Consolidate half-year financial report
as at 30 june 2015

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Abbreviated consolidated financial statements as at 30 June 2015

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GOVERNANCE AND CONTROL BODIES

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
CEO	Stefano Venier
Vice-chairman	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-chairman	Giovanni Basile
Member	Stefano Venier
Member	Riccardo Illy
Ethics Committee	
Chairman	Massimo Giusti
Member	Mario Viviani
Member	Filippo Maria Bocchi
Independent auditing firm	
	Deloitte & Touche Spa

CORPORATE STRUCTURE

Parent company Hera SpA: effective management of operations

Hera Group's structure (the Group) develops from a complex rationalization process started up in 2002 after the incorporation of 11 companies that were part of it; the Group's evolution has since adapted to legislative changes over time, unbundling its activities under separate companies (unbundling process). The Group principally operates in the Environment, Energy and Water sectors and it consists of Hera Spa, Spa Herambiente, HeraComm Srl, Hera Trading Srl, Marche Multiservizi and AcegasApsAmga.

At the top of the structure is parent company Hera SpA, an industrial holding company in charge of the governance, coordination and financial management of all of the Group's subsidiaries; Hera SpA is also responsible for consolidating their operations.

Herambiente: leading the environmental sector

Herambiente Spa, 75% of which is owned by Hera Spa and 25% by Eiser Infrastructural Fund and by APG, was established in 2009 as a waste-disposal spin-off, ensuring coordinated plant management in the national territory.

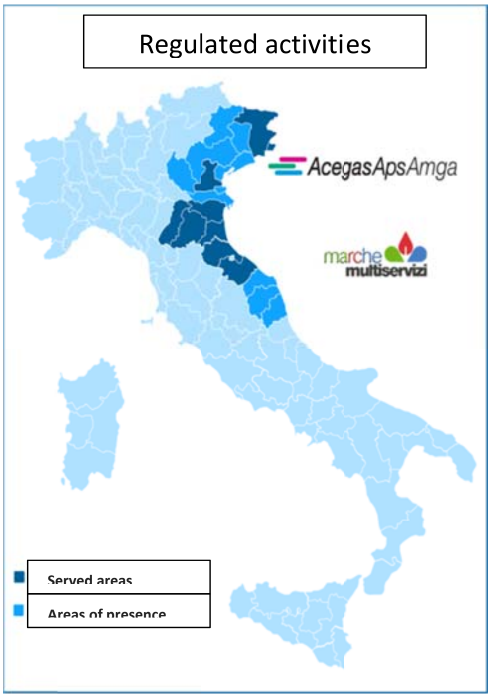
Herambiente Spa in its turn established Herambiente Servizi Industriali (Hasi srl), which is targeted to an industrial customer base.

HeraComm: 2,1 million clients in the Energy industry

HeraComm Srl, 100% under Hera Spa, with 2,1 million customers is the Group's stronghold on national energy markets. As provided by industry laws, the company separates free-market and regulated energy activities.

HeraTrading: purchasing energy commodities

HeraTrading Srl, 100% under Hera Spa, deals with the procurement of wholesale energy commodities through its flexible supply logic, consistent with the international market. Over the years, the Group's outward-looking expansion has resulted in the integration of over a dozen multi-utility companies.



Such operations have been achieved by mergers through incorporation into the holding company in order to produce synergies, exploit scale economies and convey expertise.

Marche Mutiservizi and AcegasapsAmga: the group's outposts

Marche Multiservizi e AcegasApsAmga are two multi-utility companies operating respectively in the Marches and in the Triveneto; they have kept their own corporate formula even after the integration, with a view to supporting a solid, well-rooted stronghold in the area, to safeguarding territorial proximity and to seizing opportunities for expansion.

In the first semester of 2015, the Hera Group concluded two important corporate and organisational operations in the Environment area, both of which will become fully operative as of July 2015. The first concerns Akron, a company whose activities involve selecting materials from sorted urban waste and whose

entire share capital was purchased by Herambiente, after having previously been controlled at 57.5%. The second saw the creation of Hestambiente Srl and the transfer of control to Herambiente of the disposal activities carried out for the cities of Padua and Trieste by the two important respective WTE plants. These operations allow greater efficiency to be extracted, through a higher level of integration of the activities managed by the Hera Group, in line with its growth strategy.
Below is an outline of the Group's corporate structure.

Hera Spa

Herambiente S.p.A.	75%
Romagna Compost Srl	60%
Fea Srl	51%
Herambiente Servizi Industriali Srl	100%
Enomondo Srl	50%
Herambiente Recuperi Srl	100%
Asa Scpa	51%
Feronia Srl	70%
*Hestambiente Srl	70%(1)

Hera Comm Srl	100%
So.Sel. Spa	26%
Adriatica Acque Srl	22,32%
SGR Servizi Spa	29,61%
Hera Comm Marche Srl	57,38%
Hera Servizi Energia Srl	57,89%
Estense Global Service Scarl	23%
Amga Energia & Servizi Srl	100%
Amga Calore & Impianti Srl	100%
Alento Gas Srl	100%

AcegasApsAmga Spa 100%

Hera Trading Srl 100%

Marche Multiservizi Spa 46,39%

Altre partecipazioni

^Hera Energie Rinnovabili Spa	100%	^^Hera Luce Srl	100%
**Sviluppo Ambiente Toscana	95%	Uniflotte Srl	97%
Aimag Spa	25%	Energia Italiana Spa	11%
Medea Spa	100%	Sei Spa	20%
Set Spa	39%	Tamarete Energia Srl	40%
Acantho Spa	77,36%	Energo Doo	34%
Calenia Energia Spa	15%	Galsi	11,77%(2)

* Over 30% held by AcegasApsAmga.
** In addition to the 5% held by Herambiente. Sviluppo Ambiente Toscana Srl has a 40% shareholding in Q.tHermo Srl.
^ Hera Energie Rinnovabili Spa has a 33% shareholding in Ghirlandina Solare Srl.
^^ Hera Luce Srl has a 100% shareholding in E.S.I.L. Scarl.
AcegasApsAmga Spa's partially owned companies are: Black Sea Company for Gas Compressed Ltd, Centro Idrico di Novoledo Srl, Adria Link Srl, Acegas Aps Service Srl, La Dolomiti Ambiente Spa, Elettrogorizia Spa, Estenergy Spa, Sinergie Spa and Rilagas EAD. The divestment of the shares held by AcegasApsAmga in SIGAS and Trieste Onoranze Funebri Srl, as well as a merger between Black Sea Technology Company AD and Rilagas EAD, are due in the fiscal year 2015.
The following operations are also foreseen:

- merger of Fucino Gas Srl into Hera Comm Marche Srl
- merger of Alento Gas Srl into Hera Comm Marche Srl;
- merger of E.S.I.L. Scarl into Hera Luce Srl.

(1) Effective as of 01 July 2015, 70% of share capital has been transferred from AcegasApsAmga Spa to Herambiente Spa.
(2) On 30 July 2015 Hera Trading transferred its holding in Galsi Spa to Hera 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 MANAGEMENT REPORT AND ECONOMIC AND FINANCIAL PERFORMANCE

(€/million)	June 2015		June 2014 (*)		Abs. change	% change
Revenues	**2,213.0**		2,086.7		+126.3	+6.1%
EBITDA	**459.1**	20.7%	448.0	21.5%	+11.1	+2.5%
Operating profit	**245.0**	11.1%	242.8	11.6%	+2.2	+0.9%
Net profit adjusted	**115.4**	5.2%	107.2	5.1%	+8.2	+7.7%
Net profit	**115.4**	5.2%	104.7	5.0%	+10.7	+10.2%

(*) For better comparison w ith the first half of 2015, the first half of 2014 w as recast by reducing the amount of revenues related to the so-called “leak provisions” by €2.4 million, to reflect the amount of provisions made, w hile revenues rose by €0.5 million in connection w ith releases from provisions, w ithout any effect on operating results.

1.01.01 OPERATING PERFORMANCE

Constant and balanced performance improvement

The Group’s multi-business strategy characterized the result of the first half of 2015, driving its balanced operating and financial results. All performance indicators improved, with net profit for the period up by 10.2%, thanks to gross margins, 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, a company that operated in the Udine area, with and into Hera Spa as of 1 July 2014 and simultaneous transfer of gas distribution and public lighting assets to AcegasAps Spa which changed its name to AcegasApsAmga Spa.
- Following this transaction, the Company acquired equity interests in Amga Energia e Servizi, a company engaged in the sale of gas and electric energy, Amga Calore e Impianti and Black Sea Technology Company, a company engaged in the sale and distribution of gas in Bulgaria.
- 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 and expanded its geographical area through the acquisition, effective 1 May 2015, of Alento Gas, a company operating in methane sales.

As already indicated in previous financial reports, 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 capital expenditures on network assets held under concession. Thus, in the period under review other operating revenues were up euro 91.7 million and euro 78.4 for the same period of 2014, capitalized costs were down 32.7 million in 2015 and 19.6 million in 2014 while operating expenses for services, materials and other expenses were up euro 59.1 million in the first half of 2015 and € 58.8 million in 2014.

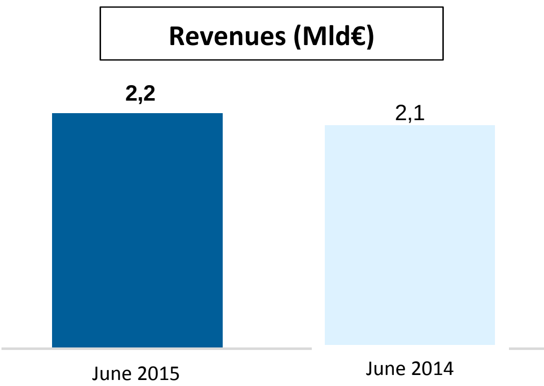
The table below shows the results for the six months ended 30 June 2015 and 2014:

Consistent and growing results

Income statement (€/mln)	June 2015	% Inc.	June 2014 (*)	% Inc.	Abs. change	% change
Revenues	2,213.0		2,086.7		+126.3	+6.1%
Other operating revenues	155.9	7.0%	138.8	6.6%	+17.1	+12.3%
Commodities and materials	(1,103.9)	-49.9%	(988.3)	-47.4%	+115.6	+11.7%
Service costs	(530.7)	-24.0%	(518.3)	-24.8%	+12.4	+2.4%
Other operating costs	(26.9)	-1.2%	(26.9)	-1.3%	+0.0	+0.0%
Personnel costs	(260.7)	-11.8%	(251.7)	-12.1%	+9.0	+3.6%
Capitalised costs	12.4	0.6%	7.8	0.4%	+4.6	+58.9%
EBITDA	**459.1**	**20.7%**	**448.0**	**21.5%**	**+11.1**	**+2.5%**
Deprec. and amort.	(214.0)	-9.7%	(205.2)	-9.8%	+8.8	+4.3%
Operating profit	**245.0**	**11.1%**	**242.8**	**11.6%**	**+2.2**	**+0.9%**
Financial operations	(61.3)	-2.8%	(66.1)	-3.2%	-4.8	-7.3%
Pre-tax profit adjusted	**183.7**	**8.3%**	**176.7**	**8.5%**	**+7.0**	**+4.0%**
Taxes	(68.3)	-3.1%	(69.5)	-3.3%	-1.2	-1.7%
Net profit adjusted	**115.4**	**5.2%**	**107.2**	**5.1%**	**+8.2**	**+7.7%**
Non-recurring financial charge	-	0.0%	(2.5)	-0.1%	-2.5	-100.0%
Net profit for the period	**115.4**	**5.2%**	**104.7**	**5.0%**	**+10.7**	**+10.2%**
Attributable to:						
Shareholders of the Parent Company	**107.3**	**4.8%**	**96.3**	**4.6%**	**+11.0**	**+11.4%**
Non-controlling interests	8.1	0.4%	8.5	0.4%	-0.4	-4.5%

(*) For better comparison with the first half of 2015, the first half of 2014 was recast by reducing the amount of revenues related to the so-called "leak provisions" by €2.4 million, to reflect the amount of provisions made, while revenues rose by €0.5 million in connection with releases from provisions, without any effect on operating results.

€2.2 billion in revenues



In the first half of 2015 revenues amounted to €2,213.0 million, up €126.3 million, or 6.1%, on €2,086.7 million in the corresponding period of 2014. The increase was due mainly to the change in the scope of consolidation, which accounted for about €81 million, the larger volumes of gas sold and greater trading activities, which contributed about €131 million. Revenue growth was somewhat mitigated by lower waste levels treated and by lower revenues from regulated distribution due to extraordinary items in the first half of 2014. For further details, reference is made to the analysis of the single business areas.

Other operating revenues grew by €17.1 million, due to higher other revenues resulting from the application of IFRIC12, amounting to approximately €11.4 million, the change in the scope of consolidation for €4.5 million as well as organic growth for €1.2 million, which offset the lower contribution derived from white certificates for about €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 half of 2014.

Costs of raw and other materials rose by €115.6 million, or 11.7%, on 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.

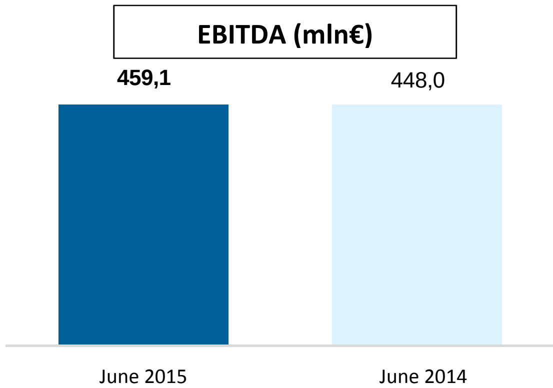
Other operating costs (service costs up €12.4 million while other operating expenses were in line) grew overall by €12.4 million (+2.2%). This difference was due to several factors: change in scope of consolidation for approximately €13 million; greater IFRIC 12 costs for €4 million; greater transmission costs for customers outside the network for approximately €5 million offset by lower costs of contract works for about €6 million and lower waste disposal costs for approximately €4 million.

Personnel costs rose by €9.0 million, or 3.6%, from €251.7 million in the first half of 2014 to €260.7 million in the first half 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 Udine with and into the Group, accounting for €6.7 million.

Capitalized costs were up €4.6 million on the comparable amount of 2014, due mainly to greater internal works performed by the Group's companies.

EBITDA at €459.1 million (up 2.5%)

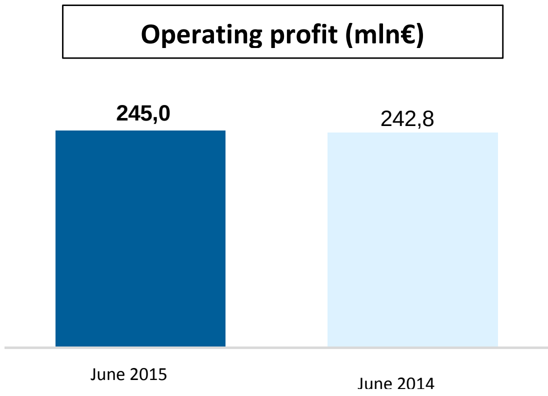
EBITDA went from €448.0 million for the first half of 2014 to €459.1 million for the first half of 2015, with an increase of €11.1 million, or 2.5%. This was due to the gas business, up €21.5 million, the Integrated Water Cycle, up €4.9 million and Other Services, up €0.3 million, which offset the drop in the other businesses.



Amortization, depreciation and provisions rose overall by €8.8 million, or 4.3%, going from €205.2 million for the first half of 2014 to €214.0 million for the same period of 2015. The increase was due to the change in the scope of consolidation for €8.6 million, greater depreciation due to new investments for €1.8 million and greater allowance for bad debt for €3.6 million, particularly in the sales companies. This effect was partly offset by lower depreciation determined by lower levels of waste disposal in landfills.

Operating profit at €245.0 million (up 0.9%)

Operating profit for the first half of 2015 was €245.0 million, down €2.2 million, or 0.9%, compared to €242.8 million for the same period of 2014.



For the six months ended 30 June 2015, financial expense exceeded financial income by €61.3 million, down €4.8 million, or 7.3%, compared to the same period of 2014. The decrease was due mainly to the higher profits of associated companies and joint ventures for €2.1 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, i.e. pre-tax profit before non-recurring expenses, rose by €7.0 million, from €176.7 million for the first half of 2014 to €183.7 million for the period under review.

Income taxes for the first half of 2015, amounting to €68.3 million, reflect a tax rate of 37.2%, which was much better than the tax rate for the first quarter of 2014 (39.3%). 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).

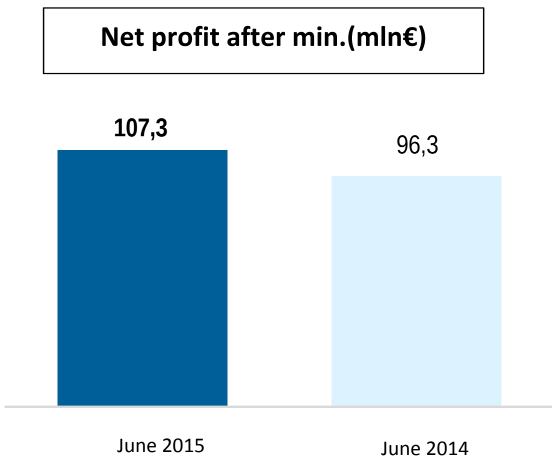
Adjusted net profit (after-tax profit before non-recurring expenses) rose by 7.7%, or €8.2 million, going from €107.2 million in the first half of 2014 to €115.4 million for the comparable period of 2015.

Results for the first half were affected by capital losses of €2.5 million, recognized among non-recurring financial expenses, due to the write-off of the carrying amount of the investment in Energia Italiana Spa for €2.1 million and other minor investments.

Net profit after min. of €107.3 million (up 11.4%)

Thus, net profit was up 10.2%, or €10.7 million, going from €104.7 million for the first half of 2014 to €115.4 million for the first half of 2015.

Net profit attributable to the shareholders of the parent company amounted to €107.3 million, up €11.0 million on the comparable period of 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 six months ended 30 June 2015:

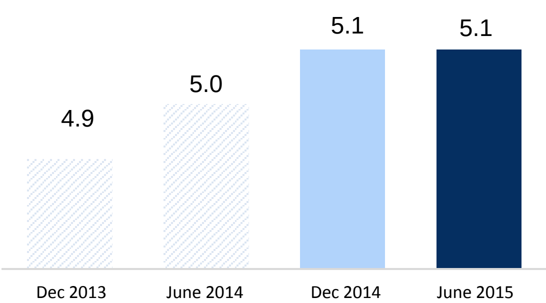
Invested capital and sources of financing (€/mln)	30-giu-15	% Inc.	31-dic-14	% Inc.	Abs. change	% change
Net non-current assets	5,432.0	106.8%	5,445.8	106.8%	(13.8)	(0.3%)
Net working capital	153.0	3.0%	153.1	3.0%	(0.1)	(0.1%)
(Provisions)	(500.0)	-9.8%	(499.5)	-9.8%	(0.5)	+0.1%
Net invested capital	**5,085.0**	100.0%	5,099.4	100.0%	(14.4)	(0.3%)
Equity	(2,429.1)	47.8%	(2,459.0)	48.2%	+29.9	(1.2%)
Long-term borrowings	(2,683.6)	52.8%	(2,969.3)	58.2%	+285.7	(9.6%)
Net cash/short term borrowings	27.7	-0.5%	328.9	-6.4%	(301.2)	(91.6%)
Net borrowings	(2,655.9)	52.2%	(2,640.4)	51.8%	(15.5)	+0.6%
Total sources of financing	**(5,085.0)**	-100.0%	(5,099.4)	100.0%	+14.4	(0.3%)

For a better understanding of changes in invested capital, the financial structure at 31 December 2014, which is shown above for comparative purposes with that at 30 June 2015, was recast. In particular, deferred tax assets are shown net of provisions for taxation, reclassified for €15 million. Consequently, in the recast financial structure, provisions are lower by such amount, as is the amount of net non-current assets.

Net invested capital amounting to €5.1 billion

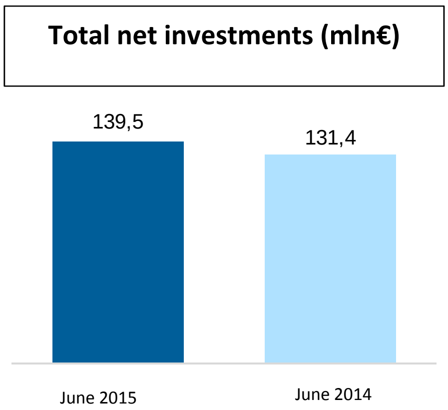
At 30 June 2015, net invested capital was slightly down from 31 December 2014. There was a small change in property, plant and equipment as a consequence of the depreciation schedules of machinery and equipment.

Net invested capital (€/bln)



Net investments rose to €139.5 million

In the first half of 2015, Group investments amounted to €139.5 million also thanks to a capital grant of €5.3 million, of which €3.3 million for the New Investment Fund (FoNI), as provided for by the tariff method for the integrated water service. The Group's net investments grew by €8.1 million, from €131.4 million at the end of June 2014 to €139.5 million at the end of the period under review.



Including capital grants, the Group's total investments amounted to €144.8 million. The table below shows investments grants by business segment, with details of the capital grants:

The Group continues to make substantial investments in plants and infrastructure

Total investments (mln €)	**June 2015**	June 2014	Abs. change	% change
Gas segment	32.2	27.5	+4.7	+17.1%
Electric energy segment	10.5	10.2	+0.3	+2.9%
Water segment	59.6	52.5	+7.1	+13.5%
Waste management segment	14.0	19.5	-5.5	-28.2%
Other servces segment	6.4	6.7	-0.3	-4.5%
Headquarters	22.2	20.9	+1.3	+6.2%
Total capital expenditures	**144.8**	137.3	+7.5	+5.5%
Total financial investments	0.0	0.0	+0.0	+0.0%
Total gross investments	**144.8**	137.3	+7.5	+5.5%
Capital grants	5.3	5.9	-0.6	-10.2%
of which for FoNI (New Investment Fund)	*3.3*	*4.8*	*-1.5*	-31.3%
Total investments, net	**139.5**	131.4	+8.1	+6.2%

Net investments, amounting to €144.8 million, rose by 5.5% compared to the first half of 2014 and related mainly to works on plants, grids and infrastructure. Regulatory upgrades were undertaken in the purification and sewerage areas.

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

Details of the capital expenditures are provided in in the analyses by business segment. 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 €1.3 million on the previous year, mainly due to works at the offices of AcegasApsAmga.

Net working capital amounts to €153 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 €500.0 million

At 30 June 2015, provisions amounted to €500.0 million, an amount in line with the comparable figure at 31 December 2014. In essence, uses for the period were equal for the provisions made.

€2.4 billion in equity

Equity fell from €2,459.0 million at 31 December 2014 to €2,429.1 million at 30 June 2015, following the dividend distribution of 2014 net profit for €142.4 million, partly offset by net profit for the period of €115,4 million. Equity was affected also by changes in equity investments in Group companies.

Reconciliation between the Parent Company's equity and consolidated equity

	Net profit	Equity
Balances as per separated financial statements	142,256	2,231,290
Excess of equity over the carrying amounts ofInvestments in consolidated companies	(34,657)	(12,273)
Consolidation adjustments :		
- Measurement with the equity method of investments reported at cost in the separate financial statements	760	35,963
- Difference between purchase price and book value of corresponc	(1,529)	52,838
- Elimination of intercompany transactions	464	(23,145)
Total	**107,294**	**2,284,673**
Non-controlling interests	8,089	144,407
Balances as per consolidated financial statements	**115,383**	**2,429,080**

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:

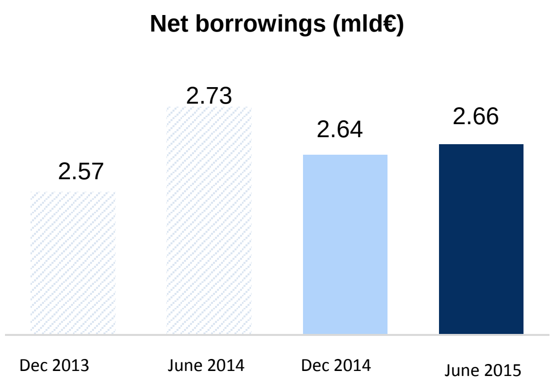
(€/million)		30-giu-15	31-dic-14
a	**Cash and cash equivalents**	**423.9**	834.5
b	**Other current financial receivables**	**34.2**	45.2
	Current financial debt	(139.5)	(175.6)
	Current portion of bank debt	(279.9)	(302.2)
	Other current financial liabilities	(8.4)	(69.6)
	Finance lease payables due w ithin 12 months	(2.6)	(3.4)
c	**Current financial debt**	**(430.4)**	(550.8)
d=a+b+c	**Net current financial debt**	**27.7**	328.9
	Non-current bank debt and bonds issued	(2,757.7)	(3,020.6)
	Other non-current financial liabilities	(6.1)	(7.0)
	Finance lease payables due after 12 months	(24.3)	(25.3)
e	**Non-current financial debt**	**(2,788.1)**	(3,052.9)
f=d+e	**Net borrowings - Consob communication n°15519 of 28 July 2006**	**(2,760.4)**	(2,724.0)
g	**Non-current financial receivables**	**104.5**	83.6
h=f+g	**Net financial debt**	**(2,655.9)**	(2,640.4)

Short-term borrowings include mainly overdrafts, amounting to approximately € 139.5 million, maturing portions of bank loans for approximately € 85 million, and bonds for € 195.4 million maturing in February 2016. This amount was 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 (79% of the total), with repayment at maturity.

Total borrowings show an average term to maturity of over 8 years, with 67% maturing beyond five years.

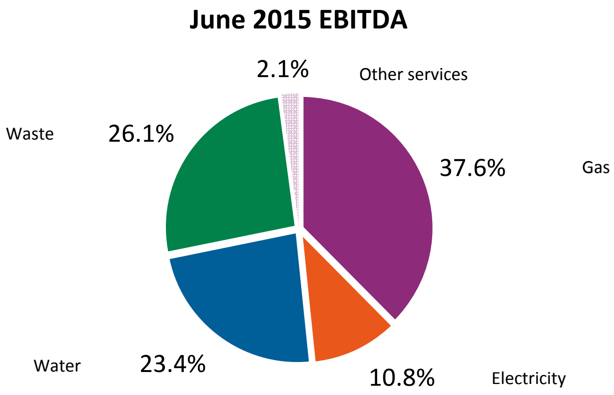
Net borrowings rose to €2.66 billion

Net borrowings increased slightly from €2,640.4 million at the end of 2014 to €2,655.9 at 30 June 2015. Attention is called to the dividend payment for €142.4 million in June and the improvement in working capital, which in the period under review benefited from 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 the distribution and sales of methane gas and LPG services, remote heating and heat management; Electricity segment, which includes the Electricity production, distribution and sales services; Integrated Water Cycle segment, which includes the aqueduct, purification and sewerage services; Environment segment, which includes the collection, treatment and disposal of waste services; Other Services whichincludes the public lighting, telecommunications and other minor services segment,.



Balanced business portfolio confirmed between the main business segments

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, with no impact on the EBITDA, relating to the 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.

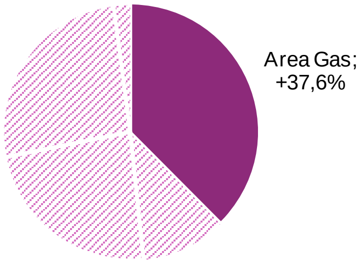
1.02.01 GAS

Gas EBIDTA rises

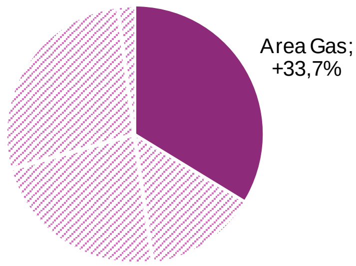
The first semester of 2015 saw the gas area's contribution to the Group's EBITDA grow with respect to the corresponding period in 2014, both in absolute terms and as a percentage. Note that for a better comparison with the income statement for the first six months of 2015, the same period of 2014 has been restated, reclassifying € 0.1 million from 'revenues' to 'lower provisions'. The EBITDA of the first six months of 2014 has therefore been decremented by € 0.1 million, with no effect on the operating results.

Gas Area contribution to overall EBITDA up +3.9%

EBITDA Gas - Jun 2015



EBITDA Gas - Jun 2014



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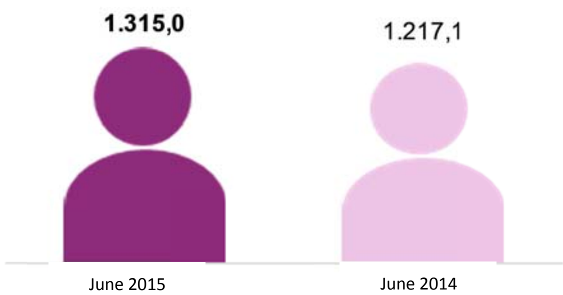
The following table summarises the changes in EBITDA:

Gas Area EBITDA increases by 14.2%

(€/million)	June 2015	June 2014	Abs. change	% change
Sector EBITDA	**172.5**	**151.0**	**+21.5**	**+14.2%**
Group EBITDA	**459.1**	448.0	+11.1	+2.5%
Percentage weight	37.6%	33.7%	+3.9 p.p.	

1.3 million gas customers

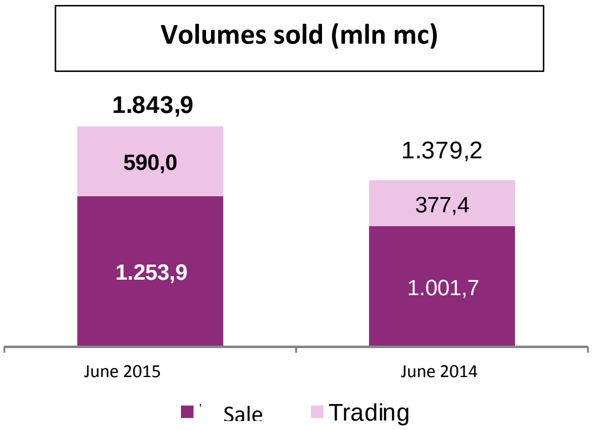
Customers ('000)



The number of gas customers rose by 97.9 thousand, thanks to the integration of Amga Energia e Servizi, which contributed with 85.9 thousand customers (+5.6%), the Bulgarian subsidiary BSTC (8.6 thousand customers; +0.7%) and the management of Default gas (3.9 thousand customers; +0.3%). Excluding these changes in the scope of consolidation, the number of customers decreased by only 0.04% (roughly 500 customers, in absolute terms) compared to the first half of 2014, thanks to the commercial initiatives and customer loyalty plans set in place to counteract competitive pressure.

Volumes sold increase by +33,7%

Volumes of gas sold rose by 464.7 million m³ (+33,7%), going from 1,379.2 million m³ in the first semester of 2014 to 1,843.9 in the first half of 2015. The acquisition of the companies Amga Energia & Servizi and BSTC contributed, respectively, with 82.4 million m³ and 25.3 million m³ sold. The remaining increase of 152.9 million m³ is mainly due to the cooler temperatures seen compared to the first semester of 2014, the hottest in the last 30 years. Trading volumes increased by 212.6 million m³ (+11.5% of total volumes).



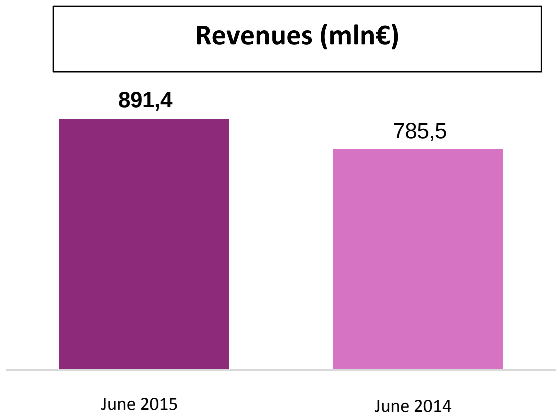
The following table offers an overview of the economic results of the area:

Gas: overall EBIDTA rises

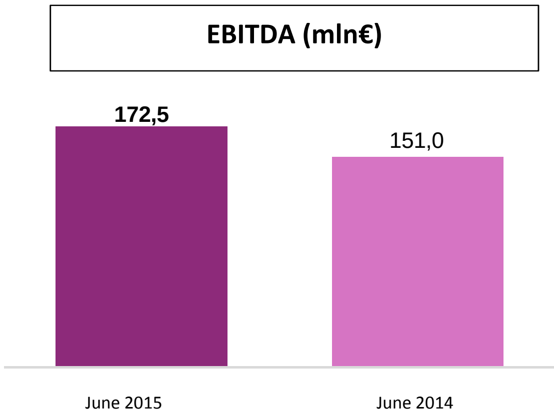
Income statement (€/mln)	June 2015	% Inc.	June 2014	% Inc.	Abs. change	% change
Revenues	**891.4**		785.5		+105.9	+13.5%
Operating costs	**(655.1)**	-73.5%	(574.8)	-73.2%	+80.3	+14.0%
Personnel costs	**(68.1)**	-7.6%	(61.8)	-7.9%	+6.3	+10.2%
Capitalised costs	**4.2**	0.5%	2.1	0.3%	+2.1	+102.0%
EBITDA	**172.5**	19.3%	151.0	19.2%	+21.5	+14.2%

Gas revenues come to € 891 million

Revenues went from € 785.5 million in the first semester of 2014 to € 891.4 million, increasing by € 105.9 million (+13.5%). This is mainly due to the larger volumes of methane gas sold and traded, which over the same geographical area rose by roughly € 131.5 million, on account of the cooler temperatures compared to the corresponding period in 2014. The greater contribution coming from the Udine area and, to a lesser degree, from Default gas service, is more than offset by the lower revenues owing to a decrease in the price of raw materials and the lower revenues for energy efficiency credits, that in the first half of 2014 benefited from Aeegsi resolution 13/2014/R/efr.



The increase in revenues is reflected proportionally on operative costs (+€80.3 million).



Gas EBITDA: €172,5 million

EBITDA rose by €21.5 million (+14.2%), passing from €151.0 million in the first half of 2014 to €172.5 million for the first six months of 2015, thanks to the larger volumes of gas sold, the consolidation of the Udine area and Default gas service, that offset the positive non-recurring entries of the first half of 2014 pertaining to arrears in energy efficiency credits, amounting to roughly €5 million.

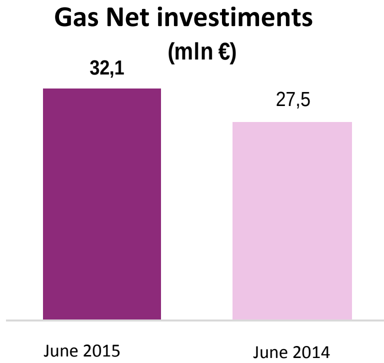
Nel In the first semester of 2015, investments in the Gas Area came to €32.1 million, recording an increase of + €4.6 million with respect to the same period in 2014. This increase can largely be traced to the effects of the wider geographical scope of the AcegasApsAmga Group, that now includes Amga Udine (2.0 million) and BSTC (0.4 million).

In gas distribution, the increase of €2.6 million compared to the previous year is due to the regulatory upgrade required by resolution 631/13, consisting in a large-scale substitution of metres involving lower category devices (G4-G6) as well, and a higher amount of extraordinary maintenance on networks and plants.

The request for new connections was substantially in line with the same period of the previous year, with a slight drop in areas served by Hera, offset by the larger scope of AcegasApsAmga.

Net investments in the Gas Area: €32.1 millions

Investments rose by €2.2 million in district heating and heat management, mainly due to interventions on the Forlì University Campus plant and the revamping of the cogeneration plant in Bologna. In this service as well, new connections remained in line with the low levels seen in the previous year, as a result of the ongoing crisis in the construction sector.



The details of operating investments in the Gas Area are as follows:

Gas (€/mln)	**June 2015**	June 2014	Abs. change	% change
Networks and plants	27.1	24.5	+2.6	+10.6%
TLR/Heat management	5.1	2.9	+2.2	+75.9%
Total Gas Gross	**32.2**	27.5	+4.7	+17.1%
Capital contributions	0.1	0.0	+0.1	+100.0%
Total Gas Net	**32.1**	27.5	+4.6	+16.7%

1.02.02 ELECTRICITY

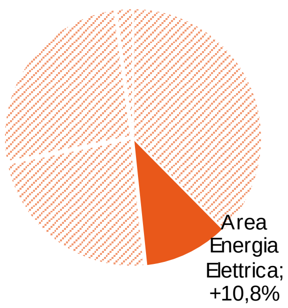
Electricity: EBITDA falls

In the first semester of 2015, the contribution of the electricity area to the Group's EBITDA decreased, both in absolute terms and as a percentage, with respect to the first six months of 2014. Note that for a better comparison with the income statement for the first half of 2015, the same period of 2014 has been restated, reclassifying €0.1 million from 'revenues' to 'lower provisions'. The EBITDA of the first six months of 2014 has therefore been decremented by €0.1 million, with no effect on the operating results.

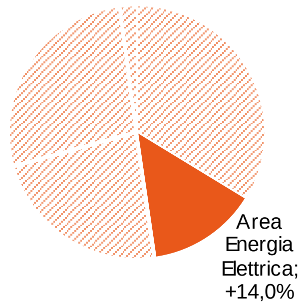
Contribution to overall EBITDA: -3.2%

Electricity Area EBITDA drops by 20.9%

Electricity EBITDA – June 2015



Electricity EBITDA – June 2014



D T h e f o l

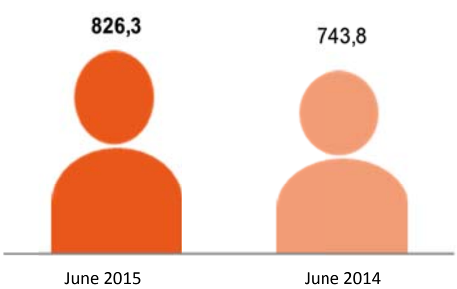
The following table summarises the changes in EBITDA:

(€/million)	June 2015	June 2014	Abs. change	% change
Sector EBITDA	**49.6**	**62.7**	**-13.1**	**-20.9%**
Group EBITDA	**459.1**	448.0	+11.1	+2.5%

826 thousand electricity customers

The number of electricity customers recorded an increase of 11.1% (+ 82.5 thousand), due to both an increase in free market activities and the contribution of Amga Energia & Servizi (15 thousand customers). In particular, the increase in free market customers compared to the first half of 2014 comes to 14%, affecting the total number of customers by 65% and confirming the positive trend seen in recent years.

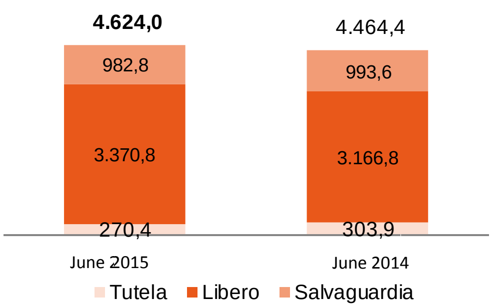
Customers ('000)



Volumes sold rise by 3.6%

Volumes of electricity sold passed from 4,464.4 GWh in the first half of 2014 to 4,624.0 GWh in the first semester of 2015, with an overall increase of 3.6%. Continuity was given to the Group's attentive policy of supplying large industrial clients with solid financial ratings

Volumes sold (Gwh)



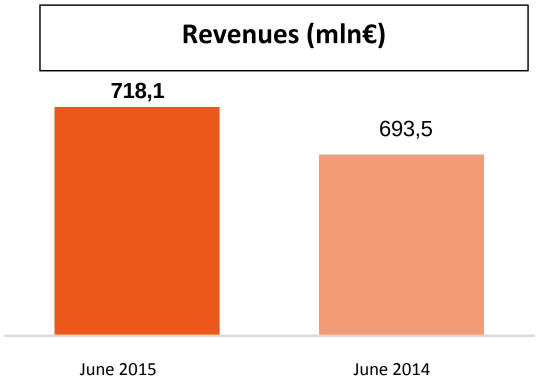
The following table offers an overview of the economic results of the area:

Electricity: fall due to non-recurring amounts receivable in the first half of 2014

Income statement (€/mln)	June 2015	% Inc.	June 2014	% Inc.	Abs. change	% change
Revenues	718.1		693.5		+24.6	+3.5%
Operating costs	(649.4)	-90.4%	(613.2)	-88.4%	+36.2	+5.9%
Personnel costs	(22.8)	-3.2%	(20.7)	-3.0%	+2.1	+10.1%
Capitalised costs	3.7	0.5%	3.0	0.4%	+0.7	+23.0%
EBITDA	49.6	6.9%	62.7	9.0%	-13.1	-20.9%

Revenues for electricity: € 718,1 million

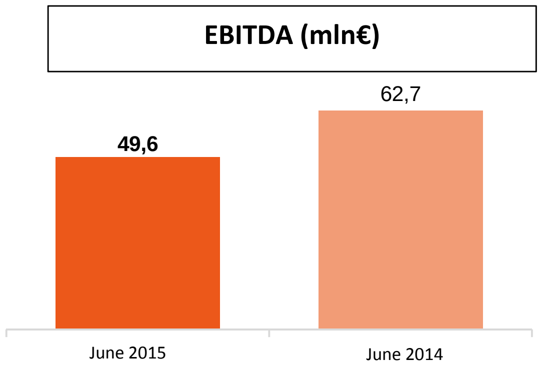
The Group's revenues rose by € 24.6 million (+3.5%), going from € 693.5 million in the first half of 2014 to € 718.1 million in the corresponding period of 2015. This is mainly due to larger trading activities and the change in the scope of Amga Energia & Servizi; the increase was contained by a lower price for raw material sales and lower regulated revenues in distribution services due to the non-recurring recovery of past amounts receivable in the first half of 2014, equal to € 9.2 million.



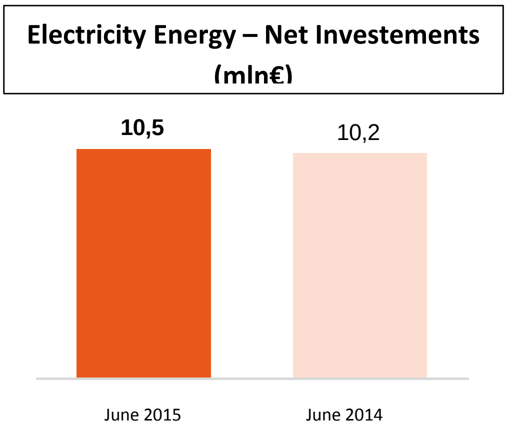
Operating costs rose by € 36.2 million (+5.9%), proportionally to revenues.

Electricity Area EBITDA at € 49.6 million

At the end of the first semester of 2015, EBITDA fell by € 13.1 million (-20.9%), passing from € 62.7 million in the first half of 2014 to € 49.6 million in 2015, due to the lesser revenues in regulated distribution services mentioned above, including past amounts receivable for the equalisation of the Gorizia area, and a lower contribution coming from electricity production in the plants managed by the Group, dispatching services in particular.



In the Electricity Area, investments amounted to € 10.5 million in the first semester of 2015, showing a change of + € 0.3 million compared to the € 10.2 million of the previous year.



Net investments in the Electricity Area: € 10.5 million

The interventions prevalently involved the extraordinary maintenance of plants and distribution networks in the areas surrounding Modena, Imola, Trieste and Gorizia.
With respect to the same period in the previous year, + € 0.9 million were recorded in extraordinary maintenance and - € 0.6 million in new constructions. Note the lower amount of intervention carried out during the first half of 2015 on the Cogen plant in Imola.
Connections in this area dropped with respect to the previous year.

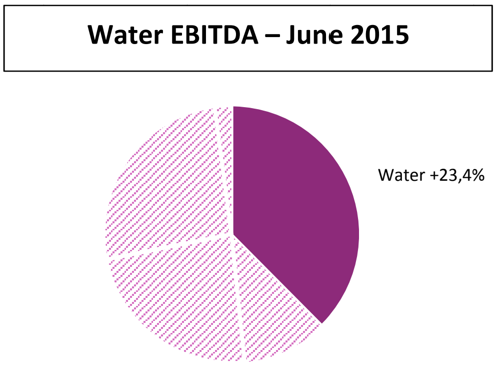
The details of operating investments in the Electricity Area are as follows:

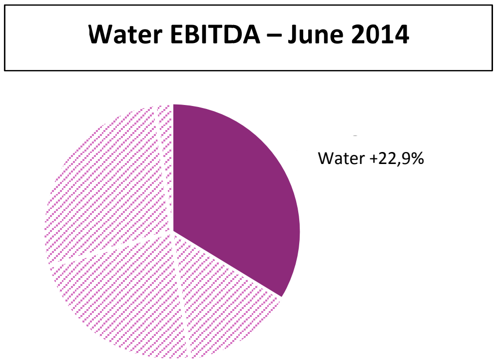
Electricity (mln €)	**30-Jun-15**	30-Jun-14	Abs. change	% change
Networks and plants	9.8	9.7	+0.1	+1.0%
Industrial cogeneration	0.6	0.5	+0.1	+20.0%
Totale Electricty gross	**10.5**	10.2	+0.3	+2.9%
Capital contributions	0.0	0.0	+0.0	+0.0%
Total Electricity net	**10.5**	10.2	+0.3	+2.9%

1.02.03 INTEGRATED WATER CYCLE

Integrated Water Cycle: sustained growth

In the first semester of 2015, the integrated water cycle area grew compared to 2014, both as a contribution to the Group's EBITDA and in terms of the area's absolute value. 2015 is the second year in which the water tariff method defined by the AEEGSI for 2014-2015 (resolution n. 643/2014) is to be applied. Note that for a better comparison with the income statement for the first six months of 2015, the same period of 2014 has been restated, reducing the quota of revenues pertaining to the so-called "water leakage fund" by an amount corresponding to the entry concerning provisions, for € 2.4 million overall; for the same reason, € 0.1 million have been reclassified from 'revenues' to 'lower provisions'. The EBITDA of the first six months of 2014 has therefore been decremented by € 2.5 million, with no effect on the operating results.





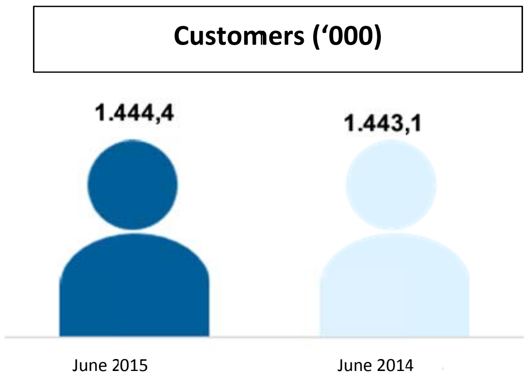
The following table summarises the changes in EBITDA:

Integrated Water Cycle EBITDA rises by 4.7%

(€/million)	June 2015	June 2014	Abs. change	% change
Sector EBITDA	**107.6**	102.7	+4.9	+4.7%
Group EBITDA	**459.1**	448.0	+11.1	+2.5%

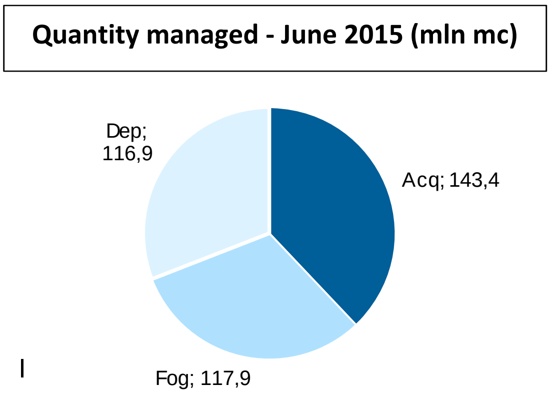
1.4 million customers in the Water Cycle

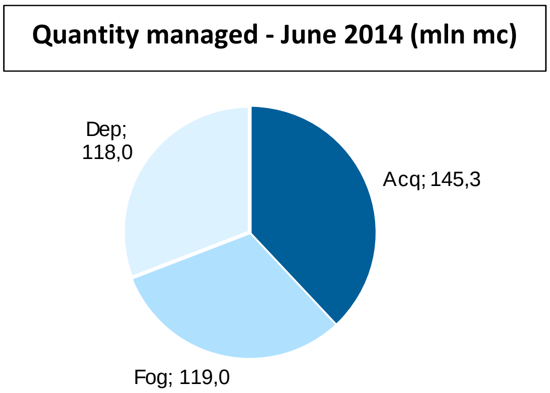
The number of water clients settled at 1.4 million, increasing by 1.3 thousand (+0.1%) and confirming the tendency of organic growth in the Group's reference areas, in particular in the Emilia Romagna territory managed by Hera Spa.



The main quantitative indicators of the area are as follows:

143.4 million m³ managed in the aqueduct





Volumes dispensed, through the aqueduct, are substantially in line with the first six months of 2014. The volumes dispensed, following Aeegsi resolution n. 643/2013, are an activity indicator of the geographical areas in which the Group operates, and are subject to equalisation in accordance with norms that define regulated revenue independently from the volumes distributed.

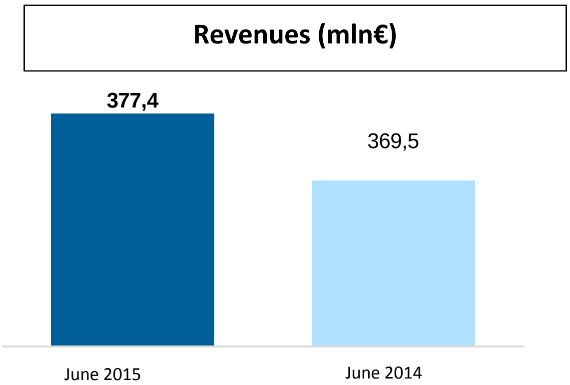
The following table offers an overview of the economic results of the area:

Integrated Water Cycle: EBITDA increases

Income statement (€/mln)	June 2015	% Inc.	June 2014	% Inc.	Abs. change	% change
Revenues	**377.4**	**-**	369.5	-	+7.9	+2.1%
Operating costs	**(196.6)**	-52.1%	(194.9)	-52.7%	+1.7	+0.9%
Personnel costs	**(74.8)**	-19.8%	(72.9)	-19.7%	+1.9	+2.6%
Capitalised costs	**1.6**	0.4%	1.0	0.3%	+0.6	+58.6%
EBITDA	**107.6**	28.5%	102.7	27.8%	+4.9	+4.7%

Revenues from the Integrated Water Cycle at € 377 million

Revenues rose by € 7.9 million (2.1%), going from € 369.5 million in the first half of 2014 to € 377.4 million in 2015, due to several reasons: greater revenues from sales for € 6 million owing to the application of the new tariffs for the integrated water system resolved by the Area Authority for 2015; greater revenues from works, deriving from the application of IFRIC12 (for € 6.5 million), offset by lower revenues for contracts and other subcontracted works and lower revenues for connections.



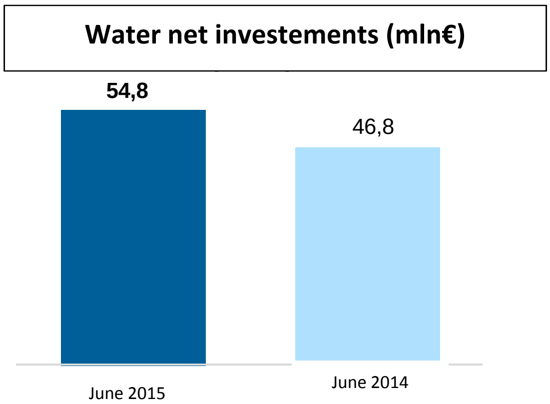
Operating costs rose by € 1.7 million (up 0.9%) due to the greater costs incurred as a result of the application of IFRIC 12 (€ 2.1 million). Subtracting this amount, operating costs fell by € 0.4 million, with respect to which higher costs for purchasing material and higher service concession fees were offset by lower operating costs and lower costs for subcontracted work.

EBITDA rises to € 107.6 million

EBITDA rose by € 4.9 million (4.7%), going from € 102.7 million in the first half of 2014 to € 107.6 million in the same period of 2015, resulting from higher approved tariffs and lower operating costs.

Net investments in the Integrated Water Cycle Area: € 54.8 million

Gross investments in the Water Cycle Area amounted to € 59.6 million, up € 7.1 million on the previous year. Not including capital grants, investments in the Area came to € 54.8 million, mainly involving extensions, reclamation activities and upgrades to networks and plants, as well as regulatory upgrading regarding above all purification and sewerage facilities.



Investments totalled € 28.5 million in the aqueduct, € 16.9 million in sewerage facilities and € 14.2 million in purification structures.
Among the main interventions, note the following: in aqueducts, network upgrading and scheduled maintenance, up compared to the previous year by +2.1 million; in sewerage, the works foreseen by the Seawater Protection Plan in Rimini (including the first phase of the AUSA basin, the first phase of the Dorsale Sud and the Hospital lamination basin) and the East Zone sewerage pipeline in San Giovanni In Persiceto (Bo); in purification, plant makeover in Ponte Rizzoli, Cesenatico and Cattolica, water line upgrading in the Bagnacavallo purification plant, revamping the oxygen production plant of the Idar purification plant in Bologna, and beginning works on the Servola purification plant in Trieste.
Requests for new water and sewerage connections were essentially in line with the same period of the previous year, remaining however somewhat low due to the continuing crisis in the construction sector.
Capital grants for € 4.8 million included € 3.3 million due to the tariff component deriving from the tariff method for the New Investments Fund (FoNI), and fell compared to 2014 by - € 0.9 million.

The details of operating investments in the Integrated Water Cycle Area are as follows:

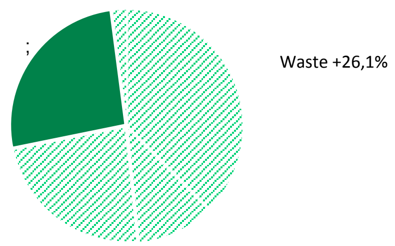
Net investments rise: + € 8.0 million

Integrated Water Cycle (mln €)	**June 2015**	June 2014	Abs. change	% change
Aqueducts	28.5	26.4	+2.1	+8.0%
Purification	14.2	11.4	+2.8	+24.6%
Sewage	16.9	14.7	+2.2	+15.0%
Total Integrated water cycle gross	**59.6**	52.5	+7.1	+13.5%
Capital contributions	4.8	5.7	-0.9	-15.8%
of which FoNI (New Investment Fund)	*3.3*	*4.8*	-1.5	-31.3%
Total Integrated water cycle net	**54.8**	46.8	+8.0	+17.1%

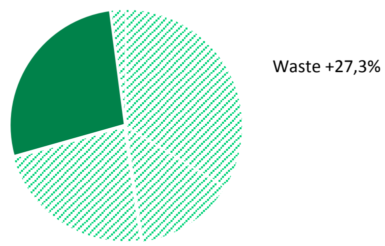
1.02.04 ENVIRONMENT AREA

In the first semester of 2015, the environment area represented 26.1% of the Hera Group's EBITDA; it dropped in comparison to the corresponding period in 2014, mainly due to the minor volumes disposed on account of a progressive abandonment of disposal in landfills. Note that for a better comparison with the income statement for the first six months of 2015, the same period of 2014 has been restated, reclassifying € 0.1 million from 'revenues' to 'lower provisions'. The EBITDA of the first six months of 2014 has therefore been decremented by € 0.1 million, with no effect on the operating results.

Waste segment EBITDA – June 2015



Waste segment EBITDA – June 2014



The following table summarises the changes in EBITDA:

Environment area: EBITDA falls

(€/million)	June 2015	June 2014	Abs. change	% change
Sector EBITDA	**119.8**	**122.3**	**-2.5**	**-2.0%**
Group EBITDA	**459.1**	448.0	+11.1	+2.5%

The table below provides an analysis of the volumes commercialised and treated by the Group during the first half of 2015:

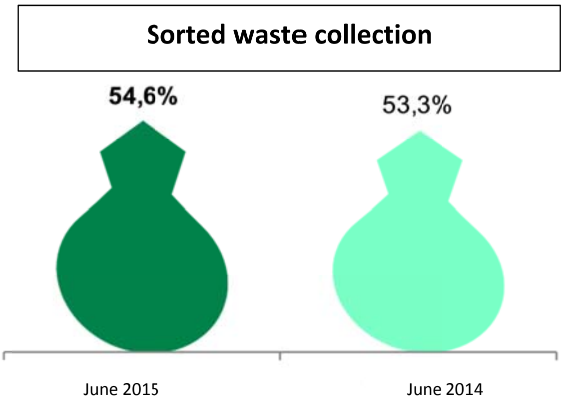
Urban waste: +3.0%

Quantitative data (thousand of tonnes)	June 2015	June 2014	Abs. change	% change
Urban waste	1,018.8	989.2	+29.6	+3.0%
Market waste	981.2	1,118.0	-136.8	-12.2%
Wasted marketed	**1,999.9**	**2,107.3**	**-107.4**	**-5.1%**
Plant by-products	1,251.4	1,250.0	+1.4	+0.1%
Waste treated by type	**3,251.4**	**3,357.3**	**-105.9**	**-3.2%**

This analysis shows a +3.0% increase in urban waste, while market waste shows a temporary reduction in volume, resulting from the programmed decrease in the Group's landfill capacity and the foreseen and particularly intense activities in maintenance of the WTE plants seen in the first quarter of 2015. More specifically, recovery and increased functionality was guaranteed in all of the WTE plants with the exception of Pozzilli, that is still feeling the effects of the overhaul of its boiler in the first quarter of 2015.

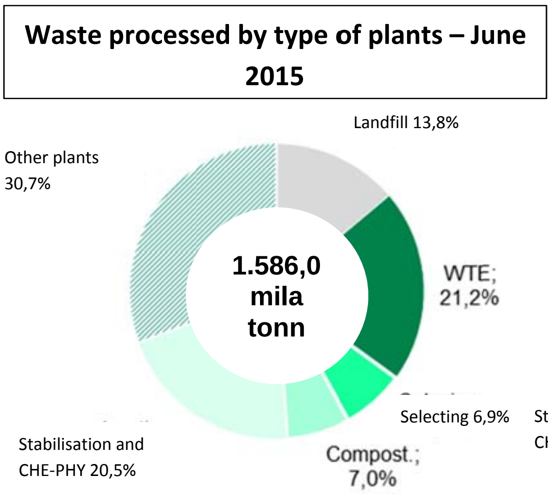
+1.3% in sorted urban waste

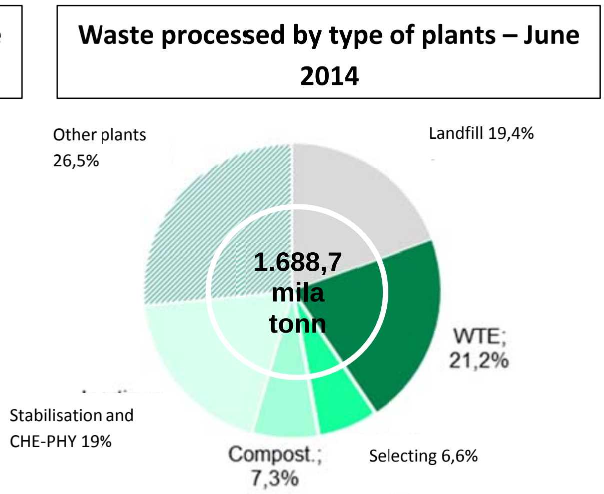
Sorted urban waste recorded further progress, going from 53.3% to 54.6%. This high percentage of recovered waste brings significant environmental benefits and a greater flexibility in the capacity of treatment plants, that can now deal with a further development of volumes treated and disposed in an even more sustainable way. This result is mainly due to the new and fully operative selection and recovery plant in Bologna and the efficiency improvement projects promoted in recently acquired areas of the Triveneto region, in which a focused project of process integration allowed separate waste collection to rise by over 3 percent (from 43.9% to 47.2%).



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

Sharp decrease in the use of landfills





Quantitative data (thousand of tonnes)	June 2015	June 2014	Abs. change	% change
Landfill	449.2	651.1	-201.9	-31.0%
Waste-to-energy plants	688.3	711.4	-23.1	-3.2%
Selecting plant and other	224.3	220.7	+3.6	+1.6%
Composting and stabilisation plants	226.5	245.7	-19.2	-7.8%
Stabilisation and chemical-physical plants	665.1	639.0	+26.0	+4.1%
Other plants	998.0	889.4	+108.6	+12.2%
Waste treated by plant	**3,251.4**	**3,357.3**	**-105.9**	**-3.2%**

The environment sector's asset management furthermore responded to the need to deal with the volumes coming from HASI's market and new customers, without significantly modifying its decision to use landfill disposal to an ever lesser degree, thus remaining in line with the indications of the European Authorities, as foreseen in the Business Plan.

Treatments in WTE plants felt the effects of the early maintenance carried out in this period, while selection and recovery plants reflect the fully operative status of the new plants begun in 2014.

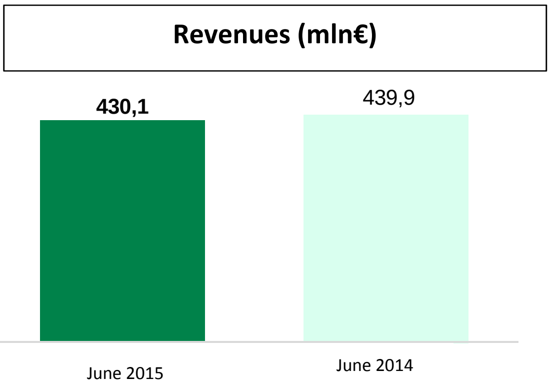
The following table offers an overview of the economic results of the area:

Environment: EBITDA decrease in line with volumes

Income statement (€/mln)	June 2015	% Inc.	June 2014	% Inc.	Abs. change	% change
Revenues	**430.1**		439.9		-9.8	-2.2%
Operating costs	**(226.9)**	-52.7%	(231.5)	-52.6%	-4.6	-2.0%
Personnel costs	**(85.8)**	-19.9%	(87.2)	-19.8%	-1.4	-1.6%
Capitalised costs	**2.3**	0.5%	1.1	0.3%	+1.2	+108.3%
EBITDA	**119.8**	27.9%	122.3	27.8%	-2.5	-2.0%

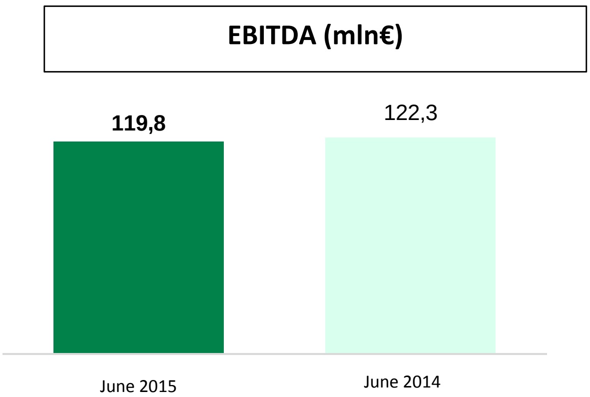
Environment revenues: € 430 million

Revenues decreased by 2.2% in 2015, due to the lesser volumes disposed and lower revenues from services in environmental hygiene.



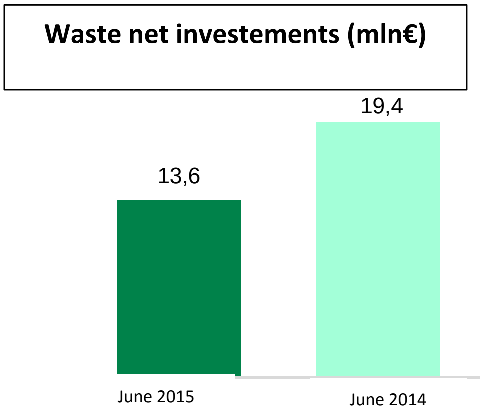
Environment EBITDA: € 120 million

The change in EBITDA confirms the factors noted above, with a contraction of -2%, in line with the drop in revenues, thanks among other things to the greater contribution of electricity generation to the EBITDA



Net investments in the Environment Area come to € 13.6 million

Gross investments in the Environment Area concerned plant maintenance and upgrading, and amounted to €13.6 million, down by -€5.8 million compared to 2014.



The composting/digestors sub-sector increased with respect to the previous year by +€0.7 million, mainly due to interventions regarding the dry-fermentation plants in Rimini (optimisation exhausted air treatment, photovoltaic plant) and Voltana (access control and fencing, leachate tanks and a new water collection network), partially offset by reduced investments in the Sant'Agata plant, for works carried out in 2014.
The reduced investment in landfills (-€2.3 million) is due to lesser maintenance interventions for the Pago, Tre Monti and 1C Lugo plants, and for Feronia, in addition to a reduction owing to the 2014 enlargement of the Cà Asprete di Tavullia (PU) landfill, carried out by Marche Multiservizi for €1.9 million. In the current year, also note the interventions for the 8th sector of the Ravenna landfill and the beginning of works on the 9th sector.
The WTE sub-sector grew by +0.4 million on the previous year due to increased works on the Padova and Trieste plants, partially compensated by a reduction in extraordinary maintenance on various plants in the remaining areas covered by the Group.
In the Special Waste Plant sub-sector, the larger investments compared to the previous year were due to an increase in maintenance interventions, in particular the sludge dehydration plant in Ravenna and TCF (Chemical-Physical Treatment).
In collection systems, note the continued works on the small underground centres in Bologna and the completion of works on a new innovative collection system (so-called WFM Environment). In selection plants and transferers, note the drop of - € 3.7 million due to the completion of works on the Akron selection plant in Bologna and a transfer implant built in the Cervia area, both in 2014.

The details of operating investments in the Waste management Area are as follows:

Waste management (mln €)	**June 2015**	June 2014	Abs. change	% change
Compostaggi/Digestori	1.4	0.7	+0.7	+100.0%
Landfill	2.9	5.2	-2.3	-44.2%
WTE	4.9	4.5	+0.4	+8.9%
RS plants	1.0	0.7	+0.3	+42.9%
Ecological areas and gathering equipment	2.8	3.7	-0.9	-24.3%
Transshipment, selection and other plants	1.0	4.7	-3.7	-78.7%
Total Waste handled gross	**14.0**	19.5	-5.5	-28.2%
Capital contributions	0.4	0.0	+0.4	+100.0%
Total Waste handled net	**13.6**	19.4	-5.8	-29.9%

The semester also witnessed the completion of two organisational operations that will be effective as of 1 July 2015. On the one hand, the entire share capital of Akron was purchased, until present controlled by Herambiente with 57.5%; this company manages a chain of plants involved in selecting materials from sorted waste. At the same time, a transfer to Herambiente was initiated regarding the activities of waste disposal carried out for the cities of Padova and Trieste by the two WTE plants found there, thus creating the Hestambiente company in order to pursue greater integration and efficiency and give full control of these activities to the Group.

1.02.05 OTHER SERVICES

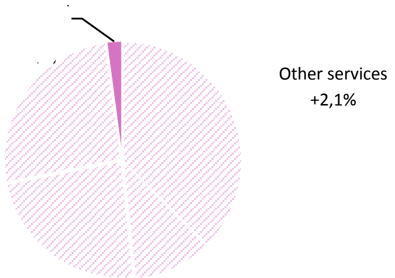
The other services area covers all minor services managed by the Group: public lighting, telecommunications and cemetery services.

Other Services: EBITDA rises

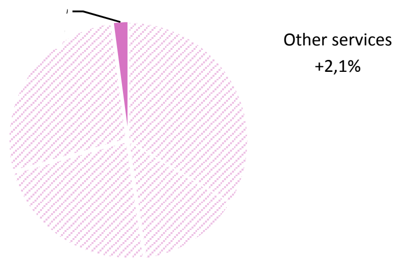
In the first semester of 2015, the results of the other services area grew by € 0.3 million: EBITDA passed from € 9.3 million in the first six months of 2014 to € 9.6 million in the corresponding period of 2015. Note that for a better comparison with the income statement for the first six months of 2015, the same period of 2014 has been restated, reclassifying € 0.1 million from 'revenues' to 'lower provisions'. The EBITDA of the first six months of 2014 has therefore been decremented by € 0.1 million, with no effect on the operating results

Contribution to overall EBITDA in line with expectations

Other Services EBITDA – June 2015(mln€)



Other Services EBITDA – June 2014(mln€)



Other Services Area EBITDA grows by € 0.3 million

The following table summarises the changes in EBITDA:

(€/million)	June 2015	June 2014	Abs. change	% change
Sector EBITDA	**9.6**	**9.3**	**+0.3**	**+3.5%**
Group EBITDA	**459.1**	448.0	+11.1	+2.5%

The main indicators of this area, which concern activities in public lighting, are as follows:

Quantative data	June 2015	June 2014	Abs. change	% change
Public lighting				
Lighting points (thousands)	**521.4**	458.8	+62.6	+13.6%
Municipalities served	**157.0**	129.0	+28.0	+21.7%

521 thousand lighting points

The data regarding public illumination shows an increase of 62.6 thousand lighting points and 28 municipalities served. This growth is due to both the consolidation of the Udine area (+23.5 thousand lighting points, in 15 municipalities) and new contracts awarded by tender. The increase in lighting points is lower than the growth in municipalities served on account of the loss of 29 thousand lighting points in the municipality of Rimini, for which maintenance contracts have however been retained.

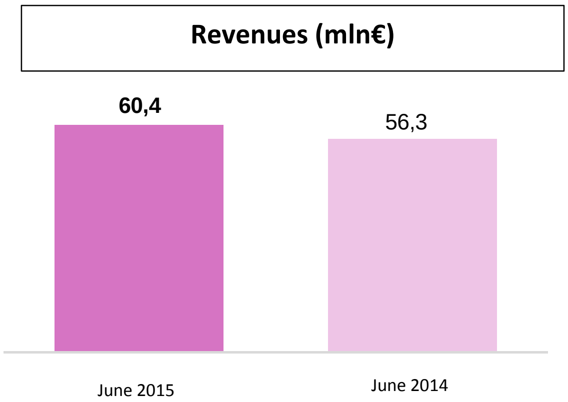
The economic results of the area are:

Other Services: revenues increase

Income statement (€/mln)	**June 2015**	% Inc.	**June 2014**	% Inc.	Abs. change	% change
Revenues	**60.4**		56.3		+4.1	+7.3%
Operating costs	**(42.0)**	-69.6%	(38.5)	-68.4%	+3.5	+9.1%
Personnel costs	**(9.3)**	-15.4%	(9.1)	-16.2%	+0.2	+2.2%
Capitalised costs	**0.5**	0.9%	0.6	1.0%	-0.1	-17.5%
EBITDA	**9.6**	15.9%	9.3	16.4%	+0.3	+3.5%

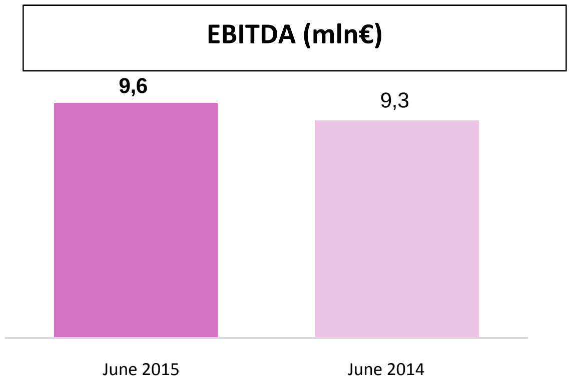
Revenues for Other Services: € 60.4 million

Revenues in this area rose by € 4.1 million, thanks to both an increase in the public lighting business (due to tenders awarded and the enlargement of the area served in Udine) and higher revenues from telecommunications.



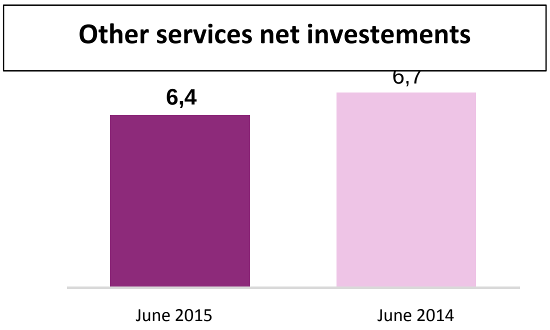
EBITDA up € 0.3 million

EBITDA grew by € 0.3 million as regards public lighting, thanks to the higher revenues, while the telecommunications business remained substantially in line with the corresponding period of the previous year.



€ 6.4 million in net investments

Investments in the Other Services Area came to € 6.4 million, dropping by - € 0.3 million compared to the first semester of 2014.



In telecommunications, € 4.3 million were invested in networks and TLC and IDC (Internet Data Centre) services, with an increase compared to 2014 of + € 0.1 million.

In public illumination services, the investments of € 2.1 million went to maintaining, revamping and upgrading public lighting systems, with an overall drop of - € 0.4 million concerning two companies in the AcegasApsAmga area, Sinergie and Insigna

The details of operating investments in the Other Services Area are as follows:

Other Services (€/mln)	June 2015	June 2014	Abs. change	% change
TLC	4.3	4.2	+0.1	+2.4%
Public lighting and street lights	2.1	2.5	-0.4	-16.0%
Total other services gross	**6.4**	6.7	-0.3	-4.5%
Capital contributions	0.0	0.0	+0.0	+0,0%
Total other services net	**6.4**	6.7	-0.3	-4.5%

1.03 SIGNIFICANT EVENTS OCCURRED DURING THE FIRST HALF

January

Hera Energie Srl

Effective 1 January 2015, Energie Srl - a company engaged in the provision of energy services and heath management, of which Hera Comm held 51% - merged into Sinergia Srl, a company providing integrated energy services, of which Hera Comm held 62.77%. Following this merger, Sinergia Srl changed its name to Hera Servizi Energia Srl and is now 57.89%-held by Hera Comm.

Acquagest Srl

The liquidation procedure of Acquagest Srl – a company operating in water management, of which Marche Multiservizi Spa held 20% - was completed on 29 January 2015, following this company's strike-off from the relevant companies register.

February

Galsi Spa

Following exercise of Sfirs SpA's put option on its 11.51% equity interest in Galsi Spa, a company involved in the construction of the gas pipeline between Italy and Algeria, on 19 February 2015 Hera Trading Srl purchased, on a prorated basis, an additional 1.36% equity interest in Galsi Spa, reaching a total shareholding of 11.77%.

March

Emilia sistemi e impianti luce Scarl (Esil Scarl for short)

Within the scope of a broader rationalization process involving the Group's companies operating in public lighting, Hera Luce Srl – which already held a 50% equity interest in Esil Scarl – bought out Co.ve.co, the other shareholder.

Service Imola Srl

On 30 March 2015 Hera Spa sold its 40% equity interest in Service Imola Srl, a company engaged in private postal services.

April

Akron Spa – Herambiente Spa

On 20 April 2015, following exercise of the put option that private-sector investors had in Akron Spa, a company involved in waste management services, Hera Spa purchased a 42.50% equity interest in this company. Eventually, on 19 May 2015, Herambiente acquired Hera Spa's equity interest in Akron, thus becoming sole shareholder of the company. Effective 1 July 2015, Akron Spa merged with and into Herambiente Spa.

Alento Gas Srl

On 24 April 2015, Hera Comm Marche (57.38% Hera Comm) completed the acquisition of Alento Gas Srl, a company engaged in gas sales with 12,500 customers in the Abruzzi region. This transaction was carried out following the final award of the contract by the Municipality of Francavilla al Mare (Chieti).

June

HestAmbiente Srl

On 8 June 2015 AcegasApsAmga Spa established a wholly-owned subsidiary, HestAmbiente Srl, which will engage in energy recovery from waste. Subsequently, effective 1 July 2015, AcegasApsAmga contributed into HestAmbiente Srl the business operation related to the WTE plants of Padua and Trieste, to complete a capital increase.

On 29 June 2015, but still effective 1 July 2015, Herambiente Spa acquired 70% of HestAmbiente from AcegasApsAmga, following a capital increase from €271,148,000 to €271,648,000 and related share premium.

Subsequent events

Consorzio Akhea

On 22 July 2015, the Consorzio Akhea was dissolved by its sole member, Herambiente Spa.

Inrete Distribuzione Energia Spa

On 29 July 2015 Hera Spa established a wholly-owned subsidiary, Inrete Distribuzione Energia Spa, which will engage in the distribution of electric energy and natural gas in accordance with the principles of cost-effectiveness and profitability and the confidentiality of company data under the applicable unbundling regulation on functional separation.

Hera Spa will contribute to this company all the distribution operations for the electric energy and gas sectors in Emilia Romagna.

Galsi Spa

On 30 July 2015, in view of a rationalization of the Group's companies, Hera Trading Srl transferred its 11.77% equity interest in Galsi Spa to Hera Spa.

Naturambiente Srl – MMS Ecologica Srl /Marche Multiservizi Spa

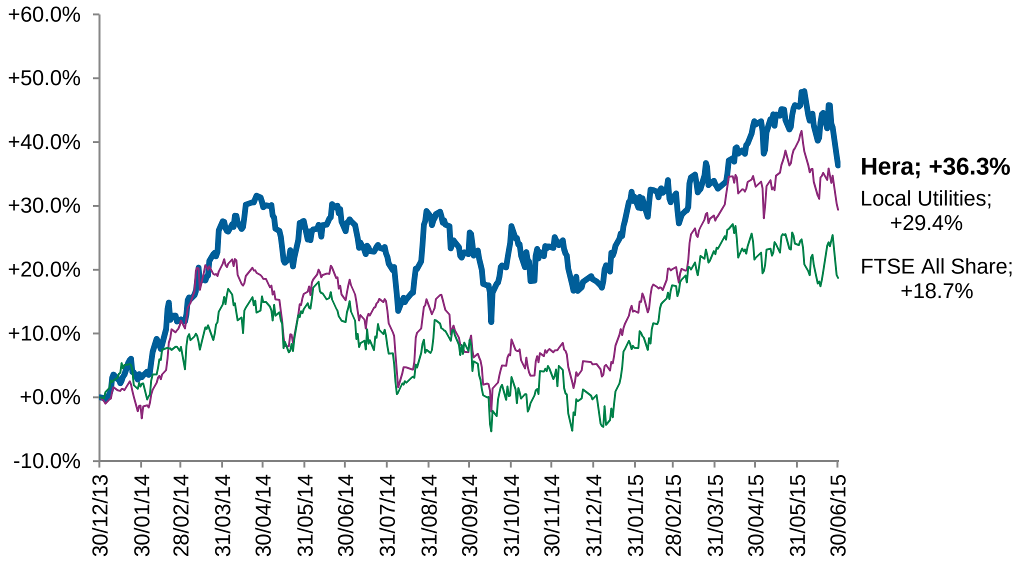
Effective 31 July 2015, Naturambiente Srl and MMS Ecologica Srl – two companies engaged in waste collection, sweeping, shipping, storage, disposal and/or recovery – merged with and into Marche Multiservizi.

1.04 SHARE PERFORMANCE AND INVESTOR RELATIONS

Hera share up 15% in the first half of 2015

In the first half of 2015 European equities, Italian in particular, delivered positive performance due to the massive liquidity injected by the ECB, through quantitative easing, to purchase European government bonds for a total of €60 billion until September 2016. The announcement of this action resulted in a sharp decrease in bond yields, thus boosting those shares, such as Hera's, that provide attractive and constant dividends.

Against this backdrop, Hera's share continued the rally started in 2014, with a further 15% increase since the start of the new year, and returning to its pre-2008 levels. Over an 18-month period, the share outperformed consistently the average increase of its peers and the Italian market, with a more stable and resilient pattern.



A 0.09 € dividend distribution

In line with guidance contained in its latest business plan, on 22 June 2015 Hera distributed a €0.09 dividend per share, the thirteenth of an uninterrupted and growing series since the I.P.O.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
DPS (€)	0,04	0,05	0,06	0,07	0,08	0,08	0,08	0,08	0,09	0,09	0,09	0,09	**0,09**

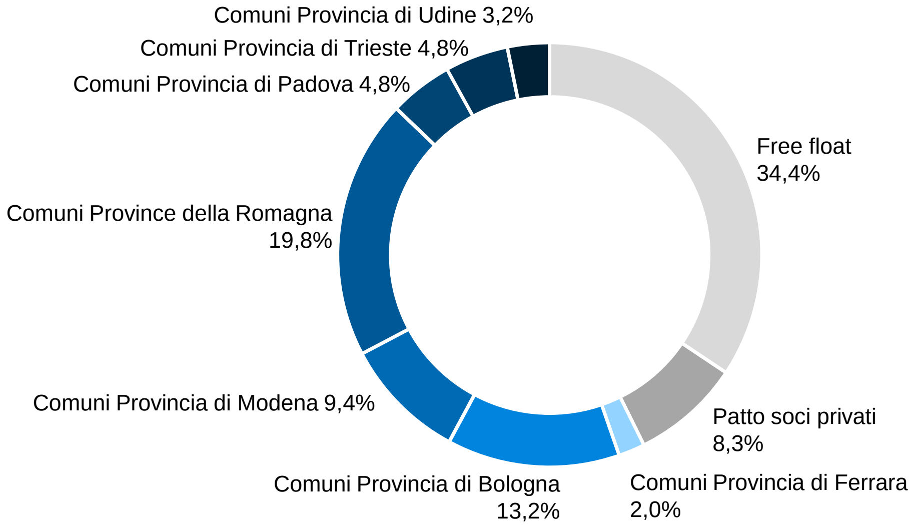
+155.9% the total shareholders' return since the I.P.O.

The combined effect of a constant return to shareholders through dividend distribution and the rise of the share price resulted in a positive total shareholder return, including the worst moments of the financial crisis, and that reached 155.9% by the end of the period under review.

€2.64 average target price and no negative recommendation

The number of analysts that cover the share is unchanged: Banca Akros, Banca IMI, Equita, Fidentiis, Goldman Sachs, Intermonte, Kepler Cheuvreux and Mediobanca. At the end of the first half of 2015, Hera exhibited a near consensus of Buy/Outperform recommendations, two Hold/Neutral and no negative recommendation. The consensus target price of €2.64 (which was €2.52 at the end of 2014) showed an average upside potential of + 18%. The shareholder base was balanced, as usual, with 57.3% of total shares outstanding held by 240 public authorities in the geographical area of reference and the remaining 42.7% held by about 24,000 shareholders.

24,000 Group shareholders



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 Meeting of Shareholders 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 period under review Hera held 15.2 million treasury shares.

In the general meeting held on 28 April 2015, the shareholders approved an amendment to the articles of association in favour of enhanced voting, which had been introduced by law decree no. 91/2014 (so-called “growth decree”). Enhanced voting will allow such Hera investors as hold their investment for at least 24 months to double their voting rights in connection with certain shareholder resolutions. This is a way to reward the shareholders that, thanks to their stable investments, are most sensitive to the Group’s long-term growth.

Hera continued to promote extensively 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.

1.05 REFERENCE SCENARIO AND STRATEGIC APPROACH

Group Mission backed by the strategies followed since establishment

Ever since its establishment, the Group has followed a strategy that has proved its coherence and stability over time, despite having to deal with several variables: (i) a scenario characterised by continuous changes; (ii) a gradual and constant process of service liberalisation; (iii) turbulence in the markets in which it operates. This coherence has allowed it to maintain its stable role as a point of reference in publicly relevant services. The Group's Mission is in fact to become Italy's foremost multi-utility, thanks to sustainable growth pursued both organically and through external lines, aimed at creating value for all its stakeholders.

Multi-utility structure able to guarantee growth

Investments made to improve efficiency

The Group's strategic choices have been able sustain this growth, taking its market capitalisation to over € 3.3 billion, among the largest in the sector. In the first half of 2015 as well, positive results were achieved, which is all the more considerable if evaluated in light of Italy's difficult macroeconomic context. The multi-utility formula adopted by the Group (Water Services, Environment, Gas and Electricity) guarantees its ability to offer solid responses in terms of results: over the years it has pursued the objective of improving operative efficiency in every sector, in order to become ever more competitive, with a view among other things to upcoming tenders for concession renewals. The significant investments made in infrastructures, aimed at modernising the Group's plants, have led on the other hand to an increase in administrative efficiency, guaranteeing resources and cash flows and thus reinforcing the Group's financial balance.

Valorisation of an intangible asset: clients…

… to win on free markets

Strategies used to reduce supply risks

The Group's clients are at the centre of every aspect of its strategy and represent an asset developed both within regulated services and through innovation in free market activities. Cross-selling activities complete the range of the Group's offer, consolidating customer loyalty and allowing it to improve the quality and costs of its 'post-sales' services and to reduce the cost of incorporating new users. The Group's presence in free market services has furthermore significantly enlarged its customer base (over 2 million, in the energy sectors alone). In energy sales, the Group has maintained flexibility as regards its sources in energy commodity supply, while at the same time developing trading activities in order to avoid exposure either to the operational risks involved in electricity production or to long-term contractual formulas (with 'take or pay' clauses) in gas supply. In waste recovery and disposal activities, the older plants have been replaced with new-generation facilities, provided with greater technological efficiency and higher performance as regards their environmental impact, enriched on the whole with new assets intended to provide an effective valorisation of recovered material.

Regulated and free-market activities: a balanced mixture

Alongside its development in freely competitive markets, the Group has also given particular attention to regulated markets and thus carefully calibrated its activities, which are subject to a range of influences due to the variables that mark the scenario. In particular, the mixture of services that make up its portfolio has contributed over the years to compensating for the impact of the risks that are inherent in each single service and thus maintaining its consolidated results.

Creating value by external growth: the 'Hera model'

The Group's growth through external lines has been pursued by newly proposing the formula of the 'Hera model', that was responsible for the company's constitution: acquisition and subsequent integration of multi-utilities focused on the same core activities. This model has been replicated during many aggregation operations, in which companies have been selected on the basis of their territorial proximity, compatibility with the Group's activities and economic-financial profile. This development has brought about increments for shareholders, despite the fact that the operations in question were largely financed by issuing stock rights. In terms of earnings per share, both over the short and, increasingly, medium to long term, good results have been obtained thanks to the synergies generated by these mergers. Growth through external lines has been pursued from a single-business perspective as well, predominantly in liberalised activities, through acquisitions that have succeeded in seizing the opportunities offered on the national market.

Il piano industriale

The Group's development strategies are based on a five-year Business Plan, shared by the entire management and updated every year in line with the new trends in the economic context. These strategies are then transformed into operational objectives that are in turn fully reflected by a system of variable remuneration for personnel (Balanced Scorecard System). The latest revision of the Plan (October 2014) has confirmed all of the strategic decisions pursued until present and highlighted the objective of continuing the company's development through organic and external growth (including expansion into new areas for which tenders are soon to be issued in gas distribution), aiming at improving its financial stability and consolidating the creation of value for stakeholders.

Eccellenza e innovazione

Among the strategic imperatives capable of guaranteeing long-term development, above and beyond the scope of the five-year Plan, excellence and innovation have been added to growth, efficiency and sustainability.

Sector consolidation favoured by the Government

The context of Group's activity is highly fragmentary: utility services are offered in Italy by over 1,200 enterprises, most of which operate on a small to medium scale. This fact is to be considered a handicap in a sector in which scale economies are crucial for guaranteeing competitiveness. The scenario is therefore favourable to Hera's growth, given that it will be able to continue to pursue consolidation operations in new territories (above all in the neighbouring Marche and Triveneto regions), considering among other things the laws recently introduced by the Italian government, that should benefit companies with adequate financial strength and solid expertise. The current scenario thus show a certain complexity, rich in challenges that the Group is prepared to face with its consolidated competitive advantages, able to favour a process of growth and creation of value for all stakeholders.

1.06 MACROECONOMIC CONTEXT AND FOCUS ON THE OIL, GAS AND ELECTRICITY SECTOR

Economic and energy context

Global GDP growth at 3%

In the first semester of 2015, the divergence in terms of economic growth between different geographical regions became sharper and, in spite of some turbulence in the global economy, the major international institutions have provisionally confirmed their forecast for a global growth rate of approximately +3.3% on an annual basis. North America continues to consolidate its economic development, while Asian countries and the euro area still face a number of political, economic and social difficulties that have caused apprehension on the markets, which have thus displayed greater instability, in particular during recent months.

Uncertainty due to the Chinese market and the situation in Greece

The greatest concerns for sustainable and significant growth on a global scale were caused by China's real estate bubble, that triggered sales on the Shanghai stock exchange leading to losses of approximately 35% of its value in only a few weeks. Within Europe, on the other hand, the first six months of 2015 were marked by the danger of Greece exiting the eurozone, a hypothesis that for the moment has apparently been warded off but that would have exposed the continent's economy to a further phase of growing instability and, in all likelihood, weakness with respect to international competitors. Despite the tensions surrounding the situation in Greece, the euro area recorded a moderate economic growth (+0.4%) in the first quarter of the year.

Italian GDP grows by 0.3%

Italy has only partially confirmed the trend witnessed in the euro area as a whole, with an increase in Gross Domestic Product over the first quarter equal to +0.3%, while the first estimates available for the second quarter have posited slightly lower growth rates. In the first semester of 2015, some encouraging if rather timid signals have appeared, nourishing expectations of an economic upturn, even though it would seem to be premature to speak of a stable recovery.

euro / dollar exchange rate stabilises at 1.10

The effects of the Quantitative Easing program under which the European Central Bank (ECB) began purchasing government bonds have been felt on financial and foreign exchange markets: the ten-year yield on government bonds dropped substantially (1.3%), while the euro/dollar exchange rate, after a significant depreciation of the European currency, stabilised at approximately 1.10. Thanks precisely to a weakened euro, in the first quarter of 2015 our Country's exports grew to reach a satisfactory level (+4.1% compared to the same period in 2014), driven by regions such as Veneto and Emilia Romagna, in both of which the Group is active and can therefore benefit from better economic conditions with respect to the national average in the areas in which it operates.

The ECB intervention then triggered a general fall in yield on government bonds, with a final effect of facilitating access to financing: after more than three years, loans to the manufacturing sector and to families began to rise once again. It is therefore not surprising that indicators measuring families and enterprises' confidence recorded an improvement, accompanied by an increase in overall internal demand.

Improvements in employment

As regards employment, in the first five months of the year the unemployment rate fell to 12.4%, while the decrease with respect to the previous year in the number of Redundancy Fund hours authorised and concretely used by enterprises would appear to be equally reassuring. Furthermore, the first effects of the "Jobs Act" (legislative decree 10 December 2014, n. 183) were seen: thanks to introduction of tax relief and new measures regulating permanent contracts, the adoption of this form of contract was stimulated, reaching 21% of contracts for newly hired employees (compared to 18% twelve months earlier).

Recovery in inflation

Lastly, the concerns over a prolonged period of deflation both in the euro area and in Italy were attenuated: compared to the lows witnessed at the beginning of the year, consumer prices in Italy recorded an increase of +0.2% (equal to +0.7% excluding the effects of energy and food products), certainly not yet sufficient however to encourage the ECB to lower its guard, given that it aims at bringing the inflation rate back to a medium-term level of 2%.

Competitive context

The conditions characterising the competitive context of the sectors in which the Hera Group operates have been confirmed in the last few months.
As regards the Government's efforts to favour mergers in Local Public Services, noteworthy provisions have unfortunately not yet been introduced, or in any case not to a degree sufficient to give rise, in this first part of the year, to a process of consolidation able to overcome the high level of fragmentation that marks our Country. Furthermore, the conditions for over-capacity in energy markets still remain, increasing the amount of competitiveness in free-market activities.

1.06.01 REGULATORY FRAMEWORK AND REGULATED REVENUES

Reference regulations

During the first six months of 2015, relatively few primary regulations were introduced concerning issues related to energy, the water system and the environment. The main new measures consisted in updates to Ministerial Decree 226/2011 (so-called "Regulation of criteria" for gas tenders) and the parliamentary discussion of the Bill on Competition, that contains indications as to the progressive elimination of protected categories for energy supply. Mention should also go to the sentence of the Constitutional Court that ruled the so-called "Robin Tax" to be illegitimate.

Ministerial Decree 226/11 (so-called "Regulation of criteria" for gas tenders) updated

In late May 2015, the Ministry of Economic Development (MiSE) published a decree containing amendments of the so-called "Regulation of criteria" for gas tenders Decree (DM 226/2011), effective as of 29 July 2015. This document introduced a few amendments into the original Decree in order to acknowledge the changes in regulations that have emerged since 2011, owing in particular to the publication of the Guidelines for calculating the Reimbursement Value to be assigned to outgoing providers, along with a few minor changes approved in a number of Decrees including "Fare", "Sblocca Italia" and "Destinazione Italia". More precisely, the changes in question concern: deadlines for tender issuing in cases involving unified ATEMs; procedures to be followed in reimbursing outgoing providers at the end of the first concession period; recognition of non-recurring compensation to cover the tender expenses incurred by contracting authorities; recognition of Energy Efficiency Credits; the definition of "abnormal offer". The MiSE's objective is to initiate tenders without further deferral, given that the regulatory framework can now be said to be complete and that any possible need for fine tuning will emerge only as of the moment in which the tenders are issued. This approach stems from the observation that, regarding the jurisdiction of the Authority for Electricity, Gas and the Water System (Aeegsi) as well, a complete regulatory framework has now been reached concerning the procedures with which tariffs are recognised, tender issues are supervised and discrepancies between VIR and RAB are analysed.

Competition Bill and replacement of protected services

In February 2015 the Council of Ministers definitively approved the Competition Bill, confirming *inter alia* its will to replace the current transitory regulations for protected services as of 1 January 2018. The measures foreseen thus include the abrogation of protected services in gas supply for domestic end customers; the abrogation of protected categories for electricity supply including both enterprises connected to the low voltage grid with less than 50 employees and an annual turnover of less than € 10 million, and domestic end customers; the adoption by the MiSE, as advised by the Aeegsi, of all measures necessary to guarantee that the protected category regime is gradually replaced with conditions that are favourable to consumers.

Due to the scepticism expressed by various levels of authority towards such a brusque intervention, in both its modalities and its deadlines, the Bill's advisers presented a number of amendments in order to make the replacement of the protected price categories more gradual.

This abolition would thus be confirmed as of 2018, on the condition however that a detailed set of objectives is fully met, including the introduction of a new portal for comparison of offers (in which all sellers are obliged to participate) and a completely operative Integrated Information System, the separation of brands for sales and distribution, a mandate to reform the "social bonus" and the definition of a list of parties qualified to sell electricity. If on the basis of the report these objectives are deemed to have been met, the MiSE will proclaim the end of protected price categories (after having consulted the Antitrust Authority and the appropriate Parliamentary commissions).

Gas, Electricity and Integrated Water Service Regulations

In the first semester of 2015, the Italian Regulatory Authority for Electricity, Gas and Water (Aeegsi) approved various measures that are highly important for regulated sectors. These measures include a reform of functional unbundling, some amendments to the regulation of gas and electricity arrearage, a reform of gas metering, the approval of a new Network Code for electricity distribution and guidelines for connecting biomethane production plants to the network. During the consultations currently underway, plans have been made to reform the allowed rate of return (WACC) in regulated sectors and substitute progressive electricity tariffs for domestic customers.

New integrated text on Functional Unbundling and brand separation

With Resolution 296/2015/R/com the Aeegsi approved the new Integrated Text on Functional Unbundling (TIUF) for operators in the electricity and gas sectors. This text, drafted following consultation documents 346/2104 and 77/2015, now flanks the Integrated Text on Accounting Unbundling (TIUC), approved with resolution 231/2014/R/com, and marks the definitive replacement of the TIU previously in force, approved with resolution 11/07.

One of the principal innovations consists in the introduction of so-called “brand unbundling”, i.e. the obligation for distribution companies and sales companies to use distinct brands and communication policies and furthermore, in the electricity sector, to separate sales on the free market from those to protected categories. To complete the interventions in brand separation, a period of 18 months has been provided for, and the first application is thus foreseen for 1 January 2017. The Aeegsi has furthermore confirmed its inclination to let each enterprise decide whether the distribution or the sales company is to change its brand and communication policies, in order to respect entrepreneurial choices and guarantee the least possible economic impact deriving from the commercial value of the brands. An independent manager will have to ensure that the commercial activities involved in distribution, in particular activities involving interfacing with end customers, are carried out via information channels, physical spaces and personnel that are separate from those pertaining to activities in the sale of electricity or natural gas. The same guidelines are valid for enterprises involved in sales of electricity to customers on the free market with respect to those engaged in services to protected categories. As regards the treatment of commercially sensitive information, the Aeegsi is inclined to foresee for all distributors, regardless of their size, that the obligation of reserved treatment of information be respected by turning to the instruments made available by the Aeegsi itself, first and foremost the Integrated Information System (SII). Also note that other obligations have been annulled, that previously required the databases to be physically separated, a guarantor to be nominated for commercially sensitive information and records to be kept of access to said information, all with a view to simplifying the tasks assigned to enterprises.

Electricity Network Code approved: guarantees and invoicing

Resolution 268/2015 approved a model Network Code for electricity distribution, pertaining to issues including the availability of metering data, due dates for invoices and the guarantees that sellers are obliged to provide to distributors. The introduction of a Network Code in the electricity sector as well (as has been the case in the gas sector since 2006) fills a gap in the regulation of commercial relations between distributors and sellers, that until today had been largely regulated in a bilateral and unbalanced way. The text is the fruit of a complex series of consultations carried out first within a Working Group with representatives from the Aeegsi and the operators and later pursued with consultation documents 263/2014 and 618/2014.

The new measures in metering and invoicing concern, in particular: anticipating the availability of validated measurement data (to allow sellers to send invoices to their end customers earlier); subdividing transmission invoices into three categories (cycle invoices, adjustment invoices and invoices concerning other services); setting a limit of 30 days for invoice payment deadlines; introducing reimbursements at the expense of the distributor regarding the performance of the metering service (in particular concerning the percentage of estimated and/or non-factual data, and the percentage of data sent late with respect to the deadline). As regards guarantees, four forms have been established, namely: sureties, guarantee deposits, rating and Parent Company Guarantees (PCG). The latter two are only allowed if the seller has been punctual with payments in the previous six months and the rating has been issued by an agency that is certified on a European level; those operators who decide to turn to them are in any case obliged to deposit a mutual-aid contribution in the Equalisation Fund. The guarantees must be modelled on estimated sales volumes for 3 months of service supply, and every 3 months the distributor must verify the adequacy of the guarantee in relation to the seller's customer portfolio, while every 6 months the distributor must verify if there have been two or more delays in payment and, in such a case, request the seller to increase the guarantee in proportion to the number of days of postponement. Lastly, the due dates for depositing system charges in the Equalisation Fund and the GSE are now brought into line (having until present been differentiated), defined at the 15th of the month M+3 with respect to the month in question M, with a simultaneous annulment of the premium of 0.5% of the amounts that distribution companies currently hold to cover the risk of non-collection.

The Network Code will be effective beginning 1 October 2015, for those provisions that do not require adjustments in computing systems (guarantees, measurement data sending, invoice payments, compensation) and beginning 1 January 2016 for those provisions that require IT intervention (breakdown of transmission invoices, verification of the adequacy of guarantees).

New measures for gas and electricity arrears

With resolution 258/2015, the Aeegsi, as an outcome of consultation document 477/2014, integrated existing regulations on gas arrears, introducing a number of updates to resolution 84/2014, that in 2014 had already profoundly modified the regulations set out in the Integrated Text on Gas Arrears (TIMG). The same resolution furthermore approved the Integrated Text on Electricity Arrears (TIMOE) that, in addition to organically uniting the regulations previously in force, introduces important changes as to the management of arrears in the electricity sector, some of which retrace the analogous regulations foreseen for gas. Among the new measures introduced, note the obligation for distributors to communicate to sellers the capacity for monthly suspension that has been assigned to them, the obligation to repeat attempts at suspension in case the first tentative has met with a negative outcome and to communicate to sellers who so request the technical feasibility of the interruption procedures, along with a rough estimate of the cost of carrying out the full procedure.

A further interesting element is that procedures for supply interruption do not foresee a clearly defined capacity assigned to each seller. For points that are non-interruptible or

whose interruption is not technically feasible, the seller can request an administrative discontinuance. As with gas, specific reimbursements in favour of sellers have been defined for cases in which the time schedules related to suspensions, interruptions and administrative discontinuances are not respected.
Among the new measures concerning gas arrears, on the other hand, note the possibility for distributors to make available, upon payment, their non-utilised residual suspension capacity; the possibility for the guarantee deposit to be doubled if and when over the period of one year the final customer repeatedly falls into arrears; and the transformation of all requests for switching into switching "with reserve", to allow sellers to withdraw requests for switching in case of previous arrears.

Guidelines for connecting biomethane production plants to the network

Following up on consultation documents 160/2012 and 498/2014, in February the Aeegsi published resolution 46/2015, that regulates the connections between biomethane production plants and natural gas networks and contains guidelines as to defining the quantity of biomethane admissible for incentives. The responsibility of guaranteeing safety and technical efficiency in gas network management is given to the network administrator, who is charged with verifying the extent to which biomethane injection is compatible with operational safety and the networks' absorption capacities.
However, due to a procedure that remains open at a European level concerning the technical rules for quality standards and odorisation, single Countries are not allowed to elaborate national regulations until said procedure is concluded (so-called "standstill" situation). Consequently, it is necessary to refer to the regulations currently in force as regards gas quality, contained in Ministerial Decree 19 February 2007, which *de facto* oblige operators to inject into the network biomethane that is indistinguishable from natural gas. Until this standstill is overcome, operators will have to refer to primary regulations and the technical report elaborated by the CIG on the specific chemical components of biomethane that must be kept below a given threshold. With the objective of guaranteeing the connection's economic feasibility and encouraging a wider use of biomethane, it has been foreseen that the connection contribution should only include, following a "shallow" type of approach, the specific costs necessary to produce the connection facility, excluding the costs of reinforcing existing networks. The activities involved in metering and certifying the quantity of biomethane for which incentives can be provided has been entrusted to the Energy Services Manager (GSE), who will also have to define application procedures for exchanges of information among the members of the supply chain (producers, distributors, traders). Also note that the energy used to produce and transport matrices has been eliminated from the types of energy consumption not to be included in the incentives.

Gas metering reformed and "relevant periods" introduced

With resolution 117/2015, on the basis of the results of consultation document 251/2014, the Aeegsi has intervened on one of the key points that emerge in relations between distributors and sellers, reforming the regulation of gas metering with the objective of increasing the amount of actual and validated metering data that is available to the seller. The new measures will become effective gradually, beginning on 1 May 2015 and being fully in force as of 1 January 2016.

The most notable new measure consists in the introduction of "relevant periods" of the year, establishing that distribution enterprises must take note of the metering data pertaining to each delivery point, covering at least 80% of the days within each lapse of time considered, to ensure that the metering is adequately significant. The currently existing class of consumption that covers from 500 to 5,000 m^3 (measured every six months) will be divided into two classes: one going from 500 to 1,500 m^3 (still measured every six months) and one from 1,500 to 5,000 m^3 (measured every four months). A single deadline has been indicated within which distributors must make the measurements available, set at the sixth working day of the month, and distribution enterprises are required to validate this information within a maximum of three working days. The various measures introduced will become effective at a series of dates reaching 1 January 2016, according to their impact and the need for a standardised flow of information.

First consultation on revisions of regulated WACC calculation

Among the consultations opened during the first part of 2015, particular mention must go to the one concerning the reform of the methodology used for calculating the rate of return (WACC) in all regulated sectors of the electricity and gas supply chains, published on June 11 and currently ongoing. The Aeegsi's intervention was made necessary by the particular market conditions that have appeared in recent years within the eurozone, i.e. a period of rapid increase of interest rates in peripheral countries due to fears surrounding the sovereign debt crisis, and a subsequent fall well below their historical minimums as a consequence of the non-conventional monetary policies introduced by the European Central Bank. The Aeegsi has made various proposals to bring the WACC back to an appropriate level, aiming among other things at avoiding that an excessive contraction in return should give way to a lengthy period of infrastructural underinvestment. One initial solution calls for a division of the risk-free rate into two components: a "pure" risk-free rate would be calculated as the average of the return offered by government securities of the so-called "virtuous" countries of the eurozone, to which a Country Risk Premium (CRP) would then be added in order to reflect the premium requested by investors to invest in Italy. Furthermore, to avoid excessive fluctuations of the WACC a further proposal has been made that involves defining the rate of return according to its long-term average (from the early 20th century to the present day), possibly allowing only its underlying parameters (the Risk-Free Rate and the Equity Risk Premium) to vary, with the total rate (Total Market Return) remaining constant. For the cost of debt, the Aeegsi has announced its intention to carry out in-depth analyses of the structure and stratification of the debt held by regulated companies, in order to reach an efficient cost of debt that best represents past and current market conditions. Lastly, as regards inflation, the Authority feels that it must intervene in order to solve the problem of the misalignment currently obtaining between the programmed inflation rate used to deflate the WACC (maintained constant over the regulatory period) and the two-year updates of the risk-free rate, that incorporate changes in the inflation rate. The proposal involves Ke (cost of capital) and Kd (cost of debt) rates being calculated directly in real terms, without implementing an explicit deflation of the WACC. As an outcome of the first consultation (31 July 2015), in all likelihood the Authority will publish a second, conclusively illustrative document in the autumn, and the final provisions will appear within the end of 2015.

The Hera Group has actively participated in this consultation as part of its own sector federation Utilitalia, commissioning two outstanding consulting agencies to study the preferable methodologies for estimating the WACC and related parameters, in order to identify the methods most compatible with the current macroenvironment and to set regulatory aims that are able to efficiently promote investment.

Final approach towards a reform of the electricity network tariff for domestic customers; replacement of the progressive structure

Consultation document 34/2015/R/eel, published in February, illustrates the final approach towards procedures intended to reform tariffs of electricity network services (transmission, distribution and metering) and general system charges for low voltage domestic customers, in implementation of the provisions contained in the Legislative Decree transposing the EU Directive on energy efficiency (Decree 102/2014). The reform has been initiated with the objective of bringing network tariffs into line with real service costs and replacing the current tariff structure, which is progressive with respect to consumption and involves subsidies that overlap between different categories of users, in particular between residents and non-residents and between customers with high and low consumption. To buffer the effect of the reform, a number of gradual measures have been proposed, along with an overall reform of the “social bonus”. The options proposed by the Aeegsi have differing effects on the overlapping subsidies, in that some of them completely cancel the redistribution of groups of users, while others maintain a quota of the current subsidies, limiting it however to general system charges. In the framework of this reform, the value attributed to demand charges will tend to increase in that, this being the principal factor that determines network costs, the new network tariff will have to be suited to costs, in order to allow end customers to have a fair choice between different energy carriers. In order to encourage an informed choice of the level of power, the Aeegsi intends to introduce further intermediate levels with respect to those that already exist and to make contractual power changes less costly.

The consultation document calls for a gradual implementation that, beginning on 1 January 2016, extends over a period of two years, and allows the tariff structure to be fully introduced as of 1 January 2018.

Procedures aimed at defining a new Water Tariff Method initiated

As regards regulations of the integrated water service, mention must go to resolutions 6/2015/R/idr and 8/2015/R/idr, that have initiated procedures whose goal is to define the new Water Tariff Method, a process that will have to be completed with the approval of the definitive resolutions in December 2015. With the new tariff method, the Aeegsi has proposed to further develop the asymmetrical regulations already in force, to promote management rationalisation (reviewing the conditions of exclusion from tariff updates), to adopt new regulatory instruments aimed at reaching an economic-financial balance, to develop mechanisms that favour water efficiency and consumption measurement, to extend the effectiveness of current usage of financing systems, and to guarantee an equalisation between the various areas of the Country. The new tariffs will continue along the path that has already been outlined, in order to define a single Area tariff and completely reach the objective of “full cost recovery”.

Proposal for introducing a “mutualistic” mechanism of equal distribution in the water

Once again concerning tariffs, with consultation document 230/2015 the Aeegsi has proposed a method of equal distribution that, unlike the mechanisms in the energy sectors, has a mutualistic structure whose objective is to aid economically and financially unbalanced water managements. This mechanism calls for a structural tariff component and should have a limited range and period of application (beginning at the end of 2015).

In its observations on this document, the Hera Group has emphasised that the value of the tariff component should be differentiated by territory, i.e. variable according to the value of the current tariff in different regions, so as not to penalise those areas that have already carried out investments and whose citizens have taken part in sustaining services with their own contribution.

Procedure for defining quality regulations in the water service

As concerns non-economic regulations, note the continuation of consultations aimed at implementing the first regulatory system for the quality of the unitary water service at a national level. With consultation document 273/2015/R/idr, general and specific standards have been proposed as to so-called "commercial" quality, as is the case in energy sectors. In particular, a timetable has been defined for calculating estimates and implementing works, connections, appointments, service activations and disactivations and verifications of the gauges/pressure. In spite of the fact that registration and communication requirements similar to those already found in the integrated texts for quality in the energy sectors have been foreseen, confirmation has been given to the will to delegate to a local level decisions in defining standards of improvement with respect to the proposed minimums, on the basis of which the amount of premiums/penalties to be paid can be defined locally. However, the consultation document does not define the actual methods to be used for calculating the incentive mechanism. The Hera Group has already underlined the need to make quality regulations uniform across all sectors regulated by the Aeegsi, in order to reduce complexity for both customers, who should obtain similar treatment for the various services, and operators, who should be able to make the most of the potential synergies of multi-business managements. Lastly, it has been noted that the proposed standards may possibly pose greater challenges with respect to both the energy sectors and the levels currently applied in areas that have already reached an elevated quality of service. The general procedure should be concluded with an upcoming consultation on service continuity, expected for October 2015, with subsequent final measures to be issued within the end of the year.

Outline of a model convention for water service concessions defined

As regards the relations between managers and granting bodies, owing among other things to the amendments introduced by the so-called "Sblocca Italia" Bill, with consultation document 274/2015/R/idr, the Aeegsi has continued its consultations aimed at outlining a model convention for the water sector. Concerning the scope of the integrated water service, the consultation document has proposed to include the management of rainwater and post-meter services. As regards the duration of the grant, one proposal involves defining a regulation that allows deadlines to be modified following, for example, an extension of the managed area. On this matter, the Hera Group has agreed on including within the convention the criteria for a prolongation of the grant, provided that both the duration of the prolongation and its measurable and objective motivations be clearly defined, to guarantee clarity to the outgoing managers. The Aeegsi has furthermore proposed not to explicitly include the parameters necessary to evaluate economic and financial balance within the convention, only introducing a cross-reference to the regulation itself (that already foresees, for example, an economic and financial plan). Lastly, as regards procedures for terminations and takeovers, the calculation of residual value already provided for by the current Water Tariff Method has been newly proposed, along with an examination of the works as a basis for the calculation of takeover value. On this point, the Hera Group has observed that the takeover value will have to include both a balance of prior entries not yet recognised at the moment of takeover and amortisations related to investments made in periods prior to the Aeegsi regulation that have not yet been fully recognised.

Gas distribution: tariff framework

2015 is the second year of the fourth regulatory period (QPR) of the tariff system for gas distribution and metering, regulated by the RTDG, attachment A of resolution 367/2014/R/GAS. This document contains tariff regulations for both current management by municipal or supra-municipal concession (previously accounted for in resolution 573/2013/R/GAS) and future ATEM managements, that will take effect during the current regulatory period.

The macro-structure for tariffs outlined in the new RTDG does not present significant changes with respect to the previous one: it continues to guarantee that each operator receives the allowed revenue defined by the Aeegsi on the basis of recognised costs, expressed by the *reference tariffs* and the number of redelivery points served, thus making revenue independent from the quantity of volumes distributed. This is put into effect with appropriate mechanisms of tariff equalisation, which allow the Equalisation Fund to intervene and regulate the differences between each distributor's allowed revenue and the revenue that appears in the invoicing of the selling companies. The latter revenue, in turn, is determined by applying the *compulsory tariffs* defined by the Aeegsi for macro-regional areas.

On the basis of these principles, with resolution 147/2015/R/gas, the Aeegsi saw to approving the "provisional reference tariffs" for 2015, based on an estimate of investments made in 2014, for all distributors, including the companies belonging to the Hera Group. Within March 2016 the "definitive reference tariffs" are expected to be defined, taking into account the actual amount of investments made by companies as at 31 December 2014. The rate of return on invested capital for the two-year period 2014-15 has been set at 6.9% for distribution and 7.2% for metering.

As regards gas distribution and metering, in addition to Hera Spa (€ 88.9 million), Marche Multiservizi Spa (€ 9.2 million) and AcegasApsAmga Spa (€ 31.9 million) are also included within the Hera Groups' consolidated operating area. The consolidate value of revenue from gas distribution and metering for the Group is therefore equal to € 130.0 million, against 1,697 million m^3 distributed and a corresponding unitary revenue of 7.66 €cent./m^3. With respect to the first semester of 2014, the principal increase is due to the consolidation of the area pertaining to Amga Azienda Multiservizi Spa into AcegasApsAmga Spa, with a contribution of € 9.5 million.

The revenues refer to a RAB concerning assets belonging to the Group whose value equals roughly € 1,053 million.

Gas distribution and metering - regulated revenue	30-jun-14	30-jun-15	% change
Consolidated Hera			
- Revenue (€/Mln)	122.70	130.00	5.90%
- Volume (mc/Mln)	1,371.00	1,697.00	23.80%
- Unit revenue (€cent/mc)	8.95	7.66	-14.40%

Electricity distribution: tariff framework

2015 is the last year of the fourth period of tariff regulation (2012-2015) for services in electricity transmission, distribution and metering, regulated by resolution Aeegsi ARG/elt 199/11, in particular by Attachment A (TIT) that regulates tariffs for the use of transmission and distribution networks, Attachment B (TIME) that regulates responsibilities and tariffs for metering services, and Attachment C (TIC) that regulates the economic conditions for supplying connection services.

The tariff method used for electricity distribution is characterised by a restriction on regulated revenues, defined by company (following a rationale similar to the one used for gas distribution) and structured as follows:

- capital costs calculated on a mixed basis (implicit for the asset perimeter up to 2007, and at actual historical cost for investments since 2008);

- operating costs calculated according to the average values for the sector measured at the beginning of the regulatory period at cost by the Aeegsi, suitably modified to take into account the effects expressed by the tariff equalisation of the third regulatory period, and updated for the following years with the price-cap method;

- fulfilment of the obligation ensured by appropriate mechanisms of equal distribution and expressed by so-called reference tariffs and by the number of delivery points served, depending on the volumes distributed in a residual manner.

The rate of return on invested capital for the two-year period 2014-15 for operations in electricity distribution and metering has been set at 6.4%.

In line with the integrated texts mentioned above, the Aeegsi, with resolution 146/2015/R/eel of 2 April 2015, approved the 2015 reference tariffs for both companies belonging to the Hera Group that operate in electricity distribution and metering, i.e. Hera SpA and AcegasApsAmga SpA. The latter includes the areas of the ex-companies AcegasAps SpA and Est Reti Elettriche SpA, that operate respectively in the districts of Trieste and Gorizia.

The consolidate value of revenues for the Hera Group as at 30/6/2015 amounted to €43.5 million, with 1,472 million kWh distributed and a corresponding unitary revenue of 2.96 €cent/kWh. The contribution of AcegasApsAmga to these revenues was equal to €13.7 million, with distributed volumes reaching 405 million kWh. The consolidate revenue at 30 June 2015, if compared to the corresponding data at 30 June 2014, shows a fall of €7.9 million; one must however recall that the results at 30 June 2014 included €9.2 million in contingent assets dating to previous financial years, largely ascribable to the Specific Company Equalisation of the Gorizia area. Excluding non-current sums from the 30 June 2014 values, the consolidate revenues at 30 June 2015 show an increase of €1.3 million with respect to the previous figure. This increase is fundamentally due to inflation adjustments and variations in recognised invested capital. The revenues involve a RAB for electricity distribution and metering equal to roughly € 342 million, for the most part attributable to assets belonging to the Group.

Electricity distribution, metering and delivery - regulated revenue	30-jun-14	30-jun-15	% change
Consolidated Hera			
- Revenue (€/Mln)	51.40	43.50	-15.40%
- Volumes (kWh/Mln)	1,455.00	1,472.00	1.20%
- Unit revenue (€cent/kWh)	3.53	2.96	-16.40%

Urban hygiene: tariff framework

As at June 2015, services in managing urban waste were provided in 190 municipalities, 39% of which chose to entrust the Hera Group with verifying and collecting the TARI.

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

Hera Group Consolidated Waste mangement - revenue from tariff (TIA + TARSU)	30-jun-14	30-jun-15	% change
Revenue from tariff (€/mln)	263.3	262.3	-0.40%
Users reached (000)	3,277	3,316	1.20%
Medium unit revenue (€/user)	80.4	79.1	-1.50%

The overall decrease in regulated revenues for services in urban hygiene in municipalities with concessions, equal to 0.4%, mainly concerns Acegas.

Water cycle: tariff framework

2015 is the second and last year in which the first tariff period effective in 2014-2015 (Water Tariff Method) defined by the Aeegsi (Aeegsi resolution n. 643/2013) is to be applied.

In comparison with the data from the first semester of the previous year, an overall increase in revenue of 3.5% was seen. This is due to the application of the new SII tariffs resolved by the competent Area Authority for the year 2015.

Hera group consolidated Water cycle - revenue from tariff	30-jun-14	30-jun-15	% change
Revenue from tariff (€/mln)	286.40	292.40	2.1%
Volumes (mc/Mln)	145	143	-1.3%
Medium Unit revenue (€cent/mc)	197.10	203.90	3.5%

1.07 TRADING AND PROCUREMENT POLICY

Gas consumption on the rise: +8%

As far as gas is concerned, in the first half of the year consumption rose by 8% as compared to the same period of 2014, an increase in absolute terms of over 2.6 Gmc. The key driver of this recovery as compared to 2014 was the climate: in the first quarter of 2015, a colder winter than previous year led to a higher rate of civil consumption (+10% compared to the first quarter of 2014, which in absolute terms corresponds to an increase of more than 1.6 GMC); subsequently, at the beginning of the summer, higher temperatures along with lower rainfall and wind speeds increased the need for gas consumption in the thermoelectric sector (+8.6%). Industry, less affected by the climate, instead displayed a decrease (-1.8%) despite numerous signs of economic recovery, a recovery which therefore has yet to manifest its effects in the gas-intensive industrial sectors.

Optimizing the portfolio

This market environment has naturally had a positive impact on sales of Group stock, and trading activities in the first half were focused, on one side, on optimizing the portfolio with the aim of balancing the short-term position and, on the other side, on the negotiation and management of new supply contracts for the 2015/16 thermal year.

In detail, short-term adjustments guided by efficient requirement forecasting were carried out through purchase or sales adjustments at the virtual trading point (PSV) in Baumgarten using the Title Transfer Facility (TTF) and on Net Connect Germany (German NCG). These operations generally occurred under favorable conditions and have made it possible to meet the expected target results.

Since April, Hera Trading has begun procuring both the gas earmarked to fill the storage acquired at auction, about 0.33 billion cubic meters, and the gas earmarked for the deregulated market of Hera Comm for the 2015/2016 thermal year, approximately 0.5 billion cubic meters, drawing directly from the spot market; as of June 30, this activity is still in progress.

Negotiating modulated gas in the amount of approx. 1.5 billion mc

During the month of April, ahead of time as compared to the previous year, negotiations began on the modulated gas destined for the protected market on the REMI (delivery points) of the Group sales companies, in the amount of approximately 1.6 billion mc for the 2015/16 thermal year, in line with the conditions of supply established by Aeegsi beginning in October 2013.

In terms of the electricity market, the first six months of 2015 were characterized by a substantial phase of stagnation both as regards fuel consumption, a decrease of 0.3% compared to the equivalent period of 2014, and as regards prices, which remained nearly the same from week to week: the weekly SNP from the beginning of 2015 up to week 27 ranged between 45 and 58 € / MWh.

The lack of recovery in demand and the downward trend in both Terna purchases on the ex-ante ancillary services market and in sales on the down regulation market, has further aggravated the situation characterizing the power generation sector which, in all locations, requires a review of the layouts of the market and regulatory framework, including changing the Ancillary Services market (MSD) with the aim of rewarding flexibility in gas-powered thermoelectric plants (Capacity Payment) pending the introduction of the capacity market.

The reform of the electricity market

The negative repercussions of the scenario that is heavily impacting manufacturers producing from conventional sources, in the case of the Hera Group, in view of the limited installed thermoelectric power as compared to the final market held, is greatly mitigated by sales activities carried out on end customers.

Reduction in the results of electricity trading

As for the trading of electricity and environmental certificates, in the first half of the year there was a slight contraction in the volume of shares traded and unit margins as well as a lower average enhancement of the import capacity as compared to the equivalent period of 2014. Particular attention was paid to the management/optimization of Hera Comm's purchase portfolio through transactions carried out on the stock exchange and over-the-counter (OTC) platforms.

The management of commodity risk and exchange proved to be particularly effective in a context of significant volatility in oil prices and euro-dollar exchange rates.

REMIT application

In the first half of the year, measures were initiated to enable the application of the Regulation on integrity and transparency in wholesale energy markets (REMIT) beginning this October.

1.08 COMMERCIAL POLICY AND CUSTOMER CARE

In the first half of 2015, the Group's customer base increased by 5.3% compared to the same period of the previous year.
Electricity customers increased by 9.3%, mainly thanks to the sales push as well as the consolidation of customers from Amga Udine, who were brought into the Group beginning 1 July 2014.
Gas customers increased by 110 thousand units (+ 9.0%). This result was largely due to the new companies entering into the Group: Amga Udine in July 2014 and Alento Gas in May 2015. Not including the newly merged companies, the customer database recorded a slight increase.
Water customers initially increased by approximately 0.2%, with a lower growth than in previous years due to the ongoing crisis in the real estate sector.

Contracts	30-Jun-15	30-Jun-14	Delta pdf n.	delta pdf %
Gas	1,327.3	1,217.1	110.2	9.1%
Electricity	826.3	755.9	70.4	9.3%
Water	1,445.7	1,443.1	2.6	0.2%
District heating	11.6	11.4	0.2	1.8%

Amounts in thousands

The volume of contacts handled by the Group's channels was slightly lower in the first half of 2015 compared to the same period of 2014 (-2.5% average daily contacts); the decline involved all channels except the internet, which continues to grow (+ 7%).
Overall, the most heavily used contact channel was the call center (54.2%), followed by help desk (28.3%), internet (12.4%) and mail (5.2%).
The results obtained by the Hera Call Center were largely improved compared to the first half of 2014, both in terms of average waiting time (-33% residential customers, 15% business customers) and the percentage of calls with a waiting time of more than 2 min, which was 8% compared to 11% in the same period of 2014.
The same was true of the Hera help desks, recording in the first half of 2015 an average waiting time of less than 9 minutes (-23% compared to the same period of 2014).
The excellent performance achieved by contact channels has contributed to improving the overall quality perceived by end users.
As a matter of fact, according to the customer satisfaction survey, help desks achieved a score of 81 (+2 points compared to the first half of 2014), followed by the Family Call Center with 80 (+3 points compared to the first half of 2014) and the Company Call Center 75 (value in line with 2014).
In addition, during the first half of 2015 important initiatives to standardize the Group's contact channels were carried out involving, for the first time, the areas of Trieste and Padua (entry into the Hera Group telephone platform) and Udine (new help desk layout).

Below are listed some of the key quality parameters concerning Hera help desks and call centers:

Average waiting time - contact center (sec.)	1'half 2013	1'half 2014	1'half 2015
residential customers	53	46	31
business customers	33	32	27
Average waiting time - customer point (min., sec.)	**1'half 2013**	**1'half 2014**	**1'half 2015**
Average	12	11	9

1.09 FINANCIAL POLICY AND RATING

Financial markets

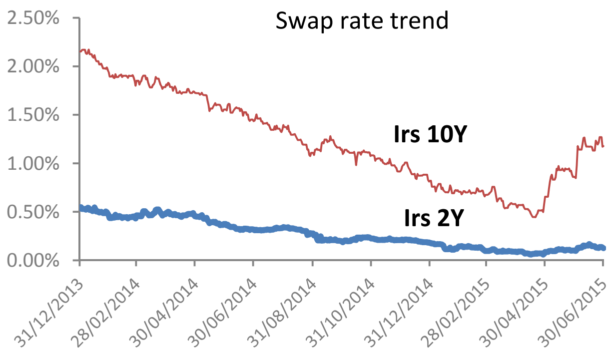
In the first half of 2015, the economy in the Eurozone showed signs of recovery. Despite the uncertainty created by the Greek crisis and fear for China's slowdown, which spook equity and commodity markets, the perception of a recovery in the Eurozone has not changed substantially. In fact, Eurozone bonds and equities are less sensitive to the swings, quite sharp at times, of Asian markets thanks to the constantly improving cycle, support from the ECB's monetary policy and also to the recent abatement of the fear for Greece.

ECB's expansionary policy

The ECB did not change its expansionary stance, confirming the levels of its key interest rates and the €60 billion in bond purchases in the open market until September 2016 and otherwise until the adjustment of the inflation path will be such as to converge to the medium-term target (below but close to 2%). Developments in the Eurozone's economy are considered in line with the monetary policy committee's expectations while recent events in financial markets, which reflect the uncertainty about the international situation, did not alter the recovery path and expectations of a higher rate of inflation from the latter part of 2015 and for the next two years thereafter.

Interest rates at record lows

Support to the recovery also came from low interest rates which, thanks to the start of the ECB's quantitative easing, hit record lows, prompting many companies to take advantage of the window of opportunity to issue new debt instruments. In fact, companies that issued bonds benefited to a significant extent from interest rates that, on average, fell by one percentage point.



Swap curve and 10-y BTP-Bund spread up

In the last few months of the first half, after a decline phase, the swap curve (reference for the bond market) resumed its upward path, reflecting a spread between 2- and 10-year swap rate of over 100 bps, heading for a medium-term reading of 125/120 bps.
The uncertainty over Greece's future also contributed to a widening spread between the 10-year Italian BTP and the 10-year German Bund (a benchmark for the cost of funds). At 30 June 2015, the 10-year BTP had a yield of 2.1%, with a spread over the comparable German indicator that after reaching 90 bps in March rose to as much as 160 bps.

An active and prudential risk management model

Given the economic and financial context, the Group's financial management policies are designed to maximize returns though within the scope of a prudential risk management strategy. The average cost of debt was optimized thanks to liability and financial risk management activities intended to take favourable market opportunities. In particular, on 28 May 2015, 2 offset swap transactions were carried out, one on the €500-million 2019 bond (fixed rate 2.09%) and one on the €500-million 2021 bond (fixed rate 1.81%), which increased the fixed-rate portion of the Group's debt to 85%, with the objective of setting future cash flows at the level of the interest rates recorded in the first half of 2015. Following the offset swap transactions, the forward rate curve showed a rise which confirmed the Group's expectations of higher interest rates.

Committed Lines

To support the liquidity risk indicators and to optimize the opportunity cost of funding, the Group has committed lines of credit for €395 million with an average expiration of 4 years.

The financial risk management strategy

The following notes discuss the policies and principles follone in managing and controlling financial risks, such as the liquidity risk and related default and debt covenant risk, interest rate risk, exchange rate risk and rating risk.

An active and prudential risk management model

Liquidity risk

The Group tries to match the maturities of its assets and liabilities, linking its investments to sources of funds that are consistent in terms of maturity and manner of repayment, taking into account the refinancing requirements of the current debt structure.
Liquidity risk refers to the company's failure to meet its financial obligations, due to the inability to obtain new funds or to sell assets in the market.
The Group's objective is to ensure such a level of liquidity as to make it possible to meet its contractual obligations both under normal conditions and under critical conditions through the availability of lines of credit, liquidity and a timely start of negotiations on maturing loans, optimizing the cost of funding on the basis of current and future market conditions.

Liquidity adequate to a worst case scenario

The table below shows the 'worst case scenario', where no consideration is given to assets (cash, trade receivables etc.) and emphasis is placed on financial liabilities – both principal and interest – trade payables and interest rate derivatives. All demand loans are called in while other loans mature on the date when repayment can be demanded.

Worst case scenario	30.06.2015			31.12.2014		
(€/million)	from 1 to 3 months	from 3 months to 1 year	from 1 to 2 years	from 1 to 3 months	from 3 months to 1 year	from 1 to 2 years
Bonds	14	288	84	43	286	83
Bonds and another financial liabilities	143	93	91	366	128	95
Trade payables	961	0	0	1,194	0	0
Total	**1,118**	**380**	**176**	**1,603**	**414**	**178**

To guarantee sufficient liquidity to meet every financial obligation for at least the next two years (the timespan of the above worst case scenario), at 30 June 2015 the Group had €423.9 million in liquidity, €395 million in unused committed lines of credit and a substantial amount that can be drawn down under the uncommitted lines of credit (€1,000 million).
The lines of credit and the relevant financial activity are not concentrated in a specific lender but are distributed among the main Italian and foreign banks, with a use much lower than the total available.

Average maturity of debt over 8 years

At 30 June 2015, the Group had mainly a long-term debt structure, accounting for 90% of total borrowings, of which about 79% reflects bonds repayable at maturity. The average term to maturity is over 8 years, of which 67% maturing beyond five years.

The table below shows the cash outflows broken down by maturity within and beyond five years:

Debt repayment outlays (€/mln)	30.06.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	Over 5 years	Total
Bonds	0	195	0	0	500	2,035	**2,731**
Bank debt / due to others	180	88	68	49	46	298	**729**
Total	**180**	**283**	**68**	**49**	**546**	**2,334**	**3,460**

Default and debt covenant risk

This risk is related to the possibility that the loan agreements entered into contain clauses whereby the lender might demand accelerated repayment of the loan in the presence of certain events, thus giving rise to a potential liquidity risk.

No financial covenants

At 30 June 2015, a significant portion of the Group's net borrowings was covered by loan agreements containing a number of clauses, in line with international practices, that place some restrictions. The main clauses guarantee equal treatment of all debt holders (pari passu) and prevent the company from granting to subsequent lenders, with the same seniority status, better security and/or liens on its assets (negative pledge).

As to acceleration clauses, there are no financial covenants on debt except that no amount in excess of €150 million in debt can be rated below investment grade (BBB-) by even one rating agency.

Change of control & Investment grade

On the remaining part of the debt, the acceleration clause is triggered only in case of a change of control for the Group that entails a downgrading below investment grade or the termination of the publication of the rating.

Interest rate risk

Prudential interest rate risk management

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 realizable highly liquid money market instruments. Changes in interest rates affect both the financial costs associated with different types of financing and the revenue from different types of liquidity investment, causing an impact on the Group's cash flows and net financial charges.

The Group's financial policy is designed to identify an optimal mix of fixed- and floating-rate funding, in connection with a prudential approach to interest rate risk management. Interest rate risk management aims to stabilize cash flows, so as to maintain the margins and the certainty of cash flows from operating activities.

Interest rate risk management entails, from time to time, and depending on market conditions, the execution of transactions involving a combination of fixed-rate and floating-rate financial instruments as well as derivative products.

Offset Swaps to optimize the cost of debt

The Group features an interest rate risk exposure, inclusive of the derivative effect, on 15% of its debt. The remaining 85% of its debt carries a fixed rate of interest, thanks also to the offset swap transactions completed on 28 May, converting to fixed rates the floating rates that each of the two €500-million bonds maturing in 2019 and 2021 were required to pay, as of March, as a result of hedging swaps. The transactions lowered the interest rates for the two bonds to 2.09% and 1.81%, respectively, a much lower level than the original 4.5% and 3.25%.

The Group applies a financial management approach based on risk mitigation, adopting a risk hedging policy that leaves no room for the use of derivatives for speculative purposes. In fact, derivatives are a perfect hedge of the underlying debt instruments.

85% of debt carries a fixed rate of interest

Gross borrowings (*)	30.06.2015			31.12.2014		
(€/million)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
fixed rate	2,794	2,825	85%	2,888	2,013	56%
floating rate	526	496	15%	711	1,586	44%
Total	**3,321**	**3,321**	**100%**	**3,599**	**3,599**	**100%**

**Total borrowings: 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). Currently the Group has a bond outstanding for 20 billion Japanese yen, fully hedged by a cross currency swap.

The rating confirms the strengths that the Group has built over time

Rating

Hera Spa has long-term ratings of "Baa1 stable Outlook" from Moody's and "BBB stable outlook" from Standard & Poor's (S&P).

On 3 June 2015 Moody's issued a Credit Opinion whereby it confirmed the Baa1 rating and improved the outlook to "stable", considering positive the Group's risk profile in terms of strength and balance of the business portfolio, as well as the Group's operating performance and consolidated strategy.

S&P's rating was confirmed as it proves S&P's expectation that the Group might reach the targeted credit rating levels and that its solvency is not completely subject to sovereign risk. Given the current macroeconomic context and the uncertainty of economic and regulatory outlook, the Group strengthened the actions and strategies designed to maintain adequate rating levels, or even to improve them.

1.10 TECHNOLOGICAL INNOVATION AND PROJECT DEVELOPEMENT

In the first half of 2015 development and innovation activities continued in the directions already undertaken in the second half of 2014, in line with the priorities of the Group's business lines. In particular, initiatives planned for the areas of particular interest were launched: environmental services, energy efficiency and smart cities services.

Facility Development in Environmental Services

Biorefinery Project: a project to construct an anaerobic digestion system for the treatment of 100,000 tons/year of organic material originating from differentiated waste collection and a system for upgrading the resultant biogas for the production of bio-methane (about 6.5 million Sm3/year). Analyses were conducted to identify the best digestion and biogas upgrading technologies. Studies are currently ongoing to determine the quality of the resultant biomethane, which must comply with currently evolving industry regulations at both national and European levels. Assessments are also ongoing regarding the use of biomethane: connection to the natural gas network (distribution and transport) and loading cylinder trucks.

Pyrolysis and Digestion project: together with the Interdepartmental Centre for Industrial Energy and Environmental Research at the University of Bologna an experimental plant has been built consisting of a pyrolysis reactor and a digester to produce biogas from organic biomass waste.

Eni Liquefaction Project: together with Eni Spa, a phase of technical and economic feasibility has been initiated for a process of thermochemical conversion (Eni technology) to convert organic biomass waste into bio-oil used for the production of bio-fuels. The results of these tests are expected to be available by the end of 2015 and, if the data confirm the suitability of the matrices being tested, assessments will be carried out about how to treat the waste (liquid and solid) resulting from the liquefaction process.

Smart City

Following the wave of evolution and technological innovation in the development of new smart services for cities, the Group has designed and built a prototype of infrastructure which, beginning from the valorization of existing corporate assets and specifically public lighting and broadband connectivity infrastructures, complements some value services for public administrations. A prototype smart pole was constructed that incorporates different types of technology: smart video cameras, a wi-fi hot spot, RFID readers, environmental sensors, concentrators capable of communicating with nearby probes, and more.

In particular, the video cameras can provide video-analysis services, processing the flow of images and automatically recognizing significant events. The wi-fi hot spot can provide wireless internet access for citizens and merchants and meets the European demand for more widespread connectivity.

Finally, the infrastructure was also created to provide Smart Parking services which, once installed, will enable the immediate identification of empty parking spaces with benefits in terms of reduced traffic congestion, lower CO2 emissions, less time used to search for parking, and increased economic efficiency of parking places for the PA.

Energy efficiency

A preliminary assessment has been completed regarding the application of a Francis turbine for energy recovery from changes in aqueduct water pressure changes in the Bologna area. Attention will focus on small pressure changes at other sites through the evaluation of networks, modeling of energy production and scouting of standard technologies.

At the laboratory of Forlì, the installation phase was completed on some of the main "intelligent thermostats" identified as being available worldwide. Initials tests were conducted aimed at assessing their compatibility with the hot water heaters found in Italy, the complexity of installation and user experiences. The project involves the preparation of a pilot phase involving some appropriately selected users.

Horizon 2020 Calls for tender

Hera continues its commitment to work, alongside local PAs, to design solutions that enable cities across the local area to engage in smart growth, building on the funds made available by the European Union for projects to redevelop local areas. Hera contributed to the design of a major project, together with the cities of Bologna, Berlin and Paris and the participation of multiple industrial and academic partners, to identify, develop and set the stage for energy efficiency initiatives and solutions as well as integrated and replicable services for smart cities.

The main objectives of the project are:

• energy efficiency for smart buildings by developing home automation solutions: smart thermostats and devices to monitor the internal temperature and air quality levels (air quality sensors);

• the development and installation of electronic meters in the same residential units where smart thermostats will be installed;

• the implementation of video surveillance services, wi-fi and smart parking services on existing poles.

The project was presented in the first half of the year and the results of the evaluation are expected by the second half of the year.

1.11 QUALITY, SAFETY AND ENVIRONMENT

Hera Spa has confirmed the vailidty of its integrated management system, having passed maintenance audits for the ISO 9001, ISO 14001, OHSAS 18001 and SA8000 standards. Other important outcomes were achieved by certain Group companies:
- Hera Luce successfully passed maintenance audits for the SA 8000 certificate and the integrated quality, safety and environment management system;
- the effectiveness of Hera Comm's quality management system was confirmed;
- Herambiente confirmed ISO 9001, ISO 14001 and OHSAS 18001 certificates and EMAS registrations for its plants, also extending them to the new corporate structure.

At the beginning of 2015, the Lean Organization project conducted as part of the unified prevention and protection service was concluded, with a particular focus on the risk assessment process. In June, the Lean Organization project was initiated in the area of Hera Spa QSE Coordination.

Updates were initiated in relation to some health and safety risk assessments such as: electrical hazards, confined spaces, fire risks and the risk of work-related stress.

As a result of the prevention and protection measures established and the implementation of the identified and recommended mitigation measures, the results of the risk assessments show acceptable levels of residual risk in relation to the criteria adopted.

The overall trend in the number of accidents at Hera Spa shows an increase largely due to traffic accidents both "in transit" (home - work) and during working hours.

The activity of QSE Privacy and Regulations Internal Control continued, further developing legal constraints concerning privacy.

As part of an integrated management system, legal prescriptions concerning Health and Safety, Environmental Protection, Quality and Privacy for the Hera Group have gained increasing weight as a normative reference. Protocol 231 for the prevention of environmental crimes was updated following the development of national regulations.

In terms of information security, a vulnerability assessment of the structures of Hera and Acegas Aps Amga's remote control systems was conducted in response to the changing scenario of external threats, taking the opportunity to direct security considerations toward the harmonization of the two infrastructures.

In the field of physical security, a review of the risk management approach was carried out following an ERM orientation and the results will be shared with the Enterprise Risk Manager by the end of the year.

As part of the evolution of corporate information systems in the Environmental, Health and Safety field, in early 2015 production was initiated on the prevention and protection programming system, proceeding with the actual use of a pilot application in the BU water area before going live in the area of sewage raisers.

During the first half of 2015, all planned audits were carried out together with the reference services or on request for all the management's areas of competence. Likewise, all the findings of the audits were shared with the Services and all the necessary upgrading or improvement measures were taken

1.12 INFORMATION SYSTEMS

The Information Systems department is responsible for ensuring that processes and systems are efficient and continuously adapted to sector regulatory requirements, in addition to supporting business, improving service levels and reducing the risks in terms of the systems' technology and safety in keeping with the Group's strategic guidelines and sustainability objectives.

Corporate developments

In the first half of 2015, following the Group's corporate evolution, activities were initiated and completed on systems related to the merger of Akron into Herambiente and the establishment of the new company Hestambiente for the management of the Padua and Trieste waste-to-energy plants.

Harmonizing the systems of other companies

Harmonization of the other companies' systems is continuing within the Group's Enterprise framework and platforms, as is the associated adaptation of internal policies; in addition to AcegasApsAmga, which continues to follow the current three-year plan, analyses and associated planning for all the other Group companies were initiated.

Regulatory compliance

In terms of regulatory compliance, in the first half of 2015 there were more than 30 initiatives with repercussions on the information systems concerning TARI management, the Default Service, Split Payment and Reverse Charges (2015 Stability Law), the treasury system for managing EMIR Directives regarding derivatives, and the multi business remote reading pilot project, among others.

Supporting business

The activities in support of business have included several actions carried out to ensure greater process efficiency and better visibility in the eyes of customers; these include the Customer Portals and Apps for accessing Group services.

Technological risk reduction

Technological risk reduction activities have involved continuing with the project of archiving business processes data/documents on the SAP platform, thus reducing the size of the system database and making it possible to obtain the best performance and lowest storage costs.

DSI processes efficiency

Beginning in January a new organizational structure was launched for the department aimed at specializing the structures related to operating systems activities and developing and evolving the platforms; a part of this comprises the initiatives for the new Group Unified Control Room model and strengthening the Demand Management structures for the various business areas.

Information systems security

The security of information systems and the proper management of data privacy in relation to corporate information is one of the main goals of the Information Systems Department, which continually updates and improves standards in compliance with applicable laws and company policies and invests in training its staff.

The department continues to work to prevent and monitor against possible cyber-attacks by continuing the specific activities already underway and periodically carrying out risk analysis (vulnerability assessment) on ongoing systems.

1.13 HUMAN RESOURCES ORGANIZATION, INDUSRTIAL RELATIONS, EMPLOYEE DEVELOPMENT AND TRAINING

Human resources

As of June 30, 2015, the Hera Group had 8,376 permanent employees (consolidated companies), with the following breakdown by role: managers (150), middle managers (506), employees (4,365) and workers (3,355). This workforce was the result of 115 new hires and 161 departures as well as changes in scope* that brought 3 new hires. The new hires were made essentially as a result of qualitative turnover involving the addition of more qualified staff.

(*) Alento Gas

Organization

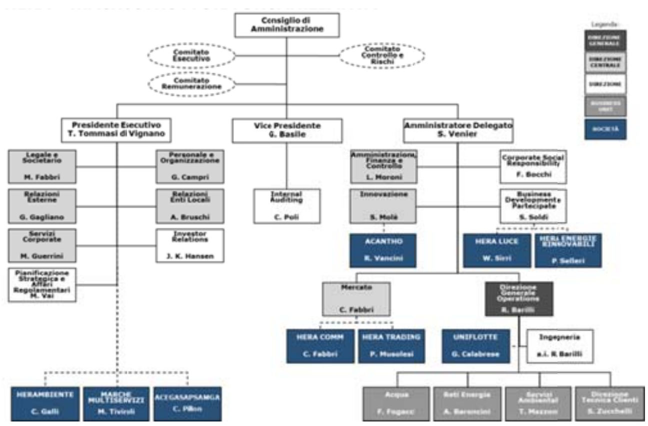
Industrial and operational integration: the Hera model

In the multi-utility landscape, the Hera model is distinguished for having carried out an industrial and operational integration based on a Holding which ensures an integrated Group vision through Central Departments dedicated to planning and control. Through the specific Business areas, the operational management of the Group's activities is guaranteed; their coordination and direction (as far as the operational areas are concerned) is provided by the Operations General Department.

The Utility sector is increasingly characterised by rapid changes, with competitive dynamics and a regulatory context oriented towards specialisation, and by certain key elements (such as water and environmental services regulations, public tenders for services and regional regulation). In short, in this landscape growth is closely tied to businesses' ability to achieve continuous innovation in industrial processes.

Innovating and simplifying operational mechanisms

The Group's operational model was consolidated during 2015, pursuing the simplification of operational mechanisms and further increasing the commitment to technological and process innovation with the aim of identifying tools for achieving the Group's objectives. The Group's organizational macrostructure is outlined below:



Within the Operations General Department, the Engineering Department was organizationally reconfigured, overcoming the division between Large Plant Engineering and Network Systems Engineering and concentrating skills related to the planning, design and implementation of projects within a single organizational area.

The Group aims to maintain the best balance between business-sector prospects and ties with the local area through organization, processes, resources and systems, seeking to maximize the effectiveness and efficiency of its services.

Harmonizing the AcegasApsAmga organizational model

In the course of 2015, the process of organizational harmonization of AcegasApsAmga was continued.
To that end the activities of procurement, fleet management and facility management were concentrated in the Purchasing, Procurement and Services department.
A project has also been launched with the aim of fostering an improvement in the performance and service levels provided by the interface structures at AcegaApsAmga, promoting an integrated vision of the various areas associated with customer management.

Main developments at Herambiente

As of June 30, 2015 the activities leading to the merger by incorporation of Akron Spa into Herambiente Spa have been completed, the latter company to be operational as of July 1, 2015.

These activities were aimed at consolidating the position of market leadership in the process of recovering materials and energy from waste, contributing to completing the value chain downstream of the usual treatment process.
By virtue of this merger, Herambiente gained 7 plants in the Emilia-Romagna region complete with storage, selection, treatment and recovery facilities.
Finally, in the Production Department, the Company Hestambiente Srl was established, with operational effectiveness as of July 1, 2015, following the sale by AcegasApsAmga of waste-to-energy plants in Padua and Trieste with the strategic objective of developing the business and strengthening the company's leading position in the field of waste disposal.

Main developments in the Central Market Department

In relation to the Central Market Department, the following developments occurred:

- effective March 2015, the reorganization of Hera Comm's Top Business Market and associated definition of the organizational structure of Hera Servizi Energia, the company that oversees and develops integrated management services for electricity and heat as well as the improvement of energy efficiency and heat management;
- effective April 1, 2015, the definition of the organizational structure of Amga Energia & Servizi in accordance with Hera Comm's configuration and orientation guidelines, and the concurrent reorganization of Hera Comm's Costing and Forecasting function;
- effective February 2015, the reorganization of Hera Comm's Company Market function.

Main developments in central departments

The final event of note is the reorganization of the Finance function of the Administration, Finance and Control Central Department.

Industrial Relations

In 2015 work continued in the various local areas and Group companies to harmonize conditions originating from local bargaining (homogenization was achieved in the territories of Ravenna and Forli-Cesena over the summer period in relation to working hours in specific operational areas with the consequent reduction of on-call overtime; certain benefits no longer suited to changed work contexts were also harmonized). Remuneration and regulatory conditions were also harmonized with those currently in place in the Group for the employees of Herambiente SpA headquartered at Pozzilli (Isernia) in the areas of holidays, making up overtime, additional time off, medical appointments, delays and transfers. In terms of on-call response, verification meetings continued to be held following the implementation of the new organizational model of emergency response. This process led to approving the Minutes of meetings in which it was decided that further refinement activities would be carried out in relation to both the organizational model and operational scopes. Agreements were also signed in all areas of the Group relating to the calculation and definition of productivity indicators for the 2013-2015 performance bonus. The legally required joint verification procedure was also carried out in relation to the merger of Akron Spa into Herambiente Spa. And finally, for the first time at the Group level, an Agreement on Financed Training was signed.

Development

Activities continued in the formation and diffusion of the Group's Leadership Model: a series of initiatives have been carried out since 2010 for all managers and middle managers. In the first half 2015, training initiatives were held about the focus on service, addressing primarily the Group’s middle managers, managers and directors, fully integrated into the employee program of AcegasApsAmga. In the first half of the year, the questionnaire for the internal climate survey was updated, and all the necessary communicational and organizational activities were initiated for the launch of the survey, which will be conducted according to the “Policies of good re-entry” project, funding for which was actuated March 19, 2013 and concluded March 18, 2015; a final report on the project, which was approved by all the trade unions, was also sent to the Ministry and a verification of the consistency of the values and activities reported is scheduled for the second half of the year. In 2015, the new Development Process was launched for the entire Group, involving the training of all the supervisors involved in the evaluation and calibration process, as well as an assessment of Managerial Performance and Skills covering approximately 5,000 employees.

Training

In the first half of 2015 a total of 141,190 hours of training were held at the Group level: 16.9 hours were held per capita (14.6 in 2014), with an increase of approximately 16%. At the Group level, approximately 92% of employees were involved in at least one training activity. The economic investment, less costs for personnel in training and in-house instructors, was 766,702 euro, 95,018 euro of which derived from the use of financed training funds. The data attest to the substantial investment in terms of both funds and resources that the Group dedicates to the ongoing valorization and development of its human capital, including through the consolidation of HerAcademy, the Group's Corporate University.

Diversity

March 18, 2015 marked the end of the “Policies of good re-entry” financing project which since 2013 had provided training for 75 people returning from parental leave or leave for reasons of family care and involved 50 people in group coaching activities; since 2013, as part of this project, agreements were also established with childcare centers located close to the Hera headquarters in Modena, Ferrara, Forlì and Rimini. By establishing these agreements, the company was able to ensure a flexible and accessible service for employees located in the areas that still did not offer corporate or inter-corporate childcare facilities.

The summer camps for employees’ children continued to enjoy success in 2015 as well: during the summer period, weeks of the service will be made available at special prices, with Hera subsidizing 50% of the entry fee together with Cral on the basis of agreements established with partners in the Emilia Romagna region.

CHAPTER 2

CONSOLIDATED FINANCIAL STATEMENTS OF THE HERA GROUP

2.01 FINANCIAL STATEMENTS

2.01.01 Income statement

thousands of euros	notes	1st half 2015	1st half 2014
Revenue	3	2,213,014	2,089,089
Other operating revenues	4	155,879	139,233
Use of raw materials and consumables	5	(1,103,934)	(988,272)
Service costs	6	(530,670)	(518,337)
Personnel costs	7	(260,749)	(251,698)
Amortisation, depreciation,provisions	8	(214,026)	(208,091)
Other operating costs	9	(26,861)	(26,950)
Capitalised costs	10	12,374	7,804
Operating profit		**245,027**	**242,778**
Portion of profits (loss) pertaining to joint ventures and associated comp:	11	6,260	4,121
Financial income	12	57,305	92,690
Financial expense	12	(124,878)	(165,381)
Total financial operations		**(61,313)**	**(68,570)**
Pre-tax profit		**183,714**	**174,208**
Taxes for the period	13	(68,331)	(69,477)
Net profit for the period		**115,383**	**104,731**
Attributable to:			
Shareholders of the Parent Company		107,294	96,257
Non-controlling interests		8,089	8,474
Earnings per share	14		
basic		**0.073**	**0.068**
diluted		**0.073**	**0.068**

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related-party transactions are indicated in the specfic income statement shown in section 2.02.01 of these conslidated financial statements.

2.01.02 Comprehensive Income Statement

thousands of euros	notes	1st half 2015	1st half 2014
Net profit / (loss) for the period		**115,383**	**104,731**
Items reclassifiable to the income statement			
Change in the fair value of derivatives for the period	22	750	1,667
Tax effect related to the other reclassifiable items of the comprehensive income statement		(207)	(459)
other components of comprehensive income, enterprises valuated with the equity method		71	(9)
Items not reclassifiable to the income statement			
Actuarial gains/(losses) post-employment benefits	31	7,777	(12,993)
Tax effect related to the other not reclassifiable items of the comprehensive income statement		(2,134)	3,294
other components of comprehensive income, enterprises valuated with the equity method		-	
Total comprehensive income/(loss) for the period		**121,640**	**96,231**
Attributable to:			
Shareholders of the Parent Company		112,750	88,190
Non-controlling interests		8,890	8,041

2.01.03 Statement of financial position

thousands of euros	notes	30-Jun-2015	31-Dec-2014
ASSETS			
Non-current assets			
Property,plant and equipment	15	2,018,700	2,063,698
Intangible assets	16	2,816,889	2,797,047
Property investments	17	3,683	3,737
Goodw ill	18	378,564	378,564
Non-controlling interests	19	153,794	152,808
Financial assets	20	104,507	83,609
Deferred tax assets	21	79,032	68,098
Financial instruments - derivatives	22	115,542	103,096
Total non-current assets		**5,670,711**	**5,650,657**
Current assets			
Inventories	23	83,775	103,588
Trade receivables	24	1,454,764	1,463,635
Contract w ork in progress	25	17,493	16,268
Financial assets	20	34,200	45,150
Financial instruments - derivatives	22	11,015	24,136
Current tax assets	26	41,184	32,200
Other current assets	27	439,035	261,998
Cash and cash equivalents	20	423,914	834,495
Total current assets		**2,505,380**	**2,781,470**
Non-current assets held for sale	28		601
TOTAL ASSETS		**8,176,091**	**8,432,728**

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related-party transactions are indicated in the specfic statement of financial position shown in section 2.02.02 of these conslidated financial statements.

thousands of euros		30-Jun-2015	31-Dec-2014
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves	29		
Share capital		1,473,869	1,469,938
Reserves		703,510	676,236
Profit (loss) for the period		107,294	164,772
Group equity		**2,284,673**	**2,310,946**
Non-controlling interests		144,407	148,055
Total equity		**2,429,080**	**2,459,001**
Non-current liabilities			
Borrow ings – maturing beyond 12 months	30	2,849,739	3,095,301
Post-employment benefits	31	151,857	162,971
Provisions for risks and charges	32	348,180	336,500
Deferrred tax liabilities	21	16,207	15,084
Finance lease payments - maturing beyond 12 months	33	24,310	25,351
Financial instruments - derivatives	22	32,049	38,415
Total non-current liabilities		**3,422,342**	**3,673,622**
Current liabilities			
Banks and other borrow ings – maturing w ithin 12 months	30	427,855	547,333
Finance lease payments - maturing w ithin 12 months	33	2,571	3,451
Trade payables	34	961,247	1,193,626
Current tax liabilities	26	114,814	30,203
Other current liabilities	35	801,672	493,563
Financial instruments - derivatives	22	16,510	31,929
Total current liabilities		**2,324,669**	**2,300,105**
TOTAL LIABILITIES		**5,747,011**	**5,973,727**
TOTAL EQUITY AND LIABILITIES		**8,176,091**	**8,432,728**

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related-party transactions are indicated in the specfic statement of financial position shown in section 2.02.02 of these conslidated financial statements.

2.01.04 Cash Flow Statement

thousands of euros	notes	30-giu-2015	30-giu-2014
Pre-tax profit		**183,714**	**174,208**
Adjustments to reconcile net profit to the cashflow from operating activities:			
Amortisation and impairment of property, plant and equipment		79,595	85,070
Amortisation and impairment of intangible assets		86,095	77,093
Effect of valuation using the equity method		(6,260)	(4,121)
Allocations to provisions		48,336	46,612
Financial expense / (Income)		67,573	72,691
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)		(26)	(3,128)
Change in provisions for risks and charges		(9,705)	(12,458)
Change in provisions for employee benefits		(4,920)	(3,471)
Total cash flow before changes in net working capital		**444,402**	**432,496**
(Increase) / Decrease in inventories		18,588	(12,875)
(Increase) / Decrease in trade receivables		(22,410)	22,199
Increase / (Decrease) in trade payables		(229,893)	(222,126)
Increase / Decrease in other current assets/ liabilities		127,683	(18,920)
Change in working capitals		**(106,032)**	**(231,722)**
Dividends collected		6,385	9,732
Interests income and other financial income collected		10,711	12,817
Interests expense and other financial charges paid		(81,775)	(104,973)
Taxes paid		(6,397)	(13,232)
Cash flow from (for) operating activities (a)		**267,294**	**105,118**
Investments in property, plant and development		(40,797)	(44,519)
Investments in intangible assets		(104,616)	(92,418)
Investments in companies and business units net of cash and cash equivalents	36	(4,870)	(7,727)
Sale price of property,plant and equipment and intangible assets (including lease-back transactions)		3,398	3,728
Disvestments and *contingent consideration*		249	1,957
(Increase) / Decrease in other investment activities		(10,551)	11,372
Cash flow from (for) investing activities (b)		**(157,187)**	**(127,607)**
New issues of long-term bonds		-	5,000
Repayments and other net changes in borrowings		(371,909)	(191,293)
Lease finance payments		(2,387)	(1,399)
Investments in consolidated companies	36	(27,000)	(1,860)
Increase in share capital		9,100	-
Dividends paid out to Hera shareholders and non-controlling interests		(137,299)	(131,216)
Change in treasury shares		8,807	(3,346)
Cash flow from (for) financing activities (c)		**(520,688)**	**(324,114)**
Effect of change in exchange rates on cash and cash equivalents (d)		**-**	**-**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)		**(410,581)**	**(346,603)**

Cash and cash equivalents at the beginning of the year	834,495	926,933
Cash and cash equivalents at the end of the year	423,914	580,330

Pursuant to Consob resolution no. 15519 of 27 July 2006, the effects of related-party transactions are indicated in the specfic cash flow statement shown in section 2.02.03 of these conslidated financial statements.

2.01.05 Statement of Changes 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 period	Equity	Non-controlling interests	Total
Balance at 31 December 2013 (*as adjusted*)	1,410,357	607,681	(3,063)	(19,503)	164,934	2,160,406	145,317	2,305,723
Profit for the period (as adjusted)					96,257	**96,257**	8,474	**104,731**
Other components of comprehensive income at 30 June 2014:								
fair value of derivatives, change in the period			894			**894**	314	**1,208**
Actuarial gains/(losses) post-employment benefits				(8,952)		**(8,952)**	(747)	**(9,699)**
other components of comprehensive income, enterprises valuated with the equity method		(9)				**(9)**		**(9)**
Total comprehensive income for the period		(9)	894	(8,952)	96,257	88,190	8,041	96,231
change in treasury shares	(1,009)	(2,334)				**(3,343)**		**(3,343)**
change in equity interest		(1,215)		(17)		**(1,232)**	(628)	**(1,860)**
change in scope of consolidation						**-**	(41)	**(41)**
other movements		30				**30**	(47)	**(17)**
Allocation of 2013 profit:								
- dividends paid out					(126,744)	**(126,744)**	(10,340)	**(137,084)**
- allocation to other reserves		16,903			(16,903)	**-**		**-**
- undistributed profits to retained earnings		21,287			(21,287)	**-**		**-**
Balance at 30 June 2014	1,409,348	642,343	(2,169)	(28,472)	96,257	2,117,307	142,302	2,259,609
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					107,294	**107,294**	8,089	**115,383**
Other components of comprehensive income at 30 June 2015:								
Change in the fair value of derivatives for the period			319			**319**	224	**543**
Actuarial gains/(losses) post-employment benefits				5,066		**5,066**	577	**5,643**
other components of comprehensive income, enterprises valuated with the equity method		71				**71**		**71**
Total comprehensive income for the period		71	319	5,066	107,294	112,750	8,890	121,640
change in treasury shares	3,931	4,876				**8,807**		**8,807**
versamento azioni di minoranza						**-**	9,100	**9,100**
change in equity interest		(15,021)		(56)		**(15,077)**	(11,923)	**(27,000)**
other movements		(56)				**(56)**	(57)	**(113)**
Allocation of 2014 profit:								
- dividends paid out		(6,270)			(126,427)	**(132,697)**	(9,658)	**(142,355)**
- allocation to other reserves		8,087			(8,087)	**-**		**-**
- undistributed profits to retained earnings		30,258			(30,258)	**-**		**-**
Balance at 30 June 2015	1,473,869	729,469	(766)	(25,193)	107,294	2,284,673	144,407	2,429,080

2.02 FINANCIAL STATEMENTS – CONSOB RESOLUTION 15519/2006

2.02.01 Income statement

			of which related parties							of which related parties					
thousands of euros	Notes	1st half 2015	A	B	C	D	Total	%	1st half 2014	A	B	C	D	Total	%
Income Statement															
Revenue	3	2,213,014		43,393	148,900	7,230	199,523	*9.0*	2,089,089		43,139	175,404	8,906	227,449	*10.9*
Other operating revenues	4	155,879		93	592	1	686	*0.4*	139,233		1,224	(28)	85	1,281	*0.9*
Use of raw materials and consumables	5	(1,103,934)		(14,220)		(20,171)	(34,391)	*3.1*	(988,272)		(4,835)		(19,123)	(23,958)	*2.4*
Service costs	6	(530,670)		(3,810)	(11,238)	(20,662)	(35,710)	*6.7*	(518,337)	(5)	(7,776)	(13,655)	(19,688)	(41,124)	*7.9*
Personnel costs	7	(260,749)							(251,698)				(340)	(340)	*0.1*
Amortisation, depreciation,provisions	8	(214,026)							(208,091)						
Other operating costs	9	(26,861)		(24)	(762)	(293)	(1,079)	*4.0*	(26,950)		(4)	(2,231)	(443)	(2,678)	*9.9*
Capitalised costs	10	12,374							7,804						
Operating profit		245,027		25,432	137,492	(33,895)	129,029		242,778	(5)	31,748	159,490	(30,603)	160,630	
Portion of profits (loss) pertaining to joint ventures and associated companies	11	6,260		6,260			6,260	*100.0*	4,121		4,121			4,121	*100.0*
Financial income	12	57,305		955	50	18	1,023	*1.8*	92,690		1,314		1,995	3,309	*3.6*
Financial expense	12	(124,878)		(11)	(154)		(165)	*0.1*	(165,381)		(12)	(184)	(2,110)	(2,306)	*1.4*
Total financial operations		(61,313)		7,204	(104)	18	7,118		(68,570)		5,423	(184)	(115)	5,124	
Pre-tax profit		183,714		32,636	137,388	(33,877)	136,147		174,208	(5)	37,171	159,306	(30,718)	165,754	
Taxes for the period	13	(68,331)							(69,477)						
Net profit for the period		115,383		32,636	137,388	(33,877)	136,147		104,731	(5)	37,171	159,306	(30,718)	165,754	
Attributable to:															
Shareholders of the Parent Company		107,294							96,257						
Non-controlling interests		8,089							8,474						
Earnings per share	14														
basic		0.073							0.068						
diluted		0.073							0.068						

Key of headings of related apatie columns:

A Non-consolidated subsidiaries B Jointly controller associated companies C Related compagnie 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-2015	of which related parties A	B	C	D	Total	%	31-Dec-2014	of which related parties A	B	C	D	Total	%
ASSETS															
Non-current assets															
Property,plant and equipment	15	2,018,700							2,063,698						
Intangible assets	16	2,816,889							2,797,047						
Property investments	17	3,683							3,737						
Goodwill	18	378,564							378,564						
Non-controlling interests	19	153,794	292	130,367	0	19,082	149,741	97.4	152,808	283	129,377		19,096	148,756	97.3
Financial assets	20	104,507	0	67,547	19,145	0	86,692	83.0	83,609		50,350	19,304		69,654	83.3
Deferred tax assets	21	79,032							68,098						
Financial instruments - derivatives	22	115,542							103,096						
		5,670,711	292	197,914	19,145	19,082	236,433		5,650,657	283	179,727	19,304	19,096	218,410	
Current assets															
Inventories	23	83,775							103,588						
Trade receivables	24	1,454,764	30	13,793	67,744	9,661	91,228	6.3	1,463,635	28	19,344	40,853	16,451	76,676	5.2
Contract work in progress	25	17,493							16,268						
Financial assets	20	34,200	0	15,220	1,354	0	16,574	48.5	45,150		20,295	753		21,048	46.6
Financial instruments - derivatives	22	11,015							24,136						
Current tax assets	26	41,184							32,200						
Other current assets	27	439,035	0	454	2,033	21,212	23,699	5.4	261,998		1,292	312	18,394	19,998	7.6
Cash and cash equivalents	20	423,914							834,495						
		2,505,380	30	29,467	71,131	30,873	131,501		2,781,470	28	40,931	41,918	34,845	117,722	
Non-current assets held for sale	28								601						
TOTAL ASSETS		8,176,091	322	227,381	90,276	49,955	367,934		8,432,728	311	220,658	61,222	53,941	336,132	
thousands of euros	Notes	30-jun-2015	of which related parties A	B	C	D	Total	%	31-Dec-2014	of which related parties A	B	C	D	Total	%
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and reserves	29														
Share capital		1,473,869							1,469,938						
Reserves		703,510							676,236						
Profit (loss) for the year		107,294							164,772						
Group equity		2,284,673							2,310,946						
Non-controlling interests		144,407							148,055						
Total equity		2,429,080							2,459,001						
Non-current liabilities															
Borrowings – maturing beyond 12 months	30	2,849,739			5,947		5,947	0.2	3,095,301			6,454		6,454	0.2
Post-employment benefits	31	151,857							162,971						
Provisions for risks and charges	32	348,180							336,500						
Deferred tax liabilities	21	16,207							15,084						
Finance lease payments - maturing beyond 12 months	33	24,310							25,351						
Financial instruments - derivatives	22	32,049							38,415						
		3,422,342			5,947		5,947		3,673,622			6,454		6,454	
Current liabilities															
Banks and other borrowings – maturing within 12 months	30	427,855		851	3,522		4,373	1.0	547,333		845	32,384		33,229	6.1
Finance lease payments - maturing within 12 months	33	2,571							3,451						
Trade payables	34	961,247	(2)	11,159	21,752	26,501	59,410	6.2	1,193,626	(3)	12,521	21,480	26,098	60,096	5.0
Current tax liabilities	26	114,814							30,203						
Other current liabilities	35	801,672		3,876	6,665	2,979	13,520	1.7	493,563		3,543	8,618	2,872	15,033	3.0
Financial instruments - derivatives	22	16,510							31,929						
		2,324,669	(2)	15,886	31,939	29,480	77,303		2,300,105	(3)	16,909	62,482	28,970	108,358	
Total liabilities		5,747,011	(2)	15,886	37,886	29,480	83,250		5,973,727	(3)	16,909	68,936	28,970	114,812	
TOTAL EQUITY AND LIABILITIES		8,176,091	(2)	15,886	37,886	29,480	83,250		8,432,728	(3)	16,909	68,936	28,970	114,812	

Key of headings of related apatie columns: A Non-consolidated subsidiaries B Jointly controller associated companies C Related compagnie 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-2015	of which related parties
Pre-tax profit	**183,714**	
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	79,595	
Amortisation and impairment of intangible assets	86,095	
Effect of valuation using the equity method	(6,260)	
Allocations to provisions	48,336	
Financial expense / (Income)	67,573	
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(26)	
Change in provisions for risks and charges	(9,705)	
Change in provisions for employee benefits	(4,920)	
Total cash flow before changes in net working capital	**444,402**	
(Increase) / Decrease in inventories	18,588	
(Increase) / Decrease in trade receivables	(22,410)	(14,552)
Increase / (Decrease) in trade payables	(229,893)	(686)
Increase / Decrease in other current assets/ liabilities	127,683	(5,214)
Change in working capitals	**(106,032)**	
Dividends collected	6,385	5,352
Interests income and other financial income collected	10,711	913
Interests expense and other financial charges paid	(81,775)	(165)
Taxes paid	(6,397)	
Cash flow from (for) operating activities (a)	**267,294**	
Investments in property, plant and development	(40,797)	
Investments in intangible assets	(104,616)	
Investments in companies and business units net of cash and cash equivalents	(4,870)	(10)
Sale price of property,plant and equipment and intangible assets (including lease-back transactions)	3,398	
Divestments of investments	249	
(Increase) / Decrease in other investment activities	(10,551)	(12,454)
Cash flow from (for) investing activities (b)	**(157,187)**	
New issues of long-term bonds	-	
Repayments and other net changes in borrowings	(371,909)	(29,363)
Lease finance payments	(2,387)	
Investments in consolidated companies	(27,000)	
Increase in share capital	9,100	
Dividends paid out to Hera shareholders and non-controlling interests	(137,299)	(59,030)
Change in treasury shares	8,807	
Cash flow from (for) financing activities (c)	**(520,688)**	
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**(410,581)**	
Cash and cash equivalents at the beginning of the year	834,495	
Cash and cash equivalents at the end of the year	423,914	

2.02.04 List of related parties

The values shown in the table as at 30 june 2015 refer to the related parties listed hereunder:

Group A. Related parties – non-controlled subsidiaries and joint ventures:

AdriaLink Srl
Calorpiù Italia Scarl in liquidation
Black Sea Comp.Compr.GAS Ltd
Hestambiente Srl

Group B. Related parties – associated companies and joint ventures:

Adriatica Acque Srl
Aimag Spa
Centro Idrico di Novoledo Srl
Elettrogorizia Spa
Enomondo Srl
Energo doo
Estenergy Spa
Estense Global Service Scarl
Ghirlandina Solare Srl
H.E.P.T. Co.Ltd
Natura Srl in liquidation
Oikothen Scarl
Q.Thermo Srl
Sei Spa
SET Spa
SGR Servizi Spa
So.Sel Spa
Tamarete Energia Srl

Group C. Related parties with significant influence:

Municipality of Bologna
Municipality of Casalecchio di Reno
Municipality of Cesena
Municipality of Ferrara
Municipality of Imola
Municipality of Modena
Municipality of Padova
Municipality of Ravenna
Municipality of Rimini
Municipality of Trieste
Holding Ferrara Servizi Srl
Ravenna Holding Spa
Rimini Holding Spa

Group D. Other related parties:

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

2.03 EXPLANATORY NOTES

2.03.01 Consolidated explanatory notes

Basis of preparation and criteria for evaluation

The abbreviated biannual consolidated financial statement as at 30 June, 2015 of Hera Spa (hereinafter referred to also as the "Company") and its subsidiaries (hereinafter "Hera Group" or the "Group"), comprised of the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and explanatory notes, has been prepared in application of Regulation (EC) No. 1606/2002 of 19 July 2002, in observance of International Accounting Financial Reporting Standards (hereinafter IFRSs), issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission, supplemented by the relevant interpretations (*Standing Interpretations Committee - SIC* and *International Financial Reporting Interpretations Committee - IFRIC*) issued *by the International Accounting Standards Board (IASB*)), as well as the provisions enacted in implementing article 9 of Italian Legislative Decree no. 38/2005.

In preparing the abbreviated biannual consolidated financial statement, prepared in accordance with IAS 34 "Interim Financial Reporting", the same accounting policies were applied that had previously been adopted in preparing the consolidated financial statement of 31 December 2014, which should be consulted for more detailed information, except as described in the section "accounting standards, amendments and interpretations effective beginning 1 January 2015."

The data contained in this abbreviated biannual consolidated financial statement are comparable with those of the previous year, unless otherwise indicated in the notes referring to individual items. In comparing the individual items of the income statement and statement of financial position, the changes in the scope of consolidation indicated in the relevant section should also be taken into account.

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

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

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

This abbreviated biannual consolidated financial statement as at 30 June 2015 was prepared by the Board of Directors and approved by them in the session held 26 August, 2015. This statement underwent a limited audit by Deloitte & Touche Spa.

Financial statement formats

The formats used are the same as those used for the consolidated financial statements for the year ending 31 December 2014. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major *competitors* and is in line with international practice, best represents the company's results.

The Statement of comprehensive income is presented in a separate document from the income statement, as permitted by *IAS 1* revised, distinguishing what may be reclassified subsequently to profit and loss from that which will never be reclassified to profit and loss. The other components of comprehensive income are shown separately also in the Statement of changes in equity. The Statement of financial position makes a distinction between current and non-current assets and liabilities. The Cash flow statement has been prepared using the indirect method, as permitted by IAS 7.

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

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

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

Significant estimates and valuations

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

Provisions

These provisions were made by adopting the same procedures as in previous years, with reference to reports by the legal advisers and consultants that are following the cases, as well as on the basis of developments in the relevant legal proceedings.

Recognition of revenues

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

Deferred tax assets

Deferred tax assets are recognised in light of expected taxable income in future years. Expectations of future taxable income, for the recognition of deferred tax assets, depend on factors that may change over time and determine significant effects on the Group's ability to recover deferred tax assets.

Depreciation

Depreciation is calculated on the basis of the remaining useful life of the asset. Management determines the remaining useful life of the asset upon its recognition; opinions on the remaining useful life of an asset are based on past experience, market conditions and expectations of future events that might affect such useful life, including technological change. Consequently, it is possible that effective useful life might differ from estimated useful life.

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

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

Scope of consolidation

The abbreviated biannual consolidated financial statement as at 30 June 2015 includes the financial statements of the parent company Hera SpA and its subsidiaries. Control is achieved when the parent Company has the power to influence the subsidiary's yields, that is to say when the parent Company has the ability to direct the relevant activities of the subsidiary by means of rights which are currently valid. Subsidiaries whose scope is irrelevant, and those in which the exercise of voting rights is subject to severe and long-term restrictions, are excluded from consolidation and valued at cost.

Investments in joint ventures (as defined by IFRS 11), in which the Group exercises joint control together with other shareholders, are consolidated using the equity method. Investments in companies over which the Group exercises significant control are also valued using the equity method. Firms whose scope is irrelevant are carried at cost. Subsidiaries and affiliates which are not consolidated or accounted for using the equity method are listed in Note 19.

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

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

	30-Jun-15		31-Dec-14		30-Jun-14	
	Average	Specific	Average	Specific	Average	Specific
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Serbian Dinar	120.883	120.321	117.231	121.122	115.614	115.809

Changes in the Scope of Consolidation

On 29 April 2015 Group company Hera Comm Marche Srl took over Alento Gas Srl, a company engaged in gas sales to final users. The effects of the transaction are summarized as follows:

€ / 000	
Carrying amount of acquired assets	**1,947**
Adjustments to fair value:	
Intangible assets (customer list)	5,164
Deffered tax assets / (liabilities)	(1,585)
Fair value net assets acquired	**5,526**
Fair value ordinary shares issued	
Cash payment	5,526
Acquisition cost	***5,526***
Non-controlling interests acquired	-
Fair value shares held	-
Merger value	**5,526**

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

Changes in equity investments

On 31 March 2015 the Hera Group bought out the non-controlling shareholders (42.5%) of Akron Spa, a company that was already consolidated on a line-by-line basis. The difference between the amount of the adjustment of non-controlling interests, for €11,630,000, and the fair value of the equity interest, amounting to €27,000,000, was recognized in equity and attributed to the parent company's shareholders.

Other corporate operations

Effective 1 January 2015, Hera Energie Srl was merged with and into Sinergia Srl, which changed its name to Hera Servizi Energia Srl.
On 15 June 2015, Herambiente Spa, of which the Group owns 75%, approved a cash capital increase (inclusive of a share premium) for €36,400,000, to be paid on a pro rata basis by shareholders. On 25 June the new shares were subscribed and paid for also by the non-controlling shareholders, who injected fresh cash into the Group for a total of €9,100 thousand.

Accounting standards, amendments and interpretations applicable from 1 January 2015

Starting 1 January 2015 the standards, interpretations and amendments listed below will apply mandatorily, as they have completed the EU endorsement process:

Ifric 21 – Levies (Regulation 634/2014). Interpretation issued on 20 May 2013 by the IFRS IC and applicable retrospectively starting as of 17 June 2014. The interpretation was issued to indicate the accounting treatment of levies, i.e. all the payments to a government agency for which the entity does not receive specific goods or services. The document identifies different types of levies, clarifying which events give rise to the obligation that determines, in turn, the recognition of a liability under IAS 37.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2011-2013 Cycle)", subsequently adopted by the European Union with Regulation 1361/2014. These improvements, which are applicable as of 1 July 2014, include amendments to the following existing IFRSs

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

No effects on the Group's balance sheet have been seen following the application of the amendments introduced.

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 2016 the standards, interpretations and amendments listed below will apply mandatorily, as they have completed the EU endorsement process:

Amendments to IAS 19 – Employee benefits: Defined-benefit plans – employee contributions. Document issued by the IASB on 21 November 2013, applicable as of 1 February 2015. The objective of the amendments is to simplify the accounting treatment of contributions, which are independent of the number of service years for employees, such as employee contributions calculated on the basis of a fixed salary percentage.

On 12 December 2013 the International Accounting Standards Board (IASB) published the "Improvements to the International Financial Reporting Standards (2010-2012 Cycle)", subsequently adopted by the European Union with Regulation 28/2015. These improvements, which are applicable as of 1 February 2015, include amendments to the following existing IFRSs:

- **Improvement IFRS 2** –Share-based Payments: Definitions relating to vesting conditions. The definitions of vesting conditions and market conditions are changed and the new definitions of performance condition and service condition are introduced.

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

The Group is currently evaluating the potential effects on its balance sheets that would derive from the adoption of this standard or amendments to existing standards.

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

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

IFRS 9 – Financial Instruments. Published by the IASB in its final version on 24 July 2014 at the end of a process lasting many years, intended to replace the current IAS 39. The standard, whose application has been defined at 1 January 2018, introduces new criteria to classify financial assets and liabilities, for the derecognition and impairment of financial assets, and the treatment and accounting of hedging transactions.

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

IFRS 15 – Revenue from contracts with customers. Standard issued by the IASB on 28 May 2014 that replaces the IAS 18 – Revenue, the IAS 11 – Construction contracts, the interpretations SIC 31, IFRIC 13 and IFRIC 15. the new standard applies to all contracts with customers except for: leases within the scope of IAS 17 – Leases, contractual rights and obligations, and other financial instruments. It establishes a principle to be delivered in five phases, defining a timetable and the amount of revenue to be recognised (identifying the contracts with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price, recognising revenue when (or as) the entity satisfies a performance obligation).
Its mandatory adoption is expected as of 1 January 2018 (in May 2015 the IASB issued an Exposure Draft proposing to postpone its first-time adoption from 1 January 2017 to 1 January 2018), with early adoption permitted.
Application is foreseen with retroactive effect, with the possibility of choosing whether to apply IFRS in full to prior periods or to recognise the effects as an adjustment to the opening balance of equity as at the date of the first reporting period.

Amendments to IFRS 11 – Joint arrangements: acquisitions of interests in joint operations. Amendment issued by the IASB on 6 May 2014 and effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted. The document establishes that the standards contained in IFRS 3 – Business combinations concerning recognition of a business combination must be applied to recognise the acquisition of a joint operation in which the activity constitutes a business.

Amendments to IAS 16 and IAS 38 – Clarifications as to acceptable methods for depreciation and amortisation. Amendments issued by the IASB on 12 May 2014 and applicable as of financial years that begin on 1 January 2016. The documents specifies that, except for a few limited circumstances, a method of amortisation related to revenues cannot be considered acceptable for property, plant and equipment nor for intangible assets.

Amendments to IAS 16 and IAS 41 – Bearer plants. Amendments issued by the IASB on 30 June 2014 and applicable as of the financial years beginning 1 January 2016. The documents foresees that for a few specific types of biological assets (bearer plants) the accountancy methods must be those of IAS 16.

Amendments to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. Document published by the IASB on 11 September 2014 in order to resolve a conflict between the two standards mentioned, regarding the sale of assets or subsidiaries to an associate in a joint venture, effective for annual periods beginning on or after 1 January 2016. The amendments introduced foresee that in case of sales or contributions of assets or subsidiaries to an associate or a joint venture, the value of the profit or loss to be recognised in the balance sheets of the sold/contributed entity is to be put in relation with the classification of the assets or the subsidiary sold/contributed as a business, as defined by IFRS 3. In the event that the sale/contribution represents a business, the entity must recognise the profit or loss for the entire interest previously held; while, if this is not the case, the entity must recognise the amount of profit or loss pertaining to the interest still held by the entity to be eliminated.

On 25 September 2014 the International Accounting Standards Board (IASB) published the document Improvements to the International Financial Reporting Standard (2012-2014 Cycle). These improvements, applicable to financial years beginning 1 January 2016 or later, include amendments to the following international accounting standards:

- **Improvement IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations: changes in methods of disposal. The amendment establishes the guidelines to be followed in case an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa) and cases in which held-for-distribution accounting is discontinued.
- **Improvement IFRS 7** – Financial Instruments: Disclosures. The document adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures. Furthermore, as regards compensation between financial assets and liabilities, the document clarifies that the information is not explicitly required in all the interim financial reporting. However, the information could be necessary to respect the requisites foreseen by IAS 34, in case the information in question is significant.
- **Improvement IAS 19** – Employee Benefits: problems problematiche relative al tasso di sconto. The document introduces amendments to IAS 19 in order to clarify that high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The amendments specify that the depth of the market for high quality corporate bonds should be assessed at currency level.
- **Improvement IAS 34** – Interim Financial Reporting: disclosure of information elsewhere in the interim report. The document introduces amendments in order to clarify cases in which the information required is presented in the interim report, but not in the balance sheet sections. The amendment specifies that such information be included by way of cross-references between the two documents, provided that both are made available to users on the same terms and at the same time.

Amendments to IAS 1 – Presentation of Financial Statements. Document issued by the IASB on 18 December 2014. The amendments, applicable as of financial years beginning 1 January 2016, are aimed at improving the clarity of financial statements. The amendments introduced concern:

- materiality and aggregation – clarifies that information should not be obscured by way of aggregation or disaggregation and that the concept of materiality is applied to balance sheet formats, explanatory notes and the specific informatory requirements foreseen by each IFRS. It also clarifies that the information specifically required by IFRSs is to be provided only if the information is material;

- statement of financial position and statement of comprehensive income – clarifies that the list of items specified by IAS 1 for such statements can be aggregated or disaggregated according to individual cases. Guidelines are also provided as to the use of subtotals within the statements;
- presentation of other comprehensive income (OCI) – clarifies that an entity's share of OCI of equity-accounted associates and joint ventures is presented in aggregate as single line items, based on whether or not it will subsequently be reclassified to profit or loss;
- explanatory notes – clarifies that entities are entitled to flexibility in defining the structure of the explanatory notes, and guidelines are provided as to the systematic order in which notes are to be presented.

Amendments to IFRS 10, IFRS 11 and IAS 28 – Investment Entities: applying the consolidation exception. The document, issued by IASB on 18 December 2014, introduces the following amendments:

- the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity;
- the requirement, for an investment entity, of consolidating a subsidiary providing services that relate to the parent's investment activities, to be applied only for subsidiaries that are not, themselves, investment entities;
- when applying the equity method to an associate or joint venture that is an investment entity, it is possible to retain the fair value measurement applied by the associate or joint venture to its interests in its own subsidiaries;
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

3 Revenues

	First half 2015	First half 2014	Change
Revenues from sales and services	2,211,233	2,089,126	122,107
Change in contract work in progress	1,328	(369)	1,697
Changes in inventories of work in process, semifinished and finished products and work in progress	453	332	121
Total	**2,213,014**	**2,089,089**	**123,925**

Please see the management report for the analysis of sales trends by business sector and the report by *business* area contained in section 1.02.

Revenues are achieved mainly in Italy.

4 Other operating revenues

	First half 2015	First half 2014	Change
Long-term contract	91,745	78,360	13,385
White certificates	23,064	22,970	94
Operating grants and grants for separated w aste collection	14,021	11,903	2,118
Apportionments of operating grants	3,924	3,637	287
Cost refunds	1,789	1,814	(25)
Uses of and releases from provisions	3,741	3,996	(255)
Leases	1,555	1,200	355
Insurance reimbursements	412	733	(321)
Sales of material and inventories to third parties	1,024	823	201
Gains on disposal	444	161	283
Other revenues	14,160	13,636	524
Total	**155,879**	**139,233**	**16,646**

"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 2014 is mainly due to an increase in investments, see the more detailed comments outlined in the management report.

“White certificates” show the revenues recorded for the Compensation Fund of the electricity sector, after energy goals were attained.

"Operating grants and grants for separated waste collection" include operating grants, amounting to €2,343

thousand (€2,097 thousand as of the first half of 2014), mainly comprising incentives provided by the GSE for the production of energy from renewable sources and contributions from sorted waste collection in the amount of 11,678 thousand euro (9,806 thousand euro as of the first half of 2014) mainly comprising the value of packaging (cardboard, iron, plastic and glass) transferred to the Conai consortia.

The entirety of the item “Use and re-assessment of provisions” refers to labour costs, percolate disposal and vehicle hours. Beginning for the financial year ending 31 December 2014, the choice was to report only uses in “other operating revenues”, while, in the interest of greater clarity, re-assessments for excess provisions were classified to correct their associated provisions (see note 8, *Amortizations and Provisions*).

The item *Capital grant contributions* represents the proceeds from the amortization of the assets subject to contributions.

“*Other revenues*” include mainly cost recoveries in relation to environmental, electricity and gas services.

5 Use of raw materials and consumables

	First half 2015	First half 2014	Change
Electricity ready for sale	506,826	455,612	51,214
Methane ready for sale and LPG net of change in stocks	477,044	423,191	53,853
Maintenance materials net of changes in stocks	29,140	29,672	(532)
Electricity for industrial use	26,699	19,417	7,282
White, green an grey certificates	21,123	18,235	2,888
Water	20,976	20,712	264
Heat management combustible materials	9,159	2,884	6,275
Fuels and lubricants	8,042	8,383	(341)
Chemical products	7,820	6,726	1,094
Methane for industrial use	4,821	3,066	1,755
Charges and revenues from derivatives	(2,123)	784	(2,907)
Charges and revenues from certificate valuation	(8,637)	(8,119)	(518)
Consumables and sundry	3,044	7,709	(4,665)
Total	**1,103,934**	**988,272**	**115,662**

For an analysis of the trend in the costs of raw materials and consumables, please see the management report and the report by business area contained in section 1.02.

For the item *Charges and revenues from derivatives*, please see note 22 of the financial position.

The item *White, gray and green Certificates* includes the purchase cost of the various types of environmental certificates incurred during the first half of 2015. In particular:
• 20,418 thousand euro for white certificates (16,787 thousand euro in 2014);
• 558 thousand euro for gray certificates (851 thousand euro in 2014);
• 147 thousand euro for green certificates (597 thousand euro in 2014).

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

The item *Charges and revenues from certificate valuation* reflects the valuation of certificates in stock, particularly:

- white, expenses of euro 226 thousand (expenses of euro 367 thousand in 2014)
- green, expenses of euro 9,698 thousand (revenues of euro 8,140 thousand in 2014);
- grey, expenses of euro 835 thousand (revenues of euro 346 thousand in 2014);

6 Service costs

	First half 2015	First half 2014	Change
Charges for w orks and maintenance	134,059	129,951	4,108
Transport and storage	124,812	117,303	7,509
Waste transport, disposal and collection service	118,035	119,564	(1,529)
Fees paid to local authorities	39,424	35,853	3,571
Rents and leases payable	13,519	15,039	(1,520)
IT and data processing services	12,825	10,497	2,328
Professionnal, legal, tax and organisational services	10,635	11,227	(592)
Other commercial services	9,444	8,759	685
Insurances	8,925	10,836	(1,911)
Recruitement training and other staff cost	8,387	8,043	344
Postal and telephone cost	7,306	7,915	(609)
Technical services	5,954	7,029	(1,075)
Bank fees and charges	5,158	5,159	(1)
Announcements and advertising	4,145	2,961	1,184
Cleaning and security costs	4,094	3,957	137
Agency costs	3,964	5,100	(1,136)
Meters reading	2,881	2,130	751
Remuneration to statutory auditors and directors	2,766	3,042	(276)
Fees payable	2,597	1,483	1,114
Laboratory analysis	1,794	1,948	(154)
Organisational costs	1,197	1,362	(165)
Other service costs	8,749	9,179	(430)
Total	**530,670**	**518,337**	**12,333**

The item *Charges for works and maintenance* includes costs relating to the construction or improvement of infrastructure held in concession as per the interpretation of IFRIC 12 and the costs of maintaining the plants. The increase as compared to the same period of the previous financial year is due to an increase in investment, as highlighted in the item *Long-term Contracts* in Note 4 “Other operating revenues.” For further information, refer to the detailed comments in the management report.

Transport and storage includes the costs of distributing, transporting and storing gas as well as electricity distribution. It should be noted that the significant increase in this item as compared to the previous period is due mainly to the consolidation of the Amga group that occurred in the second half of 2014.

In *Waste transport, collection and disposal services,* the decrease is mainly due to a lower percentage of recycling in addition to smaller amounts disposed of.

Fees paid to local authorities refers to the expenses incurred for the use of publically owned networks, the fees paid to asset-holding companies for the rent of facilities associated with the gas, water and electricity cycles as well as the leasing fees for recycling centers.

Information services and data processing, show an increase due to:

- the implementation of and compliance with new regulations governing the Group’s transnational systems;
- an increase in the costs for telephone services purchased by the subsidiary Acantho Spa from other operators due to higher revenues recorded in the first half of 2015 as compared to the same period of the 2014 financial year.

7 Personnel costs

	First half 2015	First half 2014	Change
Wages and salaries	185,709	177,565	8,144
Social security contributions	60,146	59,066	1,080
Employee leaving indemnity and other benefits	756	684	72
Other costs	14,138	14,383	(245)
Total	**260,749**	**251,698**	**9,051**

The increase in labor costs of 9,051 thousand euro as compared to the first half of 2014 is mainly due to the consolidation of the Amga Group beginning from the second half of the previous financial year in addition to the normal evolution of contractual dynamics.

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

	First half 2015	First half 2014	Change
Managers	151	151	-
Middle-management	508	464	44
Clerks	4,373	4,175	198
Blue-collar w orkers	3,379	3,360	19
Average number	**8,411**	**8,150**	**261**

Overall, the average labor cost per capita in the first half of 2015 amounted to euro 31.1 thousand (30.9 thousand euro in the first half 2014).

As of 30 June 2015, the actual number of employees amounted to 8,376 compared to 8,140 as of June 30, 2014. Of the total increase, 286 of these were due to the consolidation of the Amga Group effective 1 July 2014

8 Amortisation, depreciation and provisions

	First half 2015	First half 2014	Change
Amortisation property,plant and equipment	79,541	85,016	(5,475)
Amortisation property investments	53	53	-
Amortisation intangible assets	86,095	77,094	9,001
Allowance for bad debts	35,120	31,128	3,992
Provisions for risks and charges	14,570	14,800	(230)
Releases from provisions	(1,353)	-	(1,353)
Total	**214,026**	**208,091**	**5,935**

For the composition of the items, please refer to the detailed reports and comments on *Fixed Assets, immaterial assets, commercial credits and Provisions for risks and charges* in the statement of financial position.

The decrease in amortization of tangible fixed assets is related in part to the decreased amount of waste disposed of and the consequent lower depreciation rate of the assets associated with the Group's landfills.

The higher amortization of intangible assets is related to the increase of the amortization of assets related to contracted public services provided on commissions and carried out in previous years. In addition, the acquisition of control over the Amga Group which occurred 1 July 2014 resulted in higher depreciation in the current period, also as a result of the incorporation of customer lists.

The item *De-provisioning* includes the reporting of re-assessments associated with different funds of which, as of 30 June 2014, 764 thousand euro were listed as *Other operating income* under the item *Use and re-assessment of provisions*.

9 Other operating costs

	First half 2015	First half 2014	Change
Taxation other than income taxes	7,030	7,192	(162)
Losses on disposals and divestitures of assets	3,844	351	3,493
State rentals	3,591	4,143	(552)
Landfill special tax	2,785	5,143	(2,358)
Membership and other fees	1,565	1,745	(180)
Other minor charges	8,046	8,376	(330)
Total	**26,861**	**26,950**	**(89)**

Taxation other than income taxes mainly relates to taxes on buildings, stamp duties and registration fees and excise duties.

Loss on the sale and disposal of assets primarily relates to the demolition of a building set up as office space, owned by the Group.

State rentals is mainly related to fees paid to the Emilia Romagna region and land reclamation consortia.

Special landfill levy refers to the relevant environmental tax for the period on the landfills operated by the Group. The decrease is attributable to the lower quantities of waste disposed of in landfills.

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

10 Capitalized costs

Increases in self-constructed assets include mainly labour costs and other charges (such as warehouse unloading and vehicle hours) that are directly attributable to the Group's self-constructed assets. The decrease was due to the decline in investments in fixed assets as compared to the first half of 2014. For an analysis of investments, see the management report.

11 Share of profits (losses) pertaining to associated companies

	First half 2015	First half 2014	Change
Share of profits pertaining to joint ventures	3,218	1,799	1,419
Share of losses pertaining to joint ventures	(216)	(9)	(207)
Share of net profit pertaining to joint ventures	**3,002**	**1,790**	**1,212**
Share of profits pertaining to associated companies	3,585	2,351	1,234
Share of losses pertaining to associated companies	(327)	(20)	(307)
Share of net profit pertaining to associated companies	**3,258**	**2,331**	**927**
Total	**6,260**	**4,121**	**2,139**

The item *Share of profits/losses of joint ventures and associated companies* includes the effects generated by the evaluation of the companies included in the consolidation carried out using the equity method.

Share of profit - joint venture relates to the companies:

- Enomondo Srl, 594 thousand euro (472 thousand euro in the first half of 2014);
- Estenergy Spa, 2,624 thousand euro (1,327 thousand euro in the first half of 2014);

Share of losses-joint ventures refers exclusively to the company Elettrogorizia Spa.

The item *Share of profit in associated companies* relates mainly to:

- Aimag Spa, 1,181 thousand euro (799 thousand euro in the first half of 2014);
- Sgr Spa, 2,394 thousand euro (1,205 thousand euro in the first half of 2014);

12 Financial income and expense

Financial income	First half 2015	First half 2014	Change
Interest rate and foreign exchange derivatives	42,682	76,369	(33,687)
Income from valuation at fair value of financial liabilities	7,836	1,198	6,638
Banks	2,486	5,612	(3,126)
Customers	1,200	4,712	(3,512)
Capital on equity investment and dividends from other companies	333	2,530	(2,197)
Proceeds from financial assets to be discounted to present value	101	-	101
Other financial income	2,667	2,269	398
Total	**57,305**	**92,690**	**(35,385)**

Financial expense	First half 2015	First half 2014	Change
Bonds	53,493	57,197	(3,704)
Interest rate and foreign exchange derivatives	31,153	28,822	2,331
Charges from valuation at fair value of financial liabilities	11,742	44,675	(32,933)
Discounting of provisions and financial leases	9,137	7,228	1,909
Charge from the valuation of financial liabilities at amortised cost	6,551	5,849	702
Loans	4,932	9,900	(4,968)
Factoring charging	4,623	6,240	(1,617)
Overdrafts	1,062	1,292	(230)
Write-downs of financial assets	-	2,458	(2,458)
Other financial expense	2,185	1,720	465
Total	**124,878**	**165,381**	**(40,503)**

The financial management policy is described in section 1.06.03 of the management report.

For the item related to *Gains and losses on the fair value of interest rate derivatives and financial liabilities* please see note 22 of the statement of financial position.

The item *Capital on equity, investment and dividends from other companies* includes revenues in the amount of 228 thousand euro following the renegotiation of the sale price of the branch received from the subsidiary Heraambiente Recuperi Srl in the 2014 financial year from the company EcoEnergy Srl.

For details on the fees and composition of the item bonds, please refer to note 30 *Banks and loans.*

Financial expenses from factoring refers to borrowing costs related to the sale of loans in order to optimize the management of the Group's working capital.

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

	First half 2015	First half 2014	Change
Post-closure landfill	6,253	3,830	2,423
Restoration of third-party assets	1,553	1,352	201
Employee leaving indemnity and other benefits	791	1,613	(822)
Finance leases	467	361	106
Plants dismantling	73	72	1
Total	**9,137**	**7,228**	**1,909**

13 Income taxes for the period

This item is made up as follows:

	First half 2015	First half 2014	Change
Ires	54,009	48,743	5,266
Irap	14,050	20,462	(6,412)
Substitute tax	272	272	-
Total	**68,331**	**69,477**	**(1,146)**

The tax rate for the first half of 2015 was 37.2% as compared to 39.9% in the first half of 2014. The reasons for this improvement are attributable to the non-application of the "Robin Hood Tax" (to supplement IRES in the amount of 6,5% applicable to Group companies operating in the energy sector), as required by ruling no. 10 of 11 February 2015 of the Constitutional Court, as well as the reduced weight of IRAP.

In particular, in determining this taxes, the following was taken into account: the changes introduced by paragraphs 20 to 24 of the sole article of the 2015 Stability Law, to govern the determination of the IRAP by introducing subsection 4-octies into article 11 of Legislative Decree no. 446 of 15 December 1997. Expenses incurred in relation to employees working under an open-ended contract in excess of the amount of the deductions already eligible according to Article. 11 were threfore considered deductable. As this criterion for deductibility is a so-called "difference" criterion based on the difference between the total labor costs incurred in relation to open-ended contracts and deductions already eligible under aforementioned Article. 11, as clarified by C.M. no. 22/E of 9 June, 2015, also public utilities, excluded by law from the measures on the tax wedge, can now benefit from the full deductibility of the cost of workers employed for an open-ended period according to the aforementioned paragraph 4-octies. This new deduction was also taken into account in determining the appropriate IRES and IRAP deduction on the cost of employees and assimilated under LD 201/2011.

In determining tax rates for the period, the Group took into consideration the effects of the IAS/IFRS tax reform introduced by law no. 244 of 24 December 2007, and the relevant implementation decreed –Ministerial Decree no. 48 of 1 April 2009 and Ministerial Decree 8 June 2011, to coordinate IFRSs with the rules to determine the taxable base for IRES and IRAP purposes, as per article 4, paragraph 7-quarter,of Legislative Decree 38/2005. In particular, the reinforced derivation principle of article 83 of the Consolidated Tax Act (TUIR) was applied, which calls for entities that use IFRSs to use, including in a departure from the provisions of the TUIR, “the criteria for the determination, recognition and classification in the financial statements provided for by said accounting standards”

The following is a discussion on the state of the Group's tax dispute as of the reference date of this report.

Information on the "tax moratorium”

The appeal filed by Hera Spa aimed at obtaining the interest charged by the tax authorities in relation to the years under examination (1998 and 1999) was granted by the Provincial Tax Commission of Bologna. However, in its ruling, the Commission only liquidated the higher interest unduly paid for the year 1998, failing to specify this difference for 1999, in the amount of 1,412 thousand euro. On the basis of this factual error, a request to correct this ruling was filed on 10 January 2014. At the hearing held on 17 March 2014, the Commission granted this request for correction, indicating in addition the amount of interest to be returned with reference to the 1999 assessment: the interest therefore totaled 2,707 thousand euro. It should be noted that, on 19 March 2014, the Office notified Hera Spa of an appeal for the partial reform of said judgment. On 20 March 2014, the Company therefore filed a counter-appeal in which it was also proposed a cross appeal against this ruling. The hearing was scheduled for 24 September 2014 and the Regional Tax Commission of Bologna rejected the request to suspend the provisional execution of the ruling promoted by the Office. The next step is therefore the scheduling of the final hearing, which should at any rate be held before the end of 2015.
Apart from the above, aimed exclusively at recovering the amounts already paid, the entire "tax moratorium" matter should be considered closed, as future disbursements with a financial impact on the Group accounts are not expected.

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

On 29 December 2010 Hera S.p.A. received three assessment notices for IRES, IRAP and VAT, following a tax audit focusing on the same year, which ended with a tax audit report by the Finance Police, Bologna's tax police unit, dated 1 October 2010.The tax audit report brought to light findings related to intercompany services (general management expenses and expenses related to use of the trademark) provided by Hera S.p.A., in its capacity as parent company of the Hera Group, to the operating subsidiary of Forlì-Cesena, Hera Forlì-Cesena S.R.L. On 18 February 2011, tax settlement proposals were submitted to the Emilia Romagna Regional Management, Large Taxpayers Office, pursuant to art. 6, subsection 2, of Legislative Decree n. 218 of 1997, which concluded negatively for the company. Therefore, on 20 May 2011, the related appeals were submitted to the Provincial Tax Commission of Bologna. Following said appeals presented by the company, the Tax Authorities, by means of act notified on 17 August 2011, partially cancelled, under the appeal process, the payment orders already issued in respect of the IRES component regarding royalties for use of the trademark, and for the entire recovery effected for VAT purposes. Pending the tax proceedings, the company was notified of a tax payment request on 4 January 2012, for the provisional recording of euro 653 thousand, which the company paid on 29 February 2012.The hearing was held before the Provincial Tax Commission of Bologna on 19 September 2012. The decisions, which were all entered on 31 October 2012, are all in favour of the Company, for IRES, IRAP and VAT purposes. Following these decisions, on 19 November 2012, the General Directorate of the Revenue Agency for Emilia Romagna notified the company about the cancellation of the entries made while a decision was pending. In December 2012, the Company received a refund of the sum disbursed when the original entries were made.
On 29 April 2013, there was notification of the appeals by the Regional Tax Office against the first instance rulings, and on 26 June 2013 the Company filed counterclaims and acts of formal appeal. It is possible that the appeal hearings will be scheduled to take place before the end of 2015.

In relation to this dispute, which presently is worth a total of 1,598 thousand euro, having consulted with the Group lawyers as well, it was decided that there is no need to proceed with any provision to the risks fund, as the alleged violations are considered unfounded.

Disclosure of ICI assessment notices served to Herambiente in 2012

On 24 April 2012 Herambiente was notified of an assessment notice by the municipality of Ferrara for failure to report and non-payment of ICI for the 2009 tax year with regard to the Ferrara incinerator. The established amount, including penalties and interest, amounts to 718 thousand euro. On 7 January 2014 it was served with the associated payment order, amounting to 766 thousand euro, while on 21 January 2014 it was notified that the entry of the assessment notice had been suspended. On 24 April 2012, Hera Spa received notification of two assessments, once again from the municipality of Ferrara, for failure to report and non-payment of ICI relating to the tax years 2008 and 2009, with reference once again to the incinerator in Ferrara. The established amount, including penalties and interest, amounted to 1,461 and 723 thousand euro respectively. On 7 January 2014, the company was served with the associated payment order, amounting to 2,332 thousand euro and on 21 January 2014 it was notified that measures had been taken to suspend the entry of the assessments. The notices of assessment, all challenged by the appeal filed 23 July 2012, resulting from the land registry reclassification initiated in late 2001 by the Ferrara Territorial Agency which had carried out a reclassification for the incinerator of Ferrara from E9 - exempt from taxation for properties "with the purpose of meeting particular public needs and/or serving the public interest" as proposed by the Company, to category D1, "Industrial Factories", resulting in an amount due in terms of municipal property tax (now IMU) for the contested properties. The rulings, filed on 15 December 2014, were all favorable to the Company.

Therefore, the company has decided it was not necessary to proceed with any risk fund provisions for the disputes in question, as the alleged violations are considered unfounded.

Disclosure of tax audits

Hera Spa

On 20 December 2013 the Company was notified by Emilia Romagna Regional Management of assessment notices for the 2008 tax year, in relation to which was contested the deduction of VAT for operations relating to the construction, renovation and enhancement of the cogeneration plants at the rate of 20% instead of 10%, for a total value of approximately 1 million euro. The Company filed an appeal on 7 February 2014 and through the presidential decrees of 26 February 2014 the contested acts were provisionally suspended until the hearing of 20 May 2014. The CTP of Bologna, through a decree dated 21 May 2014, confirmed the stay of execution on the acts contested by the Company. The rulings, filed on 29 October 2014, are all in favor of the Company. Therefore, in relation to this dispute, having consulted with the Group lawyers as well, it was decided that there is no need to proceed with any provision to the risks fund, as the alleged violations are considered unfounded.

With reference to the company Amga Energia and Servizi Srl a Socio Unico, a subsidiary of AMGA, incorporated by Hera Spa, on 1 July 2014, an IRES assessment notice was served for the year 2009 based on an alleged violation of the matching system of accounting for losses on bad debts. Following the presentation of a tax settlement proposal, in order to take advantage of the compensation with the correct year in question for the deduction of costs, payment of penalties was made, reduced by an assessment by consent agreement dated May 20, 2015.

Herambiente Spa

On 7 March 2012, an audit was initiated at Herambiente by the Revenue Agency - Emilia Romagna Regional Department - Large Taxpayers Office. The audit covered the 2009 fiscal year and focused mainly on the amount the company owed in relation to the IRAP subsidy as per nos. 2), 3) and 4) of paragraph 1, letter a) of article 11 of Legislative Decree no. 446/97, the so-called "tax wedge”. On 22 May 2012 the formal notice of assessment was received, after which the company, on 19 July 2012, presented defensive comments contesting the entire content of the notice in question. On 21 and 22 October 2014 it was served with the associated assessment notices, against which the company appealed: the ruling by the provincial tax commission dated 10 June 2015 was in favor of the company in relation to tax wedge deduction.

On 12 November 2014 a further tax audit was launched in relation to IRAP for 2010 and 2011, focused on the amount the company owed in relation to the IRAP subsidy as per nos. 2), 3) and 4) of paragraph 1, letter a) of art. 11 of Legislative Decree no. 446/97, the so-called "Tax wedge, and, for 2011, the incorrect application of IRAP given that, according to the interpretation the office presented, that company had not applied the 4.20% rate relative to the concessionary companies. On 24 January 2015 comments were submitted on the tax assessment report. On 29 April 2015 it was served the notice of assessment for 2010, against which the company filed an appeal on 10 June 2015; through a decree dated 22 June 2015, a precautionary suspension was granted until the hearing scheduled for 12 October 2015.

The company decided it was not necessary to proceed with any risk fund provisions for the disputes in question, as the alleged violations are considered unfounded.

Hera Trading Srl

On 12 June 2012 an audit was initiated at Hera Trading Srl conducted by the Revenue Agency- Emilia Romagna Regional Department - Large Taxpayers Office. The audit covered the 2009 tax period and the tax periods before and after this period for any possible effects arising from transactions related to these annuities. The assessors paid particular attention to the VAT treatment the Company reserved for commodity derivatives and their associated indexes, with particular reference to the categorization of these operations as "exempt" from VAT pursuant to art. 10, paragraph 1, point n. 4) of Presidential Decree 633/72 and the consequent application of the pro-rata of deductibility of art. 19,

paragraph 5, of Presidential Decree 633/72. In particular, the office's objection centers on the qualification of the indicated derivative transactions as exempt from the calculation of the pro-rata of VAT deductibility on the basis of their being operations that are undoubtedly "incidental" to the taxable transactions relating to wholesale electricity and natural gas sales activities. The related report was presented on 12 July 2012, after which the company presented its comments in defense on 11 September 2012, and further supplementary statements on 30 June 2014, contesting the entire content of the notice.
The Office then invited the Company to attend the discussion of the case on 19 December 2014, following which it received two acceptance of tax settlement documents thoroughly outlining all the matters involved:

- one, concerning IRAP and VAT for 2009, that asserted the claim related to IRAP about the non-reporting of non-operating income in the amount of € 36,497.00; in contrast, the VAT-related claim for non-application of the pro-rata of deductibility appears to have been significantly reduced (establishing that the non-deductible VAT on costs incurred for both the exempt and taxable activity in the amount of euro 149,180.00);
- The other, concerning IRES for 2009, asserted the IRES-related claim already contained in the PVC about the non-reporting of non-operating income amounting to euro 208,232.00, yet allowing that this be deducted in the 2014 financial year of the effective accounting of this amount, seeing as the company is only impacted by a penalty in the amount of euro 81,576.00

A further object of examination and subsequent discussion was the application of the increased IRAP rate for the production and distribution of electricity, gas and heat as per article 1 of Emilia Romagna Regional Law no.19/2006. In this regard, the tax authorities sent the company the following in relation to the tax periods in question.

- 2008: On 3 February 2012, a payment order for a total of euro126,624.91, which the company appealed. The hearing on the merits of the case was held on 15 May 2013. The ruling, handed down on June 20, 2013, was unfavorable; the amount was then paid and, simultaneously, an appeale was filed on 31 January 2014.
- 2009: On 10 October 2012 a notice of irregularity for euro 282,385.05, against which an appeal was filed on 7 December 2012. The Bologna CTP handed down its ruling on 28 May 2014, in which it ruled against the company's appeal; a counter-appeal was filed on 8 January 2015. On 13 May 2013, the payment order was delivered, including penalties and interest, in the amount of euro 376,353.23, against which an appeal was filed on 5 July 2013 before the CTP of Bologna and Trieste. On 25 November 2013, the amount was paid in that, in the meantime, the stay of execution request that had been initially granted was not confirmed. The date for the appeal hearing has not yet been scheduled.
- 2007: On 28 December 2012, following the notice contained in the above-mentioned tax assessment report, an assessment notice was delivered for euro 110,246.47, against which the Company filed an appeal on 26 February 2013. Through its decree of 27 June 2013, the CTP of Bologna rejected the stay of execution request and the Company provisionally paid a third of the tax and interest amount due. The CTP Bologna handed down a ruling on 22 July 2014, unfavorable to the Company; on 30 April 2015, the second third was paid on a provisional basis in the amount of euro 21.841,89. The date for the appeal hearing has not yet been scheduled.
- 2011: on 10 February 2015 a notice of irregularity for euro131,305,88, paid on 13 February 2015.

On 28 January 2015 a tax audit was initiated at Hera Trading Srl conducted by the Guardia di Finanza - Tax Police of Bologna initially focused on the 2013 tax year 2013 but then extended to periods still subject to investigation (2010 to 2014 financial years). This audit, which concluded with the notification of the tax assessment report on 9 July 2015, was focused on the correct treatment, for the purposes of direct taxes on the expenses incurred by the company in relation to persons residing in the so-called "Blacklist" countries, pursuant to art. 110, paragraphs 10 and following, of the TUIR, as well as the correctness of the IRES deduction of charges from valuation and net financial income related to derivatives on commodities and environmental certificates, in addition to the violation related to the increased IRAP as established by Emilia Romagna Regional Law for the 2013 tax year. At present the company is preparing comments on the aforementioned tax assessment report and investigating the appropriate defensive measures to be taken in the relevant fora.

The company, having consulted with its lawyers as well, decided that there is no need to proceed with any risk fund provision for the disputes in question.

Hera Comm Srl

With regard to the application of the increased IRAP rate for the production and distribution of electricity, gas and heat as per article 1 of Emilia Romagna Regional Law no.19/2006, the tax authorities sent the company the following in relation to the tax periods in question:

- 2008: On 13 March 2012, a payment order for a total of euro 126,940.20, against which the Company filed an appeal. The hearing for the stay of execution of the act took place 16 January 2013 (the company paid the amount in arrears), while the hearing on the merits of the case was held 15 May 2013. The ruling, handed down on 20 June 2013, was unfavorable. An appeal was filed on 31 January 2014.
- 2009: On 11 October 2012, communication of irregularities in the amount of euro 376,174.78 ,against which an appeal was presented 7 December 2012. On 19 April 2013 the payment order was received, including penalties and interest, for euro 485,807.67, against which the Company filed an appeal on May 3, 2013. On 4 April the discussion hearing was held and on 28 May 2014 the ruling was handed down, which was unfavorable to the company, which proceeded to pay the payment order. An appeal was then filed on 8 January 2015
- 2010: communication of irregularities in the amount of euro 564,338.19, against which the Company filed an appeal on 19 July 2013. The CTP of Bologna handed down its ruling on 2 February 2015, unfavorable to the Company. The terms for filing an possible appeal are pending. On 31 March 2014 a payment order was served for euro 713,478.01, including penalties and interest, against which an appeal was filed on 16 May 2014. On 30 May 2014, a stay of execution was granted until 16 June 2014. On 17 June 2014, the stay of execution was rejected by order of the Commission of Bologna, and the company thus proceeded to pay the payment order in question.
- 2011: on 16 December 2014, a notice of irregularity in the amount of 922,146.63 euro, paid on 15 January 2015.

The company, having consulted with its lawyers as well, decided not proceed with any risk fund provision for the disputes in question.

On 12 March 2013 a tax audit for the purposes of IRES, IRAP and VAT was initiated at Hera Comm Srl, conducted by the Guardia di Finanza – Bologna Tax Police Unit. On 13 June 2013 the tax assessment report was delivered, which appears to be focused exclusively on the area of sales of receivables without recourse and credit losses. In particular, in relation to one of the above-mentioned contracts, it was found that the accrual of a share of credit losses amounting to 638 thousand euro had been deferred, resulting in higher IRES and Robin tax rates in the amount of 211 thousand euro. On 13 June 2013 the tax assessment report was presented; on 28 October 2014 the associated assessment notices were served, which were settled on 22 December 2014 through the payment of a total of euro 357,538.17. On 11 May 2015 a reimbursement request for the IRES and Robin taxes amounting to euro 277,621.67 was presented, due to the proven deferral of loan loss accruals

The Group has decided not to proceed with any risk fund provisions for the disputes in question, considering the alleged violations to be unfounded.

14 Earnings per share

thousands of euros	*First half 2015*	*First half 2014*
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	107,294	96,257
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
- basic (B)	1,473,861,996	1,410,286,532
- diluted (C)	1,473,861,996	1,410,286,532
Earnings (loss) per share (euro)		
- basic (A/B)	**0.073**	**0.068**
- diluted (A/C)	**0.073**	**0.068**

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share is equal to basic earnings in that there are no categories of shares other than ordinary shares, and there are no instruments convertible in shares.

As of the reference date of the consolidated financial statement, the share capital of the parent company, Hera S.p.A., consisted of 1,489,538,745 ordinary shares, compared to 1,421,342,617 ordinary shares at 30 June 2014, which were used in determining basic and diluted earnings per share.

15 Property, plant and equipment

	30-giu-15	including assets held on the basis of lease finance	31-dic-14	including assets held on the basis of lease	Change
Land and buildings	548,615	16,977	558,263	17,206	(9,648)
Plants and machinery	1,265,340	16,437	1,307,533	17,374	(42,193)
Other moveable assets	115,753	603	117,081	887	(1,328)
Assets under construction and advance payments	88,992		80,821	-	8,171
Total	**2,018,700**	**34,017**	**2,063,698**	**35,467**	**(44,998)**

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

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Change in the scope of consolidation	Other changes	Net closing balance	of which gross final amount	of which amortisation provision
30-giu-14									
Land and buildings	535,073	601	-	(7,342)	981	746	530,059	661,673	(131,614)
Plants and machinery	1,345,389	8,811	(277)	(63,311)	581	14,308	1,305,501	2,366,347	(1,060,846)
Other moveable assets	116,519	5,747	(167)	(14,363)	280	5,274	113,290	396,651	(283,361)
Asset under construction and advance payments	108,000	29,741	(114)	-	294	(22,096)	115,825	115,825	-
	2,104,981	**44,900**	**(558)**	**(85,016)**	**2,136**	**(1,768)**	**2,064,675**	**3,540,496**	**(1,475,821)**
30-giu-15									
Land and buildings	558,263	1,116	(3,332)	(8,057)	-	625	548,615	699,069	(150,454)
Plants and machinery	1,307,533	6,878	(2,440)	(57,521)	-	10,890	1,265,340	2,442,112	(1,176,772)
Other moveable assets	117,081	5,717	(202)	(13,963)	-	7,120	115,753	401,264	(285,511)
Asset under construction and advance payments	80,821	26,531	(75)	-	-	(18,285)	88,992	88,992	-
	2,063,698	**40,242**	**(6,049)**	**(79,541)**	**-**	**350**	**2,018,700**	**3,631,437**	**(1,612,737)**

"*Land and buildings*", totalling euro 548,615 thousand, consisted of euro 111,700 thousand in land and buildings and euro 436,915 thousand in building. In relation to land, these are mainly company-owned properties on which the majority of the sites and production plants stand. The 3,332 thousand euro decrease is mainly due to the demolition of a building set up as office space.

"*Plant and machinery*", amounting to euro 1,265,340 thousand, is made up mainly of distribution networks and plants relating to *business* not falling within the scope of the concession system and, therefore: district heating, electricity in the Modena area, waste disposal, waste treatment, purification and composting, material recovery and chemical-physical treatment, anaerobic digesters, and special waste treatment plants.

"*Other moveable assets*", equal to euro 115, 753 thousand, include the equipment, waste disposal bins for euro 62,574 thousand, furniture and fittings for euro 5,003 thousand, electronic machines for €9,272 thousand and vehicles and cars for €38,904 thousand

"*Assets under construction and advance payments*", amounting to €88,992, include mainly investment for development of district heating and electricity distribution and periodic replacement of waste-to-energy plant components.

Other changes mainly covers the in-progress reclassification of fixed assets to the specific categories for assets brought into operation during the financial year and the in-progress reclassification from fixed assets to intangible assets.

For a more accurate analysis of investments in the period, please see the Directors' Report, paragraph 1.01.02.

16 Intangible assets

	30-giu-15	31-dic-14	Change
Industrial patents and intellectual property rights	49,199	47,916	1,283
Concessions, licences, trademarks and similar rights	105,070	110,658	(5,588)
Public services under concession	2,350,045	2,370,220	(20,175)
Intangible assets under construction and advance payments for public services under concession	188,868	134,450	54,418
Work in progress and advance payments	43,401	54,159	(10,758)
Other	80,306	79,644	662
Total	**2,816,889**	**2,797,047**	**19,842**

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

	Net opening balance	Investments	Disinvestments	Depreciation and amortisation	Change in the scope of consolidation	Other changes	Net closing balance	of which gross final amount	of which amortisation provision
30-giu-14									
Industrial patents and intellectual property rights	37,217	775	-	(8,749)	-	19,050	48,293	257,748	(209,455)
Concessions, licences, trademarks and similar rights	114,864	399	-	(6,410)	3	1,006	109,862	369,630	(259,768)
Public services under concession	2,138,814	18,738	(59)	(58,069)	30,733	34,610	2,164,767	3,297,824	(1,133,057)
Intangible assets under construction and advance payments for public services under concession	143,526	59,277	-	-	914	(33,787)	169,930	169,930	-
Work in progress and advance payments	48,373	11,282	-	-	93	(19,799)	39,949	39,949	-
Other	47,168	1,901	-	(3,866)	966	579	46,748	121,739	(74,991)
	2,529,962	**92,372**	**(59)**	**(77,094)**	**32,709**	**1,659**	**2,579,549**	**4,256,820**	**(1,677,271)**
30-giu-15									
Industrial patents and intellectual property rights	47,916	317	-	(9,800)	-	10,766	49,199	282,122	(232,923)
Concessions, licences, trademarks and similar rights	110,658	359	-	(5,863)	-	(84)	105,070	379,381	(274,310)
Public services under concession	2,370,220	10,541	(123)	(64,745)	-	34,152	2,350,045	3,687,730	(1,337,685)
Intangible assets under construction and advance payments for public services under concession	134,450	81,301	-	-	-	(26,883)	188,868	188,868	-
Work in progress and advance payments	54,159	11,341	(3,925)	-	-	(18,174)	43,401	43,401	-
Other	79,644	680	-	(5,686)	5,164	504	80,306	164,161	(83,855)
	2,797,047	**104,539**	**(4,048)**	**(86,094)**	**5,164**	**281**	**2,816,889**	**4,745,663**	**(1,928,773)**

Industrial patents rights and know-how, in the amount of €49,199 thousand mainly refers to costs incurred in purchasing and implementing corporate information systems and related applications.

Concessions, licenses, trademarks and similar rights, amounting to €105,070 thousand primarily comprises the value of the rights relating to the activities of gas distribution and integrated water management, classified as intangible assets even before the IFRIC 12 - service agreements interpretation was first applied.

Public services under concession, amounting to €2,350, 045 thousand, consists of the goods related to the activities of gas and electricity distribution (in the Imola area), integrated water management and public lighting provided through contracts awarded the respective public bodies. These concession relationships and associated assets involved in carrying out the activities for which the Group holds the use rights, are accounted for by applying the *intangible asset model* as set forth by IFRIC interpretation 12.

Intangible assets under construction and advance payments for public services under concession, amounting to € 188,868 thousand, refers to investments related to the same contracts that have yet to be concluded at year-end

Work in progress and advance payments, amounting to €43,401 thousand, mainly consists of IT projects that have yet to be completed.

The item *Other*, amounting to €80,306 thousand, refers mainly to use rights for networks and infrastructures for the passage and laying down of telecommunication networks, to multi-year contractual rights and customer lists acquired through business combinations.

Other changes include the reclassifications of the assets under construction to the specific categories once these have entered service during the year and other reclassifications to property, plant and equipment.

The amounts shown in the column *Change in the scope of consolidation* in relation to the item "other" also include the valorization of customer lists originating from the entry of the company Alento Gas Srl into the scope of consolidation, as illustrated in the section *Change in the scope of consolidation* contained in these notes.

For a more accurate analysis of investments in the period, please see the Directors' Report, paragraph 1.01.02.

17 Investment property

Real estate Investments consist of business properties located within the "Modello" building in Trieste as well as some apartments owned and leased out.

18 Goodwill

	30-giu-15	31-dic-14	Change
Goodw ill	323,604	323,604	-
Goodw ill arising on consolidation	54,960	54,960	-
Total	**378,564**	**378,564**	**-**

The item *Goodwill* derives primarily from the following transactions:

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

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

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

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

According to the provisions of IAS 36 and in the absence of trigger events, as outlined by the standard, the impairment test was not required for the goodwill recorded as of 30 June 2015.

19 Equity investments

	30-giu-15	31 December 2014	Change
Joint Venture			
Elettrogorizia Spa	2,869	3,085	(216)
Enomondo Srl	11,873	11,207	666
EstEnergy	9,059	8,469	590
Total	**23,801**	**22,761**	**1,040**
Associated companies			
Aimag Spa	43,339	43,222	117
Ghirlandina Solare Srl	51	48	3
Q.Thermo Srl	1,254	1,264	(10)
Set Spa	35,934	36,177	(243)
Sgr Servizi Spa	19,154	18,991	163
Sosel Spa	649	745	(96)
Tamarete Energia S.r.l.	6	-	6
Total	**100,387**	**100,447**	**(60)**
Non-consolidated subsidiaries and joint ventures			
Adrialink Srl	167	167	-
Energo doo	5,000	5,000	-
Sei Spa	902	902	-
Other minor companies	402	383	19
Total	**6,471**	**6,452**	**19**
Other companies			
Calenia Energia Spa	7,000	7,000	-
Galsi Spa	12,082	12,082	-
Other minor companies	4,053	4,066	(13)
Total	**23,135**	**23,148**	**(13)**
Total equity investments	**153,794**	**152,808**	**986**

The changes in joint ventures and associated companies as compared to 31 December 2014 take into account the pro-quota profits/losses reported by the respective companies (including the other components of the comprehensive income statement) as well as the reduction of the value for any dividends that were distributed.

Among *Other Comapnies*, the item *other minor ones* mainly comprises non-qualified investments in Veneta Sanitaria Finanza di Progetto S.p.A., with a 17.50% equity interest and a carrying amount of €3,587 thousand. The company engages in the planning and construction of the new hospital in Mestre, in the Norgo Pezzana di Zelarino area.

On 8 June 2015 the company HestAmbiente Srl was established by AcegasApsAmga Spa, currently not operational.

20 Financial assets

	30-giu-15	31-dic-14	Change
Receivables for loans	69,467	50,648	18,819
Portfolio securities	2,750	1,879	871
Other financial receivables	32,290	31,082	1,208
Total non-current financial assets	**104,507**	**83,609**	**20,898**
Receivables for loans	21,262	27,744	(6,482)
Portfolio securities	5,503	9,505	(4,002)
Other financial receivables	7,435	7,901	(466)
Total current financial assets	**34,200**	**45,150**	**(10,950)**
Total cash and cash equivalents	**423,914**	**834,495**	**(410,581)**
Total financial assets, Cash and cash equivalents	**562,621**	**963,254**	**(400,633)**

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

	30-giu-15			31-dic-14		
	non current portion	current portion	Total	non current portion	current portion	Total
Enomondo Srl	-	4,100	4,100	-	4,850	4,850
EstEnergy Spa	-	-	-	-	6,630	6,630
Oikothen Scarl	2,472	-	2,472	2,472	-	2,472
Sei Spa	-	4,409	4,409	-	4,379	4,379
Set Spa	33,408	5,223	38,631	14,349	2,832	17,181
Tamarete Energia Srl	31,667	1,078	32,745	32,529	1,360	33,889
Trading Srl restricted accounts	-	1,801	1,801	-	2,411	2,411
Unirecuperi Srl (Unieco Group)	-	4,000	4,000	-	4,000	4,000
Other minor companies	1,920	651	2,571	1,298	1,282	2,580
Total	**69,467**	**21,262**	**90,729**	**50,648**	**27,744**	**78,392**

Compared to 31 December 2014, the following changes should be noted:

- Estenergy Spa, complete repayment of the interest-bearing loan granted to the jointly controlled company in the amount of €6,630 thousand;
- Set Spa, disbursement of a tranche in the amount of 21,450 thousand euro following the granting of a new line of funding that can be used until 30 June 2027.

In relation to the chances of collecting €4,000 thousand due from Unirecuperi S.r.l., it is noted that in March 2013 Unieco S.r.l. filed an appeal under article 161, sixth paragraph, of the bankruptcy law. On 9 July 2013 Unieco Scrl exited the pre-bankruptcy procedure, following the filing of the appeal with the Court of Reggio Emilia for the certification of the arrangements with creditors pursuant to article 182 bis Rpyal Decree 267/1942. The restructuring process did not concern the amount due from Unirecuperi S.r.l. to ASA Scpa, which will be paid at its original maturity date

The item *Marketable Securities* includes, in the non-current section, bonds issued by Banca delle Marche in the amount of 309 thousand euro as well as bonds issued by BPER in the amount of 1,441 thousand euro and re-establishment of the collateral pledged to guarantee the post mortem of the landfill operated by the subsidiary Asa. This company has also invested an overall sum of 1,000 thousand euro, part in an insurance policy and part in Sicav.
Bonds and other shares held by the subsidiary Herambiente Spa are recorded in the current section.

For *Other financial receivables* the non-current section includes the following financial positions regulated at market rates in relation to:

- the City of Padua, concerning the construction of photovoltaic systems which will be reimbursed at the end of 2030 in the amount of €17,526 thousand;

- • the "Collinare" Consortium of Municipalities in the amount of €11,299 thousand, acquired as a result of the integration of the Amga Group, represents the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end;
- • the provision of electricity to the Municipality of Padua for public lighting systems, for which a 10 year adjustment of €1,619 thousand was agreed upon.

The current part mainly consists of:

- credits for contributions earmarked for constructing integrated water management plants, the receipt of which has already been approved by the competent authorities and for which the actual payment of €3,313 thousand is pending;
- receivables payable to CAFC Spa following the sale of the integrated water management business unit in the city of Udine, for € 2,000 thousand;
- the supply of electricity to the Municipality of Padua for public lighting systems in the amount of 962 thousand euro, (please refer to the comments above);

Cash and cash equivalents included cash, cash equivalents, and bank cheques and drafts held in the cashier office at headquarters and at other companies for a total of €75 thousand. They also include bank and financial institution deposits in general, available for current transactions and post office accounts totalling €423,839 thousand. Additional details about cash inflows and outflows are available in the cash flow statement and the comments shown in the Directors' report.

21 Deferred tax assets and liabilities

	30-giu-15	31-dic-14	Change
Differred tax assets	144,809	135,022	9,787
Offsetting deferred taxes	(68,353)	(69,772)	1,419
Substitute tax credit	2,577	2,848	(271)
Total net deferred tax assets	**79,032**	**68,098**	**10,934**
Deferred tax liabilities	84,560	84,856	(296)
Compensazione fiscalità differita	(68,353)	(69,772)	1,419
Total net deferred tax liabilities	**16,207**	**15,084**	**1,123**

Deferred tax assets arise from timing differences between reported profit and taxable profit, mainly in relation to the allowance for doubtful accounts, provisions and depreciation taken in excess of the amount allowed by the tax code.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with the corresponding current tax liabilities.

The item *Receivables from the substitute tax*, taking the form of an advance on current taxes, represents the amount paid for the release of goodwill reported in prior years for tax purposes.

22 Financial instruments – derivatives

Non current assets/liabilities	Fair Value Hierarchy	Underlying	30-giu-15		31-dic-14	
			Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives						
- Interest rate Swap	2	Loans	112,084	31,932	103,096	36,783
- Interest rate Option	2	Loans		117		175
Total Interest rate and foreign exchange derivatives			***112,084***	***32,049***	***103,096***	***36,958***
Exchange rate derivatives (financial transactions)						
- Cross Currency Swap	2	Loans	3,458			1,457
Total exchange rate derivatives (financial transactions)			***3,458***	***-***	***-***	***1,457***
Total			**115,542**	**32,049**	**103,096**	**38,415**

Current assets/liabilities	Fair Value Hierarchy	Underlying	30-giu-15		31-dic-14	
			Fair Value Assets	Fair Value Liabilities	Fair Value Assets	Fair Value Liabilities
Interest rate and foreign exchange derivatives						
- Interest rate Swap	2	Loans				1,703
Total Interest rate and foreign exchange derivatives			***-***	***-***	***-***	***1,703***
Commodity derivatives						
- Swap	3	Commodity	433	1,817	1,482	1,567
- Swap	2	Commodity	10,582	14,297	22,654	28,282
Total commodity derivatives			***11,015***	***16,114***	***24,136***	***29,849***
Exchange rate derivatives (commercial transactions)						
- Swap	2	EUR/USD exchange rate		396		377
Total exchange rate derivatives (commercial transactions)			***-***	***396***	***-***	***377***
Total			**11,015**	**16,510**	**24,136**	**31,929**

Derivative financial instruments classified under non-current assets amounted to €115,542 thousand, (€103,096 thousand as at 31 December 2014) and referred, in the amount of €112,084 thousand, to interest rate derivatives and, in the amount of €3,458 thousand, to derivatives on exchange rates in connection to loans. Derivative financial instruments classified under non-current liabilities amounted to €32,049 thousand (€38,415 thousand as at 31 December 2014); they refer entirely to interest rate derivatives.

Financial instruments reported as current assets and liabilities represent derivative contracts whose execution is expected to take place within the next financial year. The derivative financial instruments classified as current assets amounted to €11,015 thousand (€24,136 thousand as at 31 December 2014) and refer entirely to commodity derivatives. The derivative financial instruments classified as current liabilities amounted to €16,510 thousand (€31,929 thousand as at 31 December 2014) and €16,114 thousand of this refers to commodity derivatives, while €396 thousand refers to derivatives on exchange rates related to commercial transactions.

With regard to derivatives on current and long-term interest rates as at 30 June 2015, the Group's net exposure was positive by €80,035 thousand, compared with a positive exposure of €64,435 thousand as at 31 December 2014. The significant change in the fair value as compared to the previous financial year was primarily due to the further decrease in the yield curve that occurred in the first half of the year, as part of fixed rate hedge protection of financial liabilities.

As of 30 June 2015, the fair value of derivatives set up to hedge the exchange rate and the fair value of foreign currency loans is positive in the amount of 3,458 thousand euro as compared to an assessment that was negative, amounting to 1,457 thousand euro, as at 31 December 2014. The positive change in fair value is partly attributable to a decrease in the euro yield curve, and in part to the exchange rate effect, as the Japanese yen gained value over the euro in the first six months of 2015.

At 30 June 2015 the net fair value of commodity and currency derivatives was negative for €5,495 thousand, compared to a negative net fair value of €6,090 thousand at 31 December 2014. The increase in absolute terms of the fair value of assets and liabilities, compared to 31 December 2014, was due - especially in relation to the contracts linked to special price arrangements ("Formule Energia Elettrica"), which constitute the majority of the company's contracts – both to the increase of volumes covered by swap transactions on the date in question and trends in the Single National Price (PUN), in the case of contracts related to it.

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

During the first half of 2015, there were no transfers between the different levels of fair value indicated above.

Interest rate and foreign exchange derivative instruments held as at 30 June 2015, subscribed in order to hedge loans, can be classed into the following categories (figures in thousands of €):

Interests exchange rate derivatives (financial transactions)							
Type	**Underlying**	**30-giu-15**			**31-dic-14**		
		Fair Value Assets	**Fair Value Liabilities**	**Net effect**	**Fair Value Assets**	**Fair Value Liabilities**	**Net effect**
- Cash Flow Hedge	Loans	-	2,453	(2,453)	-	4,761	(4,761)
- Fair Value Hedge	Loans	3,458	26,941	(23,483)	103,096	35,357	67,739
- Non Hedge Accounting	Loans	112,084	2,655	109,429	-	-	-
Total fair value		**115,542**	**32,049**	**83,493**	**103,096**	**40,118**	**62,978**
Type	**Underlying**	**30-giu-15**			**30-giu-14**		
		Income	**Expense**	**Net effect**	**Income**	**Expense**	**Net effect**
- Cash Flow Hedge	Loans	-	770	(770)	-	2,479	(2,479)
- Fair Value Hedge	Loans	14,064	5,533	8,531	76,368	26,342	50,026
- Non Hedge Accounting	Loans	28,617	24,850	3,767	1	1	-
Total Income / expense		**42,681**	**31,153**	**11,528**	**76,369**	**28,822**	**47,547**

The derivatives on interest rates identified as cash flow hedges have a negative fair value in the amount of 2,453 thousand euro (4,761 thousand euro as of 31 December 2014) and represent derivatives on variable-rate loans.
The increase is mainly due to the reimbursement/expiration of a part of the underlying loans. The revenues associated with this type of derivatives are connected to cash flows earned and the receipt of shares of future flows that will financially manifest in the following period.

The derivatives on interest rates and exchange rates, identified as fair value hedges of liabilities reported in the balance sheet (fair value hedges), have an overall negative fair value in the amount of 23,483 thousand euro as compared to a positive fair value of 67,739 thousand euro as of 31 December 2014. This significant decrease, equal to 91,222 thousand euro, is mainly due to the operation of offsetting derivatives that hedge borrowings set to expire in 2019 and 2021 (both bonds of 500 million euro each). In relation to this, it should be noted that, on 28 May 2015, the Group decided to restructure its derivatives portfolio as part of the reorganization of the balance between fixed-rate and variable-rate debt. This restructuring involved the revocation of some hedge relationships and the establishment of new derivatives contracts that cannot be considered hedges according to IAS 39. Although classified as non-hedge accounting, these new derivatives contracts are primarily aimed at hedging interest rates from fluctuation, and have no impact on the economic budget.

The remaining part of the fluctuation is due to derivatives that remained classified as fair value hedges to hedge the Bond with a notional value of 20 billion yen, and is explained by the aforementioned combined effect of the euro/yen exchange rate yield curve and the decline in the interest rate curve.

It should be specified that, in cases of foreign currency financing, the notional value of the derivative in euro represents conversion at the original exchange rate hedged. Specifically, financial liabilities hedged to date refer exclusively to a bond loan in Japanese yen with a notional residual value of 20 billion yen. The valuation of these derivatives resulted in the recording of a net financial income of 11,875 thousand euro; simultaneously, the value of the underlying loans has been corrected by detecting net financial expenses in the amount of 11,742 thousand euro. It should be noted, however, that the proceeds recorded as a correction of the value of the loans amounting to euro 7,836 thousand represent the effect of fair value hedging on the 2019 and 2021 bonds up to the revocation of the hedges which took place with the aforementioned offset operation on 28 May 2015.

As of 30 June 2015, the breakdown of income and expenses related to the underlying liabilities as adjusted for the income and losses attributable to the hedged risk is as follows:

Underlying	First half 2015			First half 2014		
	Income	Expense	Net effect	Income	Expense	Net effect
Financial liabilities valutation	7,836	11,742	(3,906)	1,198	44,675	(43,477)
Total	**7,836**	**11,742**	**(3,906)**	**1,198**	**44,675**	**(43,477)**

The remaining interest rate derivatives not included in hedge accounting have a fair value of 109,429 thousand euro and represent the reclassification of the derivatives following the offset operation that occurred 28 May 2015, for more details please see the explanation above.

Commodity derivative instruments held as at 30 June 2015 can be classed into the following categories (figures in thousands of €):

Commodity/change rate derivatives (commercial transactions)							
Type	Underlying	30-giu-15			31-dic-14		
		Fair Value Assets	Fair Value Liabilities	Net effect	Fair Value Assets	Fair Value Liabilities	Net effect
- Non Hedge Accounting	Transactions on commodities	11,015	16,510	(5,495)	24,136	30,226	(6,090)
Total fair value		**11,015**	**16,510**	**(5,495)**	**24,136**	**30,226**	**(6,090)**
Type	Underlying	30-giu-15			30-giu-14		
		Income	Expense	Net effect	Income	Expense	Net effect
- Non Hedge Accounting	Transactions on commodities	61,169	63,607	(2,438)	12,228	13,012	(784)
Total Income / expense		**61,169**	**63,607**	**(2,438)**	**12,228**	**13,012**	**(784)**

At financial year-end there were no commodity derivatives accounted for as hedges.

The commodity derivatives classified as non-*hedge accounting* also include contracts put in place substantially for hedging purposes, but which, on the basis of the strict requirements set forth by international accounting standards, cannot be formally classified under *hedge accounting*. In any event, these contracts generate income and charges referring to higher/lower purchase prices of raw materials and, as such, are recognised as operating costs.

Overall, these derivatives, in the first half of 2015, generated a net income of 2,438 thousand euro, which essentially corresponds to respective changes in the opposite direction in the costs of raw materials (gas and electricity) and in all respects form an integral part of this.

Interest rate risk and currency risk on financing transactions

The cost of financing is affected by changes in interest rates. In the same way, the fair value of financial liabilities themselves is subject to interest and exchange rate fluctuations.

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 against part of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has stipulated foreign exchange derivatives (*Fair Value Hedge*) to fully hedge loans in foreign currency.

This Risk Mitigation policy is detailed in section 1.09 of the management report, which can be consulted for further information on this topic (see in particular the section "Rate Risk " and "Exchange rate risk not connected to the commodity risk").

Market risk and currency risk related to commercial transactions

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

With reference to these risks, the Group has set up a number of commodities derivatives aimed at pre-establishing the effects on sales margins irrespective of changes in market conditions.

While not formally part of the criteria defined by the IAS 39 principle, in order to be accounted for under hedge accounting, these derivatives effectively have the mere function of coverage in relation to price and exchange rate fluctuations on raw materials purchased and fall under the Risk Mitigation policy detailed in section 1.07 of the management report, which should be consulted for further information on this topic.

23 Inventories

	30-giu-15	31-dic-14	Change
Raw materials and stock	72,767	92,973	(20,206)
Materials held for sale	10,009	9,555	454
Finished products	999	1,060	(61)
Total	**83,775**	**103,588**	**(19,813)**

"Raw materials and stocks", stated net of an obsolescence provision of euro 503 thousand (euro 738 thousand as at 31 December 2014) are comprised mainly of gas stocks, euro 39,220 thousand (euro 60,829 thousand as at 31 December 2014) and replacement parts and equipment for the maintenance and operation of currently active plants, equal to 33,547 thousand euro (euro 32,144 thousand as at 31 December 2014).

The item *Materials earmarked for sale* primarily comprises the value of the GVG - Steam Generator to Grid system (for a total of €6,295 thousand) and complementary plant components (for a total of €3,260 thousand), classified in previous years under the category fixed assets in course of acquisition in that it was earmarked for the enlargement of the Modena WTE.

In previous financial years, management planned to build a new incineration line inside the complex of the current Modena WTE plant. The first authorizations obtained from the relevant authorities guaranteed a financial return that was deemed adequate to cover the investment. Meanwhile, during the year, the reference framework program changed. In particular this change occurred as a result of Resolution no. 103 of 3 February 2014 of the Regional Council, which adopted the "Proposal for a Regional Waste Management Plan pursuant to art. 199 of Legislative Decree 152 of 2006 ". If the plan was definitively approved, the construction of Line 3 would not involve the desired economic returns. Under this new framework, the Group decided not to proceed with the construction of this line, as it was not able, among other things, to request an additional time extension for beginning the construction work. Nonetheless, it is believed that the supply can be sold on the market to potential buyers who have already expressed interest in the purchase which, although not binding, suggest that the set value of 9,555 thousand euro for the GVG system can be recovered in its entirety.
During the reference period, the provision varied as follows:

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

	31-dic-14	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-15
Allowance for obsolete inventory	453	50			503

24 Trade receivables

	30-giu-15	31-dic-14	Change
Trade receivables	1,168,210	1,100,533	67,677
Due from associated companies and *joint ventures*	6,579	13,056	(6,477)
Total trade receivables	**1,174,789**	**1,113,589**	**61,200**
Allowance for bad debt	**(203,771)**	**(183,014)**	**(20,757)**
Intangible assets under construction	476,532	526,771	(50,239)
Receivables bills and invoices to be issued to associated companies and joint ventures	7,214	6,288	926
Total intangible assets under construction	**483,746**	**533,059**	**(49,313)**
Total	**1,454,764**	**1,463,635**	**(8,871)**

Trade receivables comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 30 June 2015. The balances are stated net of the provisions for doubtful receivables amounting to €203,771 thousand (euro 183,014 thousand as at 31 December 2014) which is considered to be fair and prudent in relation to the estimated realizable value of said receivables.

Changes in the fund in the first six months of 2014 and 2015 were as follows:

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

	31-dic-14	Allocation to provisions	Change in the scope of consolidation	Uses and other movements	30-giu-15
Allowance for bad debt	183,014	35,120	2,085	(16,448)	203,771

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on historic analyses of the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the following paragraph *credit risk*.

The change in the scope of consolidation reflects the consolidation of Alento Gas Srl, as illustrated in these notes under "Changes in the scope of consolidation".

Credit risk

The value of the trade receivables shown in the financial statements is the maximum theoretical exposure to credit risk for the Group as at 30 June 2015. The current credit approval procedure requires specific individual evaluations, which makes it possible to reduce credit concentration, and the exposure to credit risk, to business and private customers. From time to time, analyses are conducted on the individual positions, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down. With regard to the receivables that do not undergo individual write-downs, allocations are made to the provision for doubtful receivables, on the basis of historic analysis (in relation to the aging of the receivables, the type of recovery action undertaken and the *status* of the creditor).

The carrying amount of trade receivables at year-end approximated their fair value.

25 Contract work in progress

As at 30 June 2015, *Contract work in progress* amounted to €17,493 thousand, mainly attributable to Hera Spa in the amount of €11,715 thousand and Hera Luce for €4,964 thousand.

The item includes multi-year work 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.

26 Current tax assets and liabilities

	30-giu-15	31-dic-14	Change
Income tax credits	20,550	11,567	8,983
IRES refund credit	20,634	20,633	1
Total current tax assets	**41,184**	**32,200**	**8,984**
Income tax payable	108,624	21,365	87,259
Substitute tax payable	6,190	8,838	(2,648)
Total current tax liabilities	**114,814**	**30,203**	**84,611**

"Income tax credits" refer to the excess advance IRES and IRAP payments over the tax amount payable, as well as the advance payments made in the first half of the 2015 financial year.

The "IRES refund receivable" refers to the IRES refund receivable following the deductibility of IRAP related to labour costs and the like under Law Decree 201/2011

The item *Income tax due* includes IRES and IRAP taxes applied to the income generated in the period.

Substitute tax payable, which reflects the remaining instalments to be paid for the value alignment of certain assets, fell significantly as a result of the last payments related to the main value alignments completed.

27 Other current assets

	30-giu-15	31-dic-14	Change
VAT, excise and additional taxes	142,890	36,722	106,168
Certificates of energy efficiency and emission trading	102,895	71,648	31,247
Equalisation fund for the electricity and gas sectors for standardisation and continuity income	55,891	48,623	7,268
Prepaid costs	43,733	18,208	25,525
Security deposits	24,177	22,586	1,591
Advances to suppliers/employees	9,982	11,071	(1,089)
Receivables arising from sundry advances	9,925	7,063	2,862
Due from social security institutions	3,711	5,785	(2,074)
Other tax credits	3,340	2,734	606
Grants	3,252	3,118	134
Other receivables	39,239	34,440	4,799
Total	**439,035**	**261,998**	**177,037**

VAT, excise and additional taxes, amounting to €142,890 thousand (€36,722 thousand at 31 December 2014), is comprised of tax credits payable to the treasury for value added tax in the amount of €137,295 thousand and for excise and additional taxes in the amount of €5,595 thousand. The change as compared to 31 December 2014 is attributable to an increase of €125,423 thousand in receivables for value added tax (11,872 thousand at 31 December 2014) and a decrease of €13,306 thousand in receivables for excise and additional taxes (€18,901 thousand as at 31 December 2014). These changes should be interpreted together with the same change shown in the liability item "Other current liabilities" in Note 36. In particular, with regard to excise duties and the components of additional taxes, the procedures that govern the financial relations with the tax authorities should be taken into account: as a matter of fact, advance payments made during the year are calculated on the basis of the quantities of gas and electricity billed in the previous year. These methods can generate credit/debit positions with differences that can be significant even between one period and another.

Energy efficiency bonds and emissions trading include:

- green certificates, euro 61,119 thousand (euro 51,751 thousand as at 31 December 2014);
- white certificates, euro 40,515 thousand (euro 17,678 thousand as at 31 December 2014);
- grey certificates, euro 1,261 thousand (euro 2,220 thousand as at 31 December 2014).

The change as compared to 31 December 2014 is mainly due to uncollected receivables for green and white certificates related to the production of the 2014 financial year as well as the contribution from CCSE on white certificates to be paid in satisfaction of the requirements of the first half of 2015.

Costs advanced refers to costs such as the fourteenth monthly pay accrued as of 30 June 2015, insurance policy and surety bond, bank charges and fees, fees and concession fees for network services, services and outsourcing, and taxes advanced as of the reporting date.

Security deposits, consisting of:

- deposit to Acosea Impianti Srl, €12,000 thousand;
- deposits to the tax authority technical office, €2,229 thousand as security for payment of technical revenue taxes
- other minor deposits to various public institutions and companies, 9,948 thousand (8,357 thousand euro as at 31 December 2014). The increase is due, in the amount of 1,044 thousand euro, to new deposits established by the subsidiary Hera Trading Srl for trading operations in the gas market, and, in the amount of 438 thousand euro, to the entrance of Alento Gas Srl into the scope of consolidation.

Advances to suppliers and employees, amounting to 9,982 thousand (11,071 thousand euro as at 31 December 2014) decreased as compared to the previous year mainly due to the completion of advances paid to suppliers.

Receivables from other advances, amounting to euro 9,925 thousand (7,063 as of 31 December 2014), increased due to the receipt of a receivable from the GME (Gestore del Mercato Elettrico) relating to advances paid in order to access market sessions to purchase energy efficiency certificates (TEE) which, as of 30 June 2015, amounted to approximately 3,600 thousand euro of the subsidiary AcegasApsAmga Spa.

Receivables from social security institutions, includes the receivable that Marche Multiservizi Spa is owed by INPS in the amount of 2,937 thousand euro, which emerged in the 2014 financial year as a result of conciliation report no. 433/14 of 18/07/2014 released by the Magistrates' Court of Pesaro granting a refund on TBC, ENAOLI, CUAF, severance pay and sick leave contributions paid but not due, up to the period 31 August 2000, that is, before the company was transformed from a Municipally Owned Company and Consortium into an S.p.a.(Joint Stock Company). The overall compensation amounted to 6,525 thousand euro and has decreased as a result of having paid the contributions that have accrued in the months following the report.

Contributions, amounting to €3,252 thousand (€3,118 thousand as at 31 December 2014), mainly composed of receivables for grants dispensed by various Entities but yet to be collected as at the reference date

The item *Other receivables* comprises remaining items, including receivables for rate components, withholding taxes and fiscal aggregated taxation.

28 Non-current assets held for sale

As compared to 31 December 2014, in the first half of 2015 water treatment and lifting plants in the Municipality of Fossalta previously held by the subsidiary AcegasApsAmga Spa in the amount of 601 thousand euro were divested.

29 Share capital and reserves

As compared to 31 December 2014, net equity decreased by euro 29,921 thousand due to the combination of the following effects:

- the distribution of dividends in the amount of euro 142,355 thousand;
- the purchase of minority interests in the amount of euro 27,000 thousand;
- an increase resulting from transactions involving treasury share in the amount of euro 8,807 thousand ;
- an increase in the share capital pertaining to minority shareholders of consolidated companies in the amount of euro 9,100 thousand ;
- a decrease as a result of other residual operations in the amount of euro 113 thousand;
- overall earnings for the period in the amount of euro 121,640 thousand.

The statement of changes in equity is shown in section 2.01.05 of these consolidated financial statements

Share capital

The share capital as at 30 June 2015 amounted to €1,473,869 thousand, made up of 1,489,538,745 ordinary shares with a nominal value of 1 euro each and is fully paid-up.
The amount of treasury shares, whose nominal value at 30 June 2015 was €15,233 thousand and the costs associated to the new share issues which, net of the relevant tax effects, totalled €437 thousand are deducted from share capital.

Reserves

This item, amounting to €703,509 thousand, includes retained earnings and reserves established in connection with cash and in-kind equity injections for €737,490 thousand, cumulative loss in the other comprehensive income (OCI) reserve for €25,959 thousand and own shares held in treasury for €8,022 thousand. Changes during the perid resulted in a gain of €2,530 thousand.

Non-controlling interests

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

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

	30-giu-15	31-dic-14	Change
Loans e mortgages: portion due beyond the period	2,843,643	3,088,901	(245,258)
Other financial liabilities: portion due beyond the period	6,096	6,400	(304)
Total loans and medium/long term financial liabilities	**2,849,739**	**3,095,301**	**(245,562)**
Loans e mortgages: portion w ithin beyond the period	279,915	303,013	(23,098)
Overdrafts and interest expense	139,467	175,582	(36,115)
Other financial liabilities: portion due w ithin the period	8,473	68,738	(60,265)
Total loans and short term financial liabilities	**427,855**	**547,333**	**(119,478)**
Total loans and financial liabilities	**3,277,594**	**3,642,634**	**(365,040)**

The main changes in the items related to *Financing and loans* are due to:

- the reclassification of a eurobond expiring February 2016 with a nominal value of 195.4 million euro from “before” to “after”
- the underwriting of two new loans by the subsidiary Sinergie Spa: the first with a nominal value of 5 million euro and the second with a nominal value of 4 million euro, both to expire in 2019;
- the reimbursement of the loan amounting to 180 million euro from the European Investment Bank to the subsidiary Herambiente Spa;
- the reimbursement of the loans issued by Unicredit Bulbank to the subsidiary Rilagas AD for a total of 36.8 million euro.

As of 30 June 2015, the item *Other debt* includes, for the portion due after the close of the financial year, the debt amounting to 5,947 thousand euro owed to the municipal pension fund of the City of Trieste by AcegasApsAmga Spa. The current portion, amounting to 8,473 thousand euro, also includes:

- payables to municipalities for Tari collections owed by the parent company Hera Spa in the amount of 6,967 thousand euro;
- the portion of the AcegasApsAmga Spa debt owed to municipal pension fund in the amount of 952 thousand euro

At 30 June 2015 the Hera Group provided the following security interests for certain bank loans, including among others:

- mortgages and special liens on property, plant and equipment by the Hera Group to the syndicate of banks that extended a loan to the subsidiary Fea S.r.l. whose nominal amount outstanding is now €34,530 thousand;
- mortgages on buildings in Pesaro and Urbino held by a bank that provided a loan to the subsidiary Marche Multiservizi Spa with a nominal outstanding value of €2,911 thousand.
- mortgages securing the loan granted to the subsidiary AcegasApsAmga Spa, with a nominal outstanding value of €2,677 thousand.

The table below shows the bonds and loans as at 30 June 2015, with an indication of the portion expiring within 12 months, within 5 years and after 5 years (amounts in thousands of euro):

Type	Residual amount 30-Jun-15	Portion due within the period	Portion due within 5° year	Portion due beyond 5° year
Bond	2,540,329	195,258	542,522	1,802,549
Loans e mortgages	583,229	84,657	206,139	292,433
Overdrafts and interest expense	139,467	139,467		
Other financial liabilities	14,569	8,473	6,096	
Total loans and financial liabilities	**3,277,594**	**427,855**	**754,757**	**2,094,982**

The main terms and conditions of the bonds outstanding as of 30 June 2015 are shown below:

Bonds		Duration (year)	Maturity date	Nominal value (mln)	Coupon	Annual interest rate
Eurobond	Luxembourg Stock Exchange	10	15-Feb-2016	195.4 EUR	Fixed, annual	4.125%
Eurobond	Luxembourg Stock Exchange	10	3-Dec-2019	500 EUR	Fixed, annual	4.500%
Green Bond	Luxembourg Stock Exchange	10	04-Jul-2024	500 EUR	Fixed, annual	2.375%
Aflac Bond	Cross Currency Swap (€/mln)149.8	15	05-Aug-2024	20,000 JPY	Fixed, biannual	2.925%
Bond	Luxembourg Stock Exchange	10	22-May-2023	68 EUR	Fixed, annual	3.375%
Bond	Luxembourg Stock Exchange	12	22-May-2025	15 EUR	Fixed, annual	3.500%
Bond	Not listed	15/20	14-May-2027/2032	102.5 EUR	Fixed, annual	5.250%
Bond	Luxembourg Stock Exchange	15	29-Jan-2028	700 EUR	Fixed, annual	5.200%
Bond	Luxembourg Stock Exchange	8	04-Oct-2021	500 EUR	Fixed, annual	3.250%

At 30 June 2015, the total bonds outstanding, with a nominal value of €2,731 million, had a fair value of €3,143 million, as determined on the basis of market quotations, when available. There are no covenants on the debt except that, for some loans, which requires the company not to have even one agency lower its rating below investment grade (BBB-). As of the balance sheet date this covenant was met.

Liquidity risk

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

Current cash, cash equivalents, and credit facilities, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. In particular, at 30 June 2015 unused lines of credit amounted to approximately €1,000 million while available committed credit lines amounted to €395 million.

The analysis of cash flows, broken down by maturity date, related to borrowings outstanding at the balance sheet date is illustrated in the Report on operations in the section 1.09 *Financial policy and rating*.

31 Post-employment and other benefits

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

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

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

	31-Dec-2014	Allocation to provisions		Actuarial gains/ losses	Uses and other movements	Changes in the scope of consolidation	30-Jun-2015
		Service cost	Financial charges				
Employee leaving indemnity	144,557	224	666	(6,498)	(4,201)	11	134,759
Provision for tariff reduction	7,935	285	50	(1,175)	(227)		6,868
Premungas	5,288	169	28	(235)	(228)		5,022
Gas discount	5,190	78	47	131	(238)		5,208
Total	**162,970**	**756**	**791**	**(7,777)**	**(4,894)**	**11**	**151,857**

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

The item *Uses and other movements* mainly includes the amounts paid to employees during the period in question.

Note that the actuarial rate applied varies with each company according to the average financial duration of the obligation and that in the actuarial estimate process the Euro Composite AA yield curve was used.

32 Provisions for risks and charges

	31 December 2014	Allocation to provisions		Uses and other movements	Changes in the scope of consolidation	30-giu-15
		Allocation to provisions	Financial charges			
Provisions for landfill post-closure and closure expenses	107,848	560	6,253	(7,339)	-	107,322
Provision for restoration of third-party assets	142,738	6,940	1,553	-	-	151,231
Provisions for labour disputes	27,636	2,398	-	(1,169)	7	28,872
Other provisions for risks and charges	58,278	4,672	73	(2,563)	295	60,755
Total	**336,500**	**14,570**	**7,879**	**(11,071)**	**302**	**348,180**

The provision for landfill closure and post-closure expenses, equal to €107,322 thousand, represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently in use. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component derived from the discounting and provision procedure due to changes in the assumptions on future outlays, following the change in estimates both on current and closed landfills. Uses represent the effective outlays during the year. Changes in estimated closure and post-closure costs in relation to active or new landfills, which entailed adjustments to property, plant and equipment for the same amount, were classified under "Other movements". "Uses and other movements" for the period shows a net decrease of di 7,339 thousand euro due to actual cash outlays for the management of landfills, of which 3,741 thousand euro were accounted for with the off-set entry "other revenues" (Note 4);

The *provision for restoration of third-party assets*, totalling €151,231 thousand, includes provisions made in relation to law and contractual requirements for Hera S.p.A. and Group companies as lessees of the distribution networks of the entity that owns the assets. The allocations are made on the basis of depreciation rates held to be representative of the remaining useful life of the assets in question in order to compensate the lessor companies for the wear and tear of the assets used for business activities. The provision reflects the present value of these outlays which will be determined in future periods (usually on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted to present value, and the financial charges for the period associated with the cash flows discounted to present value.

The *provision for legal cases and disputes brought` by personnel*, amounting to 28,872 thousand euro, reflects the outcomes of lawsuits and disputes brought by employees. The provision includes 10.4 million euro relating to the dispute with INPS connected to the subsidiary AcegasApsAmga Spa, in addition to Hera Spa. In relation to this, it should be noted that some Group companies have participated in proceedings against INPS relating to the finding that there is no obligation to pay INPS contributions for the redundancy fund (CIG), the extraordinary redundancy fund (CIGS), unemployment benefits, involuntary unemployment benefits, sick leave and the total non-payment of family (CUAF) and maternity benefits. As concerns Hera Spa and certain Group companies, the dispute has been permanently closed following an agreement signed 25 January 2013 with INPS and Equitalia, and the payment of the premiums and contributions payable and the associated interest. Civil penalties remain to be paid, for which an extension has been requested. Following this agreement, INPS issued charge notices for limited instances not included in the agreement in order to definitively settle all outstanding amounts. Meanwhile, following the conclusion of certain cases, the Hera Group incurred some credit positions in relation to INPS. In relation to the above developments, given that it proved impossible to define the amount of the sums due in agreement with INPS, in April 2015 a lawsuit was brought against this Institute. With this in mind, this provision is to be considered adequate based on currently available information, as well as the likely development of litigation and legal opinions accumulated.

The item *Other provisions for risks and charges*, amounting to €60,755 thousand, comprises provisions made against sundry risks. Below, there is a description of the main items:

- €10,828 thousand for the potentially higher expenses that may be incurred in connection with extraordinary maintenance on the Ponte San Nicolò (Padua) landfill. This amount was initially accounted for as a potential liability as part of the business combination involving the AcegasAps Group and was reclassified during the previous financial year in the amount of 8,959 thousand euro under the heading *provision for closure and post-closure landfill costs* as a result of the occurrence of the negative event outlined below;
- €11,300 thousand, due to the contingent liability related to existing obigations (guarantee on financial exposure given by Acegas S.p.A.) in case of abandonment of the operations run by the foreign subsidiaries Rilagas (Bulgaria) and Sigas (Serbia). This amount was recorded as a contingent liability when the business combination with the AcegasAps Group was accounted for;
- €6,584 thousand, for the future decommissioning of the WTE plants of Trieste and Padua. This provisions includes financial charges deriving from the discounting process;
- €4,333 thousand, for the risk associated with the enactment of the Decree of the Ministry of Economic Development of 20 November 2012 "New procedures to determine the component of the avoided fuel cost (CEC), under measure CIP6/92, and determination of the adjustment amount of CEC for 2011", which introduced new procedures for the determination of the component of avoided fuel cost (CEC) for 2010, 2011 and 2012;

The item "*Uses and other movements*" shows a net decrease of €2,563 thousand as follows

- a decrease of 1,766 thousand euro mainly represented by the costs incurred in disposing of the waste collected at the end of the previous financial year;
- a decrease of 877 thousand euro from de-provisioning due to the annulment of liability for which the provision was established;
- an increase of €80 thousand for reclassifications from other provision items

The change in the scope of consolidation is almost entirely attributable to the effect of the consolidation of the company Alento Gas Srl, which entered into the scope of consolidation on 1 May 2015, following the acquisition of the entirety of its shares by the subsidiary Hera Comm Marche Srl.

33 Finance lease payables

	30-giu-15	31-dic-14	Change
Finance leases payable beyond 12 months	24,310	25,351	(1,041)
Finance leases payable within 12 months	2,571	3,451	(880)
Total	**26,881**	**28,802**	**(1,921)**

This item reflects debt arising from the recognition as finance leases of lease arrangements with Acantho S.p.A., Akron S.p.A., Hera Energie Rinnovabili S.p.A., Hera S.p.A. and Uniflotte S.r.l..

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

Financial leasing payables	31-Dec-14			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-term payables beyond 5 years	Payments not yet due
Land and buildings	977	4,527	7,694	14,744
Plants and machinery	2,276	2,837	10,139	19,968
Other moveable assets	198	154	-	360
Total Financial leasing payables	**3,451**	**7,518**	**17,833**	**35,072**

Financial leasing payables	30-Jun-15			
	Due within 12 months	Medium/long-term payables 1-5 years	Medium/long-term payables beyond 5 years	Payments not yet due
Land and buildings	955	4,583	7,167	14,347
Plants and machinery	1,486	2,847	9,707	19,482
Other moveable assets	130	6	-	135
Total Financial leasing payables	**2,571**	**7,436**	**16,874**	**33,964**

The net value of assets recorded in the financial statements is shown below (please refer to the values indicated in note 16 *Property, plant and equipment*).

Net carrying amount	31-dic-14	Assets held through finance lease arrangements		30-giu-15
		Increases	Decreases	
Land and buildings	17,205	-	(228)	16,977
Plants and machinery	17,375	-	(938)	16,437
Other moveable assets	887	-	(284)	603
Total assets held through finance lease arrangements	**35,467**	**0**	**(1,450)**	**34,017**

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

34 Trade payables

	30-giu-15	31-dic-14	Change
Trade payables	462,773	597,598	(134,825)
Trade payables – invoices receivable	483,071	579,476	(96,405)
Payables for advances received	4,244	5,800	(1,556)
Due to associated companies and joint ventures	11,159	10,752	407
Total	**961,247**	**1,193,626**	**(232,379)**

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

"Payables for advances received" refers to advances received in relation to gas and water supply contracts.

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

	30-giu-15	31-dic-14	Change
Adriatica Acque Srl		99	(99)
Aimag S.p.A	150	442	(292)
Centro Idrico di Novoledo Srl		157	(157)
Elettrogorizia S.p.A	149	266	(117)
Enomondo Srl	381	372	9
EstEnergy S.p.A	6,876	4,428	2,448
Estense Global Service Soc.Cons. a r.l.		984	(984)
Service Imola Srl		1,139	(1,139)
SET S.p.A	2,068	1,346	722
SO. SEL S.p.A	1,536	1,519	17
Other minor companies	(1)		(1)
Total	**11,159**	**10,752**	**407**

35 Other current liabilities

	30-giu-15	31-dic-14	Change
Capital grants	129,887	129,437	450
Security deposits	99,409	93,488	5,921
Personnel	45,370	45,498	(128)
Equalisation Fund	34,635	41,216	(6,581)
Due to social security institutions	42,316	32,995	9,321
Payables due to advances to the Equalisation Fund	107,398	25,984	81,414
VAT, excise and additional taxes	222,810	19,302	203,508
Revenues paid in advance other expense	14,162	15,890	(1,728)
Employee w ithholdings	15,661	15,759	(98)
Due to shareholders for dividends	10,671	5,614	5,057
Customers	5,679	4,517	1,162
Payables for tariff components	3,315	2,765	550
Other taxes payable	2,396	1,724	672
Certificates of energy efficiency and *emission trading*	1,058	1,295	(237)
Fees for sew age and purification	686	102	584
Payables arising from tax consolidation	1,974	95	1,879
Other payables	64,245	57,882	6,363
Total	**801,672**	**493,563**	**308,109**

Plant investment grants refers mainly to investments made in the water and waste sector; this item has decreased in proportion to the amount of depreciation calculated on the fixed assets in question.

Security deposits that reflect the amount paid by customers for gas, water and electricity provision contracts.

VAT, excise and additional taxes shows a balance of 157,689 thousand euro of Value Added Tax (16,092 thousand euro as at 31 December 2014), with an increase of 141,597 thousand euro partly due to the fact that the annual advance payment is made at the end of the month of December, thus reducing the outstanding debt as of that date), as well as 65,121 thousand euro associated with the debit position for excise and additional taxes (3,210 thousand euro as of 31 December 2014, with an increase of 61,911 thousand euro). As shown in Note 29 *Other current assets*, this increase must be understood in light of the procedures governing financial relations with the tax authorities, for which credit/debit positions can be generated that are significantly different, even from one period to the next.

Personnel, related to holiday time accrued but not used as of 30 June 2015, the productivity bonus and salaries accounted for on an accrual basis.

Payables to social security institutions, related to contributions owed to these institutions for the month of June.

“Equalisation Fund for the Electricity and Gas Sectors”, reflects the debt positions for equalization on the gas distribution/measurement, some components of the gas service system and equalization of the electricity service

Payables for advances to the equalization fund, comprising the following

- €103,150 thousand (€24,422 thousand as at 31 December 2014) equal to the debt recorded in relation to the non-interest-bearing advances granted by the electricity sector Equalization Fund in accordance with the integration mechanism stipulated by AEEG resolutions no. 370 of 20 September 2012 and no. 519 of 6 December 2012, in relation to past due and uncollected receivables owed by customers covered by the safeguard regime, up to 31 December 2013.
- €2,545 thousand is due to debts for the Csal portion payable to the Equalization Fund to cover the charges for non-payment by customers covered by the safeguard regime, as set forth by AEEG resolution 456/13

- €1,563 thousand, related to debts to hedge the APR mechanism for the renegotiation of long-term natural gas contracts.

The increase of "*Payables for tariff components*" from the comparable amount at 31 December 2014 was due to the time lag in billing between sales companies and distribution companies. All this gives rise to changes in credit/debit positions due also to the effects of seasonality between one year and the next. Accordingly, it should be noted that this item needs to be linked to the change of the similar item accounted for under "*Other current assets*".

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

- Fea Srl, 2,940 thousand euro (5,390 thousand euro as of 31 December 2014);
- Romagna Compost Srl, €373 thousand (€224 thousand as of 31 December 2014)
- Hera Servizi Energia Srl, 392 thousand euro;
- Herambiente Spa, 4,946 thousand euro;
- Gruppo Marche Multiservizi, 1,996 thousand euro;
- Feronia Srl, 24 thousand euro.

Certificates of energy efficiency and emission trading refer to:

- gray certificates in the amount of €944 thousand (€1,069 thousand as of 31 December 2014);
- green certificates in the amount of €114 thousand (€226 thousand as of 31 December 2014).

This item line reflects the obligation to return certificates to the relevant authorities in accordance with applicable regulations.

36 Comments to the consolidated cash flow statement

Investments in companies and business operations

During the first half of 2015, control was acquired over the sales company Alento Gas Srl. The table below details the main cash disbursements and cash holdings acquired:

thousands of euros	
Transactions leading to acquisition of control	
Cash consideration for acquisition of Alento Gas Srl	(5,526)
Investment in non-consolidated subsidiaries and joint ventures	
Other minor investment	(10)
Total cash outlays	**(5,536)**
Cash and cash equivalents from Alento Gas Srl	666
Cash and cash equivalents related to other minor transactions	-
Total cash and cash equivalents obtained	**666**
Investments in companies and business units net of cash and cash equivalents	**(4,870)**

For the analysis of the fair value of the assets acquired and liabilities taken on, see the section "Changes in the scope of consolidation" at the beginning of these notes.

Acquisition of shares in consolidated businesses

The amount 27,000 thousand euro refers entirely to the cash outlay related to the purchase of a minority interest in Akron Spa.

IFRS8

Income statement June 2015

	Gas	Electricity	Water cycle	Waste mangement	Other services	Headquarters	Total	Consolidated financial statements
Direct revenues	851.4	685.7	368.0	403.4	46.4	14.0	2,368.9	2,368.9
Infracyclical revenues	33.3	30.7	2.1	23.8	14.0	4.6	108.5	
Total direct revenues	**884.7**	**716.4**	**370.1**	**427.2**	**60.4**	**18.6**	**2,477.4**	**2,368.9**
Indirect revenues	6.7	1.7	7.3	2.9	0.0	-18.6	0.0	
Total revenue	**891.4**	**718.1**	**377.4**	**430.1**	**60.4**	**0.0**	**2,477.4**	**2,368.9**
EBITDA	**172.5**	**49.6**	**107.6**	**119.8**	**9.6**	**0.0**	**459.1**	**459.1**
Amortization, depreciation and direct provis	53.7	28.3	47.1	60.6	7.7	16.6	214.0	214.0
Amortization, depreciation and indirect prov	5.4	2.5	7.6	0.9	0.2	-16.6		
Total amortization, depreciation and prov	**59.2**	**30.8**	**54.7**	**61.5**	**7.9**	**0.0**	**214.0**	**214.0**
Operating result	**113.3**	**18.8**	**53.0**	**58.3**	**1.7**	**0.0**	**245.0**	**245.0**

Income statement June 2014

	Gas	Electricity	Water cycle	Waste mangement	Other services	Headquarters	Total	Consolidated financial statements
Direct revenues	741.4	650.3	359.4	411.8	48.2	17.2	2,228.3	2,228.3
Infracyclical revenues	37.7	41.2	4.2	19.0	7.9	9.2	119.2	
Total direct revenues	**779.1**	**691.5**	**363.6**	**430.8**	**56.2**	**26.4**	**2,347.6**	**2,228.3**
Indirect revenues	6.5	2.1	8.4	9.2	0.3	-26.4	0.0	
Total revenue	**785.6**	**693.5**	**372.0**	**440.0**	**56.4**	**0.0**	**2,347.6**	**2,228.3**
EBITDA	**151.1**	**62.7**	**105.3**	**122.4**	**9.4**	**0.0**	**450.9**	**450.9**
Amortization, depreciation and direct provis	38.1	31.4	49.2	65.1	7.7	16.5	208.1	208.1
Amortization, depreciation and indirect prov	5.0	2.5	8.0	0.8	0.2	-16.5		
Total amortization, depreciation and prov	**43.1**	**33.9**	**57.2**	**65.8**	**7.9**	**0.0**	**208.1**	**208.1**
Operating result	**107.9**	**28.8**	**48.0**	**56.6**	**1.4**	**0.0**	**242.8**	**242.8**

Statement of financial position June 2015

	Net working capital	Net non-current assets	Provisions	Equity	Net borrowings	Consolidated financial statements
Total assets	**2,047.3**	**5,450.7**	**0.0**	**0.0**	**678.2**	**8,176.1**
Cash and other liquid assets					678.2	678.2
Tax assets	188.5	79.0				267.5
Unallocated Group assets		444.0				444.0
Segment assets	**1,858.8**	**4,927.6**	**0.0**	**0.0**	**0.0**	**6,786.4**
- of which:						
GAS	610.6	1,380.8				1,991.4
Electricity El.	454.5	644.7				1,099.2
Water cycle	281.1	1,560.8				1,841.9
Waste mangement	447.6	1,206.3				1,653.9
Other services	65.0	135.0				200.0
Total liabilities	**1,894.2**	**18.7**	**500.0**	**2,429.1**	**3,334.1**	**8,176.1**
Financial liabilities and loans					3,334.1	3,334.1
Tax liabilities	356.4	16.2	0.0			372.6
Unallocated Group liabilities		2.5	14.5	2,429.1		2,446.0
Segment liabilities	**1,537.9**	**0.0**	**485.6**	**0.0**	**0.0**	**2,023.4**
- of which:						
GAS	440.1		146.5			586.6
Electricity El.	342.9		26.6			369.6
Water cycle	288.4		105.4			393.7
Waste mangement	402.8		199.6			602.3
Other services	63.7		7.5			71.2
Comprehensive total	**153.0**	**5,432.0**	**-500.0**	**-2,429.1**	**-2,655.9**	**0.0**

Statement of financial position December 2014 adjusted

	Net working capital	Net non-current assets	Provisions	Equity	Net borrowings	Consolidated financial statements
Total assets	**1,902.4**	**5,464.0**	**0.0**	**0.0**	**1,066.4**	**8,432.7**
Cash and other liquid assets					1,066.4	1,066.4
Tax assets	72.1	68.1				140.2
Unallocated Group assets		443.7				443.7
Segment assets	**1,830.4**	**4,952.1**	**0.0**	**0.0**	**0.0**	**6,782.5**
- of which:						
GAS	626.0	1,401.7				2,027.8
Electricity El.	519.9	650.5				1,170.4
Water cycle	245.0	1,542.0				1,787.0
Waste mangement	382.1	1,247.0				1,629.1
Other services	57.3	110.9				168.2
Total liabilities	**1,749.3**	**18.1**	**499.5**	**2,459.0**	**3,706.8**	**8,432.7**
Financial liabilities and loans					3,706.8	3,706.8
Tax liabilities	67.1	15.1	0.0			82.2
Unallocated Group liabilities		3.1	13.4	2,459.0		2,475.5
Segment liabilities	**1,682.2**	**0.0**	**486.1**	**0.0**	**0.0**	**2,168.3**
- of which:						
GAS	506.5		138.5			645.0
Electricity El.	458.9		26.3			485.1
Water cycle	272.1		106.1			378.2
Waste mangement	383.1		206.4			589.5
Other services	61.6		8.8			70.5
Comprehensive total	**153.1**	**5,445.8**	**-499.5**	**-2,459.0**	**-2,640.4**	**0.0**

2.03.02 EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH CONSOB RESOLUTION 15519 OF 2006

Management of the services

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market quoted in the part "Regulations" of the report on operations. Hera S.p.A. has longer residual terms than those set out for managing entities that have promoted partial privatisations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing. The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Tariffs for the distribution of gas are set pursuant to the regulations in force and AEEG's periodic resolutions. The territory in which Hera carries out the gas distribution services consists of "tariff areas" in which a distribution tariff is uniformly applied to the various categories of customers.

The tariff regulation in force at the time of approval of the annual consolidated financial statements to which this report is attached mainly reflects Resolutions 573/2013/R/GAS, 367/2014/R/GAS (TUDG) and related Annex A (RTDG).

In fact, as of 1 January 2014 the new "Regulation on tariffs for gas distribution and metering services for the regulatory period 2014-2019 (RTDG 2014-2019)", approved by resolution 573/2013/R/Gas. Pursuant to the provisions of article 28 of RTDG 2014-2019, the mandatory tariffs for natural gas distribution and metering vary on the basis of the following six tariff areas:

- North-western area, including the regions of Valle d'Aosta, Piemonte and Liguria;
- North-eastern area, including the regions of Lombardia, Trentino - Alto Adige, Veneto, Friuli - Venezia Giulia, Emilia - Romagna;
- Central area, including the regions of Toscana, Umbria and Marche;
- Central south-eastern area, including the regions of Abruzzo, Molise, Puglia, Basilicata;
- Central south-western area, including the regions of Lazio and Campania;
- Southern area, including the regions of Calabria and Sicilia.

The value of the components under paragraph 27.3, sub-paragraphs c), d), e), f),g) and h) of RTDG 2014-2019 is established by the Authority and subject to quarterly changes.

By resolution 633/2013/R/Gas the Authority approved the components of the mandatory tariffs for the distribution, metering and sale of natural gas, under paragraph 27.3, sub-paragraphs a) and b) of RTDG 2014-2019 for 2014. The components GS, RE, RS and UG1 under paragraph 27.3, sub-paragraphs c), d), e) and f) of RTDG 2014-2019 were approved by Resolution 641/2013/R/com.

The provisional reference tariffs for the distribution, metering and sale of natural gas for 2014 were approved by resolution 132/14/R/gas. The same resolution called also for the re-determination of tariff options for 2014. The final reference tariffs for the distribution, metering and sale of natural gas for 2014 were approved by resolution 90/2015/R/gas, based on the provisions of article 3, paragraph 2, sub-paragraph b) of the RTDG, as calculated on the basis of actual financial data for 2013.

In the case of electricity, the purpose of the concessions (30 years in duration and renewable according to current regulations) is energy distribution activity, including, amongst other things, management of the distribution networks and operation of connected plants, ordinary and extraordinary maintenance and programming and identification of development initiatives and measurement. A suspension or expiry of the concession may be ordered by the authority regulating the sector if the concession holder is found to be inadequate or to be in breach of regulations in force, in such a way as to prejudice provision of the electricity distribution service in a serious and far-reaching manner. The concessionaire is required to apply the tariffs set by regulations in force and resolutions adopted by AEEG. The tariff regulation in force when the consolidated annual financial statements for the year were approved, to which this report is attached, was resolution ARG/elt no. 199/2011 of AEEG and subsequent amendments and additions ("Provisions of AEEG for carrying out electricity transmission, distribution and measurement services for the regulatory period 2012-2015 and provisions regarding the economic conditions regulating the provision of the connection service"). The mandatory tariff for the distribution service covers the cost of transporting electric energy on distribution networks. It is applied to all end-customer, except low-tension residential customers. The tariff has a three-pronged structure, which is expressed in eurocents per delivery point per annum (fixed component), eurocents per KW per annum (power component) and eurocents per KWh used (energy component). The Authority updates the mandatory tariff for the distribution service every year. Resolution 607/2013/R/eel updated, among other changes, the transmission, distribution and metering tariffs for 2014.

2.04 NET BORROWINGS

2.04.01 Consolidated Net Borrowings

€/million		30-Jun-2015	31-Dec-2014
a	**Cash and cash equivalents**	**423.9**	**834.5**
b	**Other current financial receivables**	**34.2**	**45.2**
	Current bank debt	(139.5)	(175.6)
	Current portion of bank debt	(279.9)	(302.2)
	Other current financial liabilities	(8.4)	(69.6)
	Finance lease payables due within 12 months	(2.6)	(3.4)
c	**Current financial debt**	**(430.4)**	**(550.8)**
d=a+b+c	**Net current financial debt**	**27.7**	**328.9**
	Non-current bank debt and bonds issued	(2,757.7)	(3,020.6)
	Other non-current financial liabilities	(6.1)	(7.0)
	Finance lease payables due after 12 months	(24.3)	(25.3)
e	**Non-current financial debt**	**(2,788.1)**	**(3,052.9)**
f=d+e	**Net borrowings - Consob communication n°15519 of 28 July 2006 15519 del 28/07/2006**	**(2,760.4)**	**(2,724.0)**
g	**Non-current financial receivables**	**104.5**	**83.6**
h=f+g	**Net financial debt**	**(2,655.9)**	**(2,640.4)**

** The format includes also non-current financial receivables arising from interest-bearing loans provided at arm's length to associated companies and the city of Padua.*

2.04.02 Net Borrowings –Consob resolution 15519/2006

(€/million)		30-giu-15	A	B	C	D	31-dic-14	A	B	C	D
a	Cash and cash equivalents	423.9					834.5				
	of which related parties										
b	Other current financial receivables	34.2					45.2				
	of which related parties			15.2	1.4				20.3	0.7	
	Current bank debt	(139.5)					(175.6)				
	Current portion of bank debt	(279.9)		(0.9)			(302.2)				
	Other current financial liabilities	(8.4)			(3.5)		(69.6)		(0.8)	(32.4)	
	Finance lease payables due within 12 months	(2.6)					(3.4)				
c	Current financial debt	(430.4)					(550.8)				
	of which related parties		-	(0.9)	(3.5)	-		-	(0.8)	(32.4)	-
d=a+b+c	Net current financial debt	27.7					328.9				
	of which related parties		-	14.3	(2.1)	-		-	19.5	(31.7)	-
	Non-current bank debt and bonds issued	(2,757.7)					(3,020.6)				
	Other non-current financial liabilities	(6.1)			(5.9)		(7.0)			(6.4)	
	Finance lease payables due after 12 months	(24.3)					(25.3)				
e	Non-current financial debt	(2,788.1)					(3,052.9)				
	of which related parties		-	-	(5.9)	-		-	-	(6.4)	-
f=d+e	Net borrowings - Consob communication n°15519 of 28 July 2006 15519 del 28/07/2006	(2,760.4)					(2,724.0)				
	of which related parties		-	14.3	(8.0)	-		-	19.5	(38.1)	-
g	Non-current financial receivables	104.5					83.6				
	of which related parties			67.6	19.1				49.3	19.3	
h=f+g	Net financial debt	(2,655.9)					(2,640.4)				
	of which related parties		-	81.9	11.1	-		-	68.8	(18.8)	-

* *The format includes also non-current financial receivables arising from interest-bearing loans provided at arm's length to associated companies and the city of Padua.*

Key of headings of related apatie columns: A Non-consolidated subsidariesand jointly controlled companies B Jointly controller associated companies C Related compagnie with significant influence D Other related parties

2.05 EQUITY INVESTMENTS: List of consolidated companies

Subsidiaries

Name	*Registered office*	*Share capital*	*% held*		*Total interest*
Capogruppo: 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		75.00%	75.00%
Alento Gas Srl	Francavilla (CH)	1,169,350		71.07%	71.07%
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 AD	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		75.00%	75.00%
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	271,648,000	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 EAD	Sofia (Bulgaria)	32.891.000 lev		100.00%	100.00%
Romagna Compost Srl	Cesena	3,560,002		45.00%	45.00%
SiGas d.o.o	Pozega (Serbia)	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%

Jointly controlled companies

Name	*Registered office*	*Share capital*	*% held*		*Total interest*
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	*Registered office*	*Share capital*	*% held*		*Total interest*
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 is composed of € 67,577,681 ordinary shares and € 10.450.000 of related shares

2.06 ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98

1 – The undersigned Mr. Stefano Venier in his capacity as Managing Director, and Mr. Luca Moroni in his capacity as Manager in Charge of the preparation of the corporate accounting documents of Hera Spa, hereby certify, also in consideration of the provisions of article 154-bis, paragraphs 3 and 4, of the Legislative Decree no. 58 dated 24 February 1998:

- the adequacy with reference to the nature of the company, and
- the actual application of

the administrative and accounting procedures for the preparation of the abbreviated financial statements for the first half of 2015.

2 – We also declare that:

2.1 – the abbreviated 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 intermediate management report includes a reliable analysis of the important events witnessed in the first half-year and their effect on abbreviated half-year financial statements, together with a description of the major risks and uncertainties for the remaining six months of the financial year. The intermediate management report furthermore includes a reliable analysis of the main transactions with related parties.

The Managing Director	The Manager in charge of the
corporate	accounting statements
Stefano Venier	Luca Moroni

2.07 REPORT BY THE AUDITING FIRM

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
HERA S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Hera S.p.A. and subsidiaries ("Hera Group"), which comprise the statement of financial position as of June 30, 2015 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Hera Group as at June 30, 2015 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

Other Matter

The consolidated financial statements of Hera Group for the period ended as of December 31, 2014 and the half-yearly condensed consolidated financial statements for the six month period ended as of June 30, 2014 have been respectively audited and reviewed by other auditors that on April 3, 2015 and on August 27, 2014 expressed an unmodified opinion and an unmodified conclusion on those consolidated financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Mauro Di Bartolomeo
Partner

Bologna, Italy
August 26, 2015

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

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Share capital Euro 1,340,383,538 fully paid up
Tax code/VAT and Bologna Business Reg. no. 04245520376