shareholder base of 24,000

The shareholder base is balanced and broad (about 24,000 shareholders). The shareholder base includes 237 public authorities, accounting for 53.7% of all the shares outstanding.

Since 2006 Hera has had a share buyback program in place, which was renewed for an additional 18 months and for up to €150 million at the General Shareholders' Meeting held on 28 April 2015. This program is designed to finance the acquisition of smaller companies and to smooth out unusual market price fluctuations vis-à-vis those of the other main Italian companies. At the end of the quarter under review, Hera held 16.1 million treasury shares.

Investor relations as an intangible asset

Hera continued to extensively promote meetings between the Group's top management and the financial community, to expand and diversify the shareholder base with Italian and foreign investors.

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

1.04 THE SCENARIO OF REFERENCE AND THE GROUP'S STRATEGY

Since inception the Hera Group has pursued a stable and consistent strategy over time, including in a scenario characterized by:

1) constant change;
2) progressive and constant service liberalization process;
3) turmoil in the markets where it operates.

Consistent mission at the basis of the strategy

This consistency has allowed it to set a standard in the provision of public utility services. In fact, the Group's mission is to become the first Italian multi-utility through sustainable growth, achieved both organically and via acquisitions, and designed to create value for its stakeholders.

Multi-utility approach to mitigate risks

The strategy has driven the Group's growth, as its market capitalization became the largest, compared to that of the other multi-utilities. Positive results were achieved in the first quarter of 2015 as well, and they are all the more impressive if they are considered in light of the difficult Italian macroeconomic context and the mild weather recorded. The multi-utility approach adopted (water, gas and electricity) is highly effective in terms of performance, as the Group has been pursuing the improvement of efficiency in every respect, to be increasingly competitive also in view of the upcoming tenders for the renewal of concession arrangements. The substantial infrastructure investments, designed to upgrade plants, have led to greater operational efficiency, thereby generating resources and cash flows that have strengthened the Company's financial condition and led to significant environmental benefits.

Investments to improve efficiency

Enhancing our most valuable asset: our customers

Our large customer base is the focus of every Group strategy, and our most valuable intangible asset, both in regulated services and with innovation in free markets. Our cross-selling activity adds value to our offer, building customer loyalty, allowing the improvement of quality and post-sale service costs and the reduction of the cost of new connections. Moreover, the presence in free market services has substantially expanded the customer base (over 2 million only in Energy), by leveraging the Groups' strengths. In energy sales, the Group has maintained its flexibility in the sources of energy supply and, on the other hand, it has developed trading activities to avoid the exposure of electricity production (not a core activity of the Group) to operational risks or to take-or-pay clauses in long-term gas supply agreements. In waste recovery and disposal, the old plants have been replaced with the new generation ones, which are equipped with more efficient and environment-friendly technologies, and new assets have entered service for the utmost effectiveness in material recovery.

Risk aversion in all the free markets

Regulated and free market activities: a balanced mix

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

Value creation through external growth: the "Hera model"

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

The business plan

Excellence and Innovation

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

Sector consolidation

***Momentum* to take advantage of strengths**

The Group operates in a highly fragmented industry, as in Italy there are over 1,200 small and medium utilities. These characteristics are a setback in a sector where economies of scale are crucial to ensure competitiveness. Thus, this is a favourable scenario for Hera, which can continue with its consolidation of new areas (mainly in the adjacent regions of Marche and Triveneto). Recently the Italian government has passed legislation which should foster industry consolidation, laying the ground for the growth of companies with adequate financial strength and solid expertise. The current scenario is complex and presents a number of challenges, which the Group is going to face on the basis

of time-tested competitive advantages that can foster the growth process and create value for all the stakeholders.

1.05 HUMAN RESOURCES

At 31 March 2015 the Group had 8,418 permanent employees (consolidated companies) with the following breakdown by category: executives (150), middle management (510), clerks (4,375), blue collar (3,383). Changes for the period resulted from the difference between new recruits (74) and terminations (- 75).

	31-dec-14 proforma*	31/03/2015	Change
Senior mangers	152	150	-2
Middle managers	507	510	3
Office workers	4,341	4,375	34
Manual workers	3,419	3,383	-36
Total	8419	8,418	-1

Specifically, effective changes were as follows:

Work force as at 31 December 2014 – proforma*	8,419
Additions	74
Exit	-75
Net flows	-1
Work force as at 31 March 2015	8,418

(*) Application of IFRS 11 which excludes Est Energy (78 permanent employees) and Enomondo (2 permanent employees) from the scope of consolidation.

New recruits for the period included mainly:

- transition from fixed-term employment contracts to permanent employment;
- addition of professional profiles from outside the Group.

CHAPTER 1

REPORT ON OPERATIONS

2.01 FINANCIAL STATEMENTS

2.01.01 Income statement

thousands of euros	31-mar-2015 (3 months)	31-mar-2014 (3 months)	31-dec-2014 (12 months)
Revenue	1,311,869	1,226,575	4,189,099
Other operating revenues	71,389	65,852	324,473
Use of raw materials and consumables	(702,308)	(638,610)	(1,965,461)
Service costs	(266,640)	(243,202)	(1,143,609)
Personnel costs	(131,352)	(127,125)	(496,918)
Amortisation, depreciation,provisions	(107,087)	(102,708)	(426,565)
Other operating costs	(9,889)	(11,551)	(57,057)
Capitalised costs	4,132	3,669	17,282
Operating profit	**170,114**	**172,900**	**441,244**
Portion of profits (loss) pertaining to joint ventures and ass	4,891	2,150	7,739
Financial income	30,299	45,510	144,889
Financial expense	(64,628)	(80,109)	(298,810)
Total financial operations	**(29,438)**	**(32,449)**	**(146,182)**
Pre-tax profit	**140,676**	**140,451**	**295,062**
Taxes for the period	(48,210)	(51,333)	(112,655)
Net profit for the period	**92,466**	**89,118**	**182,407**
Attributable to:			
Shareholders of the Parent Company	86,586	83,215	164,772
Non-controlling interests	5,880	5,903	17,635
Earnings per share			
basic	**0.056**	**0.059**	**0.114**
diluted	**0.056**	**0.059**	**0.114**

2.01.02 Statement of comprehensive income

thousands of euros	31-mar-2015 (3 months)	31-mar-2014 (3 months)	31-dec-2014 (12 months)
Net profit / (loss) for the period	**92,466**	**89,118**	**182,407**
Items reclassifiable to the income statement			
Change in the fair value of derivatives for the period	359	908	3,804
Tax effect related to the other reclassifiable items of the comprehensive income statement	(99)	(251)	(1,056)
other components of comprehensive income, enterprises valuated with the equity method	22	21	18
Items not reclassifiable to the income statement			
Actuarial gains/(losses) post-employment benefits		(28)	(16,066)
Tax effect related to the other not reclassifiable items of the comprehensive income statement			4,248
other components of comprehensive income, enterprises valuated with the equity method			(2)
Total comprehensive income/(loss) for the period	**92,748**	**89,768**	**173,353**
Attributable to:			
Shareholders of the Parent Company	86,769	83,692	156,060
Non-controlling interests	5,979	6,076	17,293

2.01.03 Earnings per share

thousands of euros	*31-mar-2015 (3 months)*	*31-mar-2014 (3 months)*	*31-dec-2014 (12 months)*
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	86,586	83,215	164,772
Interest expenses relating to the liability component of convertible bonds			
Adjusted profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (B)	86,586	83,215	164,772
Weighted average number of shares outstanding for the puposes of caluculation of earning (loss):			
- basic (C)	1,473,413,164	1,410,793,744	1,441,419,249
- diluted (D)	1,473,413,164	1,410,793,744	1,441,419,249
Earnings (loss) per share (euros)			
- basic (A/C)	**0.059**	**0.059**	**0.114**
- diluted (B/D)	**0.059**	**0.059**	**0.114**

2.01.04 Statement of financial position

thousands of euros	31-Mar-2015	31-Dec-2014
ASSETS		
Non-current assets		
Property,plant and equipment	2,039,309	2,063,698
Intangible assets	2,802,359	2,797,047
Property investments	3,737	3,737
Goodwill	378,564	378,564
Non-controlling interests	157,716	152,808
Financial assets	91,280	83,609
Deferred tax assets	71,098	68,098
Financial instruments - derivatives	124,251	103,096
Total non-current assets	**5,668,314**	**5,650,657**
Current assets		
Inventories	43,585	103,588
Trade receivables	1,793,119	1,463,635
Contract work in progress	16,363	16,268
Financial assets	24,001	45,150
Financial instruments - derivatives	27,650	24,136
Current tax assets	31,693	32,200
Other current assets	433,369	261,998
Cash and cash equivalents	648,003	834,495
Total current assets	**3,017,783**	**2,781,470**
Non-current assets held for sale		601
TOTAL ASSETS	**8,686,097**	**8,432,728**

cont.

thousands of euros	31-Mar-2015	31-Dec-2014
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,472,976	1,469,938
Reserves	824,173	676,236
Profit / (loss) for the period	86,586	164,772
Group equity	**2,383,735**	**2,310,946**
Non-controlling interests	147,739	148,055
Total equity	**2,531,474**	**2,459,001**
Non-current liabilities		
Borrowings – maturing beyond 12 months	3,121,947	3,095,301
Post-employment benefits	162,223	162,971
Provisions for risks and charges	341,214	336,500
Deferrred tax liabilities	14,847	15,084
Finance lease payments - maturing beyond 12 months	25,064	25,351
Financial instruments - derivatives	39,387	38,415
Total non-current liabilities	**3,704,682**	**3,673,622**
Current liabilities		
Banks and other borrowings – maturing within 12 months	257,962	547,333
Finance lease payments - maturing within 12 months	3,057	3,451
Trade payables	1,176,446	1,193,626
Current tax liabilities	80,381	30,203
Other current liabilities	897,164	493,563
Financial instruments - derivatives	34,931	31,929
Total current liabilities	**2,449,941**	**2,300,105**
TOTAL LIABILITIES	**6,154,623**	**5,973,727**
TOTAL EQUITY AND LIABILITIES	**8,686,097**	**8,432,728**

2.01.05 Cash flow statement

thousands of euros	31-Mar-2015	31-Mar-2014
Pre-tax profit	**140,676**	**140,451**
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	39,814	41,785
Amortisation and impairment of intangible assets	42,852	37,745
Effect of valuation using the equity method	(4,891)	(2,150)
Allocations to provisions	24,819	23,269
Financial expense / (Income)	34,328	34,598
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(490)	1,451
Change in provisions for risks and charges	(4,560)	(6,705)
Change in provisions for employee benefits	(1,912)	(1,581)
Total cash flow before changes in net working capital	**270,636**	**268,863**
(Increase) / Decrease in inventories	59,908	47,070
(Increase) / Decrease in trade receivables	(347,198)	(283,457)
Increase / (Decrease) in trade payables	(17,178)	935
(Increase) / Decrease in other current assets/ liabilities	237,457	99,858
Change in working capitals	**(67,011)**	**(135,594)**
Dividends collected	88	1,977
Interests income and other financial income collected	5,449	8,050
Interests expense and other financial charges paid	(57,582)	(73,209)
Taxes paid	(1,339)	12
Cash flow from (for) operating activities (a)	**150,241**	**70,099**
Investments in property, plant and development	(15,592)	(20,850)
Investments in intangible fixed assets	(48,164)	(35,441)
Investments in companies and business units net of cash and cash equivalents	-	(7,725)
Sale price of property,plant and equipment and intangible assets (including lease-back transactions)	1,094	3,723
Divestments of investments	21	1,957
(Increase) / Decrease in other investment activities	13,260	4,502
Cash flow from (for) investing activities (b)	**(49,381)**	**(53,834)**
New issues of long-term bonds	-	5,000
Repayments and other net changes in borrowings	(262,737)	(114,011)
Lease finance payments	(920)	(699)
Investments in consolidated companies	(27,000)	-
Dividends paid out to Hera shareholders and non-controlling interests	(3,430)	(980)
Change in treasury shares	6,735	3,687
Other minor changes	-	52
Cash flow from (for) financing activities (c)	**(287,352)**	**(106,951)**
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	**-**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(186,492)**	**(90,686)**

2.01.06 Statement of change in equity

thousands of euros	Share capital	Reserves	Reserves for derivative instruments recognised at fair value	Reserve for actuarial gains/(losses) in post-employment benefits	Profit for the year	Equity	Non-controlling interests	Total
Balance at 31 December 2013 (*as adjsuted*)	**1,410,357**	**607,681**	**(3,063)**	**(19,503)**	**164,934**	**2,160,406**	**145,317**	**2,305,723**
Profit for the period (as adjusted)					83,215	**83,215**	5,903	**89,118**
Other components of comprehensive income at 31 March 2014:								
fair value of derivatives, change in the year			484			**484**	173	**657**
Actuarial gains/(losses) post-employment benefits				(28)		**(28)**		**(28)**
other components of comprehensive income, enterprises valuated with the equity method		21				**21**		**21**
Total comprehensive income for the period		**21**	**484**	**(28)**	**83,215**	**83,692**	**6,076**	**89,768**
change in treasury shares	2,560	1,179				**3,739**		**3,739**
change in scope of consolidation						**-**	(41)	**(41)**
other movements		15				**15**	(42)	**(27)**
Allocation of 2013 profit:								
- dividends paid out					-	**-**	-	**-**
- allocation to other reserves		143,647			(143,647)	**-**		**-**
- undistributed profits to retained earnings		21,287			(21,287)	**-**		**-**
Balance at 31 March 2014	**1,412,917**	**773,830**	**(2,579)**	**(19,531)**	**83,215**	**2,247,852**	**151,310**	**2,399,162**
Balance at 31 December 2014	**1,469,938**	**707,524**	**(1,085)**	**(30,203)**	**164,772**	**2,310,946**	**148,055**	**2,459,001**
Profit for the period					86,586	**86,586**	5,880	**92,466**
Other components of comprehensive income at 31 March 2015:								
Change in the fair value of derivatives for the period			161			**161**	99	**260**
Actuarial gains/(losses) post-employment benefits				-		**-**	-	**-**
other components of comprehensive income, enterprises valuated with the equity method		22				**22**		**22**
Total comprehensive income for the period		**22**	**161**	**-**	**86,586**	**86,769**	**5,979**	**92,748**
change in treasury shares	3,038	3,698				**6,736**		**6,736**
purchase…						**-**		**-**
change in equity interest		(20,638)		(75)		**(20,713)**	(6,287)	**(27,000)**
change in scope of consolidation						**-**		**-**
other movements		(3)				**(3)**	(8)	**(11)**
Allocation of 2014 profit:								
- dividends paid out					-	**-**	-	**-**
- allocation to other reserves		134,514			(134,514)	**-**		**-**
- undistributed profits to retained earnings		30,258			(30,258)	**-**		**-**
Balance at 31 March 2015	**1,472,976**	**855,375**	**(924)**	**(30,278)**	**86,586**	**2,383,735**	**147,739**	**2,531,474**

2.03 EXPLANATORY NOTES

Accounting policies and significant accounting estimates

The consolidated quarterly report for the three months to 31 march 2015 was prepared in accordance with Article 154-*ter* of Legislative Decree 58/1998 and Article 82 of Consob's Regulation on Issuers. This report has not been audited.

This interim report was not prepared in accordance with IAS 34 - Interim Financial Reporting. However, the accounting standards adopted for this report are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2014, to which reference is made for further information, in addition to those applicable as of 1 January 2015.

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

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

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

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

Financial statements

Gli schemi utilizzati sono i medesimi già applicati per il bilancio consolidato al 31 dicembre 2014. Lo schema utilizzato per il conto economico è "a scalare" con le singole voci analizzate per natura. Si ritiene che tale esposizione, seguita anche dai principali *competitor* e in linea con la prassi internazionale, sia quella che meglio rappresenta i risultati aziendali.

The financial statements used are the same as those used for the consolidated financial statements at 31 December 2014. Specifically, the income statement is presented in vertical format, with the individual items analysed by nature. This presentation, also used by the company's major competitors, is considered consistent with international practice and is the one that best represents the company's performance.

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

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

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

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

Scope of consolidation

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

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

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

The scope of consolidation did not change in the first quarter of 2015, compared to 31 December 2014.

The list of companies included in the scope of consolidation is available at the end of these explanatory notes.

Changes in equity investments

On 31 March 2015 Hera Spa entered into an agreement to buy out the minority shareholders (42.5%) of Akron Spa, a fully consolidated subsidiary. The difference between the amount of the adjustment of non-controlling interests and the fair value of the payment was recognized directly in equity and attributed to the parent company's shareholders.

Other corporate actions

Effective 1 January 2015 Hera Energie Srl was merged with and into Sinergia Srl, with the latter changing its name to Hera Servizi Energia Srl.

Other information

These interim financial statements for the three months ended on 31 March 2015 were prepared by the Board of Directors and approved by it in the meeting on 13 May 2015.

2.04 CONSOLIDATED NET BORROWINGS

Consolidated net borrowings

million euro		31-mar-15	31-dic-14
a	**Cash**	**648.0**	**834.5**
b	**Other current financial receivables**	**24.0**	**45.2**
	Current bank debt	(149.4)	(175.6)
	Current portion of bank debt	(78.0)	(302.2)
	Other current financial liabilities	(30.6)	(69.6)
	Finance lease payables due within 12 months	(3.0)	(3.4)
c	**Current financial debt**	**(261.0)**	**(550.8)**
d=a+b+c	**Net current financial debt**	**411.0**	**328.9**
e	**Non-current financial receivables**	**91.3**	**83.6**
	Non-current bank debt and bonds issued	(3,033.6)	(3,020.6)
	Other non-current financial liabilities	(0.3)	(7.0)
	Finance lease payables due after 12 months	(25.1)	(25.3)
f	**Non-current financial debt**	**(3,059.0)**	**(3,052.9)**
g=e+f	**Net non-current financial debt**	**(2,967.7)**	**(2,969.3)**
h=d+g	**Net financial debt**	**(2,556.7)**	**(2,640.4)**

2.05 INVESTMENTS

List of consolidated companies

Subsidiaries

Name	Headquarters	Share capital	Percentage held		Total equity interest
			direct	indirect	
Parent company: Hera Spa	**Bologna**	**1,489,538,745**			
Acantho Spa	Imola (BO)	23,573,079	77.36%		77.36%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasAps Service Srl	Padova	180,000		100.00%	100.00%
Akron Spa	Imola (BO)	1,152,940	42.50%	43.13%	85.63%
Amga Calore & Impianti Srl	Udine	119,000		100.00%	100.00%
Amga Energia & Servizi Srl	Udine	600,000		100.00%	100.00%
ASA Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Black Sea Technology Company	Varna (Bulgaria)	15.904.566 lev		99.97%	99.97%
Black Sea Gas Company Ltd	Varna (Bulgaria)	5.000 lev		99.97%	99.97%
Consorzio Akhea Fondo Consortile	Bologna	200,000		59.38%	59.38%
Esil Scarl	Bologna	10,000		100.00%	100.00%
Feronia Srl	Finale Emilia (MO)	2,430,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Fucino Gas Srl	Luco dei Marsi (AQ)	10,000		100.00%	100.00%
HeraAmbiente Spa	Bologna	271,148,000	75.00%		75.00%
Herambiente Recuperi Srl	Bologna	10,000		75.00%	75.00%
Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
Hera Comm Srl	Imola (BO)	53,536,987	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		71.07%	71.07%
Hera Energie Rinnovabili Spa	Bologna	1,832,000	100.00%		100.00%
Hera Luce Srl	San Mauro Pascoli (FC)	1,000,000	100.00%		100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		57.89%	57.89%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
Insigna Srl	Padova	10,000		100.00%	100.00%
Marche Multiservizi Spa	Pesaro	13,484,242	46.39%		46.39%
Medea Spa	Sassari	4,500,000	100.00%		100.00%
MMS Ecologica Srl	Pesaro	95,000		46.39%	46.39%
Naturambiente Srl	Pesaro	50,000		46.39%	46.39%
Rila Gas AD	Sofia (Bulgaria)	33.337.000 lev		100.00%	100.00%
Romagna Compost Srl	Cesena	3,560,002		45.00%	45.00%
SiGas d.o.o	Pozega (Serbia)	162.260.057,70 RSD		95.78%	95.78%
Sinergie Spa	Padova	11,168,284		100.00%	100.00%
Sviluppo Ambiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%
Trieste Onoranze e Trasporti Funebri Srl	Trieste	50,000		100.00%	100.00%
Tri-Generazione Srl	Padova	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%

Joint ventures

Name	Headquarters	Share capital	Percentage held		Total equity interest
			direct	indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
Elettrogorizia Spa	Trieste	5,600,000		50.00%	50.00%
Estenergy Spa	Trieste	1,718,096		51.00%	51.00%

Associated companies

Name	Headquarters	Share capital	Percentage held		Total equity interest
			direct	indirect	
Aimag Spa*	Mirandola (MO) *	78,027,681	25.00%		25.00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (MO)	60,000		33.00%	33.00%
Q.Thermo Srl	Firenze	10,000		39.50%	39.50%
Set Spa	Milano	120,000	39.00%		39.00%
So.Sel Spa	Modena	240,240		26.00%	26.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

* The company's share capital consists of € 67.577.681 in ordinary shares and € 10.450.000 in related shares

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