



**CONSOLIDATE
HALF-YEAR
FINANCIAL REPORT**

as at 30 June 2021



GRUPPO
HERA

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INTRODUCTION



MISSION

HERA'S GOAL IS TO BE THE BEST MULTI-UTILITY IN ITALY

for its customers, workforce and shareholders. It aims to achieve this by further developing an original corporate model capable of innovating and forging strong links with the areas served, while respecting the local environment.

FOR HERA, BEING THE BEST IS A WAY OF CREATING PRIDE AND TRUST FOR:



OUR CUSTOMERS,

who receive quality services that satisfy their expectations, thanks to Hera's constant responsiveness.



OUR EMPLOYEES,

because the women and men who work for the company, with their skills, engagement and passion, are the foundation of its success.



OUR SHAREHOLDERS,

confident that the company will continue to generate economic value in full respect of social responsibility principles.



OUR SUPPLIERS,

because they are key elements in the value chain and partners in growth.



THE LOCAL AREAS SERVED,

because economic, social and environmental wealth represents the promise of a sustainable future.

STRATEGY



Hera pursues a multi-business growth strategy focused on three core business areas: **waste management**, **water services**, and **energy**. This allows us to maintain a balanced portfolio that includes both regulated and free-market activities, which lays the foundations for a path of steady growth even when facing increasingly frequent systemic crises.



The Group is distinguished by its search for excellent and innovative management models that embody the principles of a **circular economy** and the pursuit of **carbon neutrality**, making the most of the emerging technological innovations that ever more decisive in ensuring increasing efficiency and resilience in assets and services.

In much the same way, the Group's strategy continuously improves long-term **risk and opportunity** assessment and management, as required to guarantee the **fundamental services**

it provides to the public even in extreme or extraordinary circumstances.

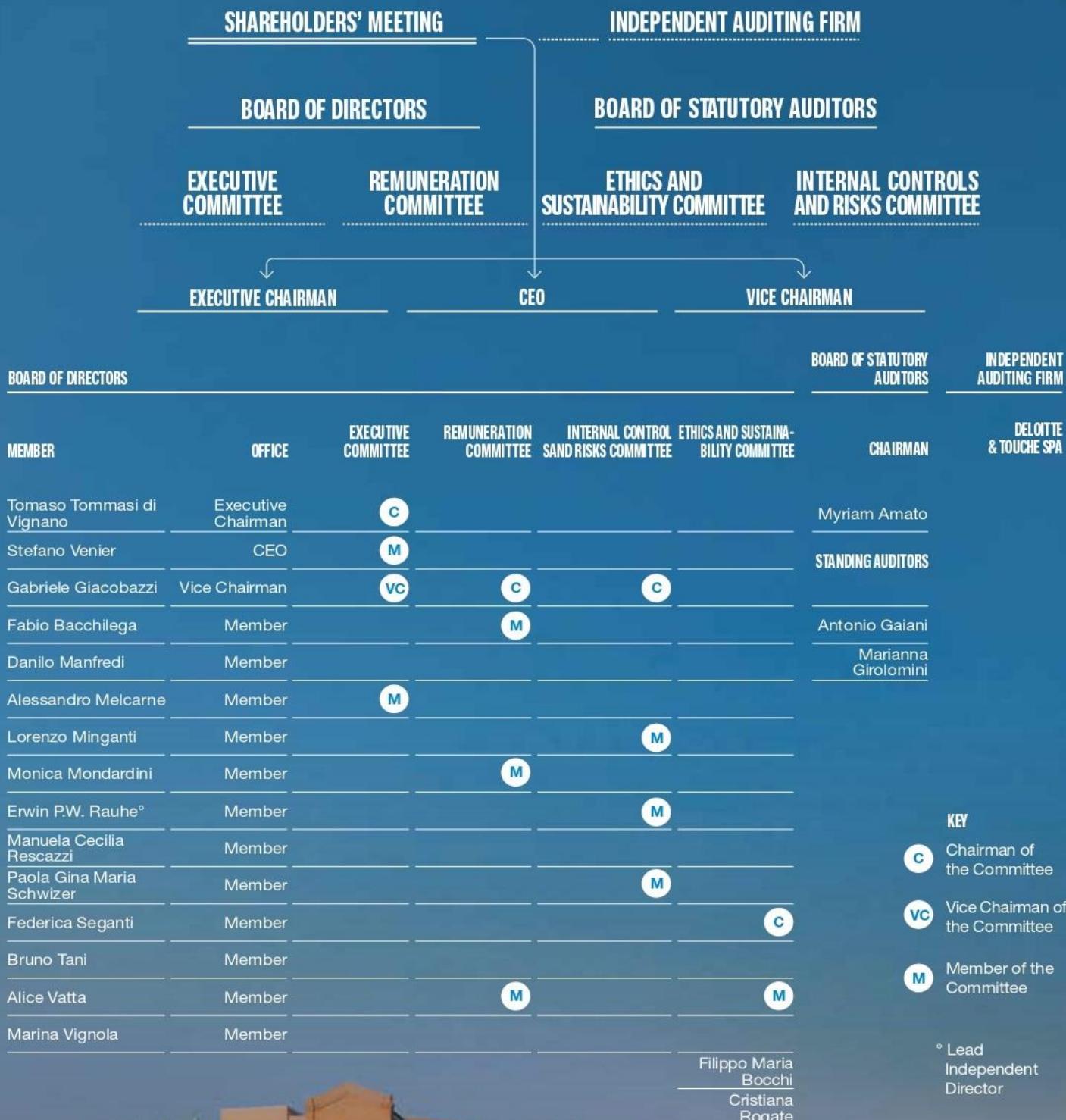
Measuring the shared value generated for the local area provides tangible, quantifiable evidence that Hera has adopted a **sustainable growth** model in which stakeholders are invited to play an increasingly active role.

Overall, the Group's strategy combines business development with the needs of the ecosystem in which it operates, enhancing the reciprocal trust-based relationship it enjoys with its local areas.

GOVERNANCE SYSTEM

Hera's corporate governance is aimed at understanding and evaluating the stimuli from an increasingly complex context, in order to continue growing and, at the same time, to further consolidate the close links with the area served that have distinguished the Group since its establishment. Constant communications and specific knowledge of the actors

involved have led us to develop an open and transparent way of doing business. This distinctive trait has been implemented over the years thanks to the creation of corporate bodies that are integrated with each other and, in line with the **Corporate governance code** and **Code of ethics**, ensure that all those interacting with Hera have their expectations satisfied.



DIRECTORS' REPORT



1.01 TRENDS AND CONTEXTS

Trends and contexts

Hera makes ongoing efforts to interpret the signs coming from the contexts in which it operates, in an attempt to obtain an overall view of what lies ahead for the Group and its stakeholders. In order to anticipate future developments, and thus operate according to its original business model, geared towards continuous innovation, strong local roots and respect for the environment, the main updates in the macrotrends occurring within the reference contexts are identified below. The foremost drivers of change and the Group's strategic approach are presented in its 2020 year-end financial statements, which may be consulted for a more detailed discussion.

1.01.01 Macroeconomy and finance

Global economic trends and forecasts

After the -3.3% drop in global GDP in 2020 compared to the previous year, the worst fall in GDP since World War II, in the first half of 2021 the global economy confirmed the trend towards recovery witnessed at the end of 2020. Vaccination campaigns in many areas of the world, along with ongoing highly accommodating economic/monetary policies, led the International Monetary Fund (IMF) to revise its GDP growth estimates to +6% worldwide in 2021.

Expectations point towards strong recovery in 2021, extending into 2022, for advanced economies, more affected than others by the crisis brought on by the pandemic. The United States and the United Kingdom, for example, are expected to reach growth in GDP coming to +6.4% and +5.3% respectively. Emerging economies, on the other hand, are expected to grow by +6.7%, supported by a recovery in energy commodity prices that will favour oil-exporting countries.

However, the state of the health crisis in the coming months, as well as the continuation of accommodative fiscal policies, create some uncertainties as to the recovery mentioned above.

Focus on the Euro Area

Due to an additional wave of contagion, the euro area was the most affected among advanced economies in 2020, with GDP dropping by 6.6 % year-on-year. Nevertheless, estimates for 2021 point towards strong economic recovery. The International Monetary Fund (IMF) has projected growth in GDP coming to around +4.6% in 2021 and +4.7% in 2022. One of the variables on which these estimates are based is the approval by the European Council and Member States of the National Recovery and Resilience Plans that make up the "Next Generation EU".

The current situation and national economic prospects

In line with European trends, Italy closed the last quarter of 2020 with a fall in GDP amounting to -1.9% compared to the previous quarter, and a -8.9% decrease compared to the previous year. The first few months of 2021 saw a substantial recovery in the Italian economy: while the industrial sector recovered steadily throughout the first half of the year, the services sector only recovered more recently.

With regard to industrial production, an improvement occurred in the first part of 2021: in the quarter February-April 2021, Istat estimated an increase of +1.9% compared to the previous quarter, reaching 102.4 in May. Confirming this trend, in June there was a significant increase in both the composite index of business confidence, which rose from 107.3 to 112.8 in one month, and the consumer confidence index (from 110.6 to 115.1).

The impact of the crisis on employment has been mitigated for the time being by the extension of the redundancy fund and temporary restrictions on dismissals. Nevertheless, in the first quarter of the year employment dropped by -1.1% compared to the previous period, while the unemployment rate, after a slight decrease in the last part of 2020, returned to 10.5% at the end of May.

Inflation was negative in 2020, at -0.2% year-on-year in Italy, partially linked to the substantial reduction in energy prices (-8.4%).

With regard to forecasts for the entire year, the main institutions estimate an inflation rate close to +1.5%, supported by factors including the injection of liquidity linked to the "Next Generation EU" programme.

The Bank of Italy expects the nation's economic growth in 2021 to come to 5.1%, concentrated above all in the second half of the year. These estimates are based on the assumption that the pandemic is coming to an end and that national and EU institutions will continue to support the national economy.

From this perspective, the National Recovery and Resilience Plan (NRRP) is a fundamental step for the country's economic recovery, as well as an opportunity to reduce the technological and infrastructural gap with respect to the European average. The significance of the National Recovery and Resilience Plan was highlighted by the Italian Government's request to the European Commission for funding up to the maximum amount available, i.e. 191.5 billion euro; 36% will be provided in the form of grants, while the remainder will consist in loans. The recently approved Plan made it possible, in particular, to proceed in disbursing the first tranche, amounting to roughly 25 billion euro, within the end of July. In addition to these resources, an additional 30.6 billion euro is available from an EU Supplementary Fund.

The NRRP will extend through to 2026 and has a dual objective, closing Italy's structural gaps, particularly in the South, and pursuing climate targets that are already part of national and EU legislation. The interventions planned are guided by three across-the-board priorities: digitalisation and innovation, social inclusion and the ecological transition, to which about 37% of the resources will be allocated.

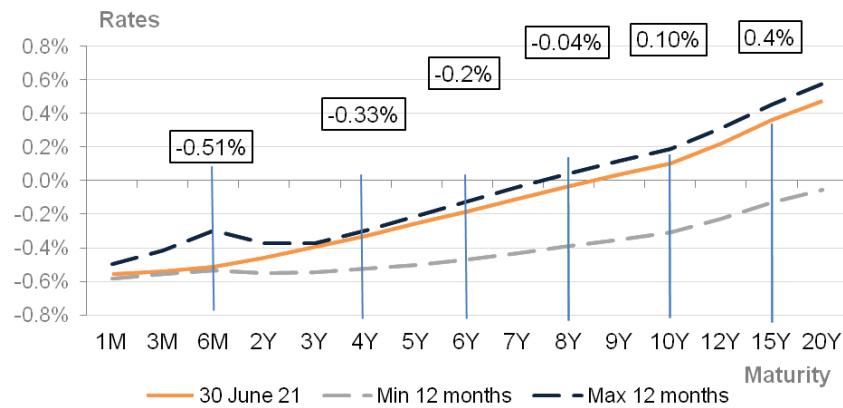
The investments have been defined in detail within six missions, corresponding to the six pillars of the European Regulation governing the Recovery and Resilience Facility. These are accompanied by a broad programme of reforms aimed at modernising the national legal framework, removing administrative obstacles, raising the quality of services provided to citizens and businesses, and boosting the economy's productivity.

The sectors in which the Hera Group operates are most affected by the interventions of Mission 2 ("Green revolution and ecological transition"), which provides for investments in developing the circular economy, renewable energy, hydrogen, sustainable mobility, energy efficiency and land and water resource protection.

Financial markets

As regards financial markets, note that the tension and volatility previously seen, since these markets are sensitive to the spread of the pandemic and the progress of vaccinations in various countries, has eased, even though they have not returned to the levels prior to the health emergency.

The rise in interest rates in the major advanced economies reflects expectations of economic growth and rising inflation. The euro swap interest rate curve increased by an average of about 25 basis points over the previous year and, in particular, the 10-year swap rates returned to positive figures.

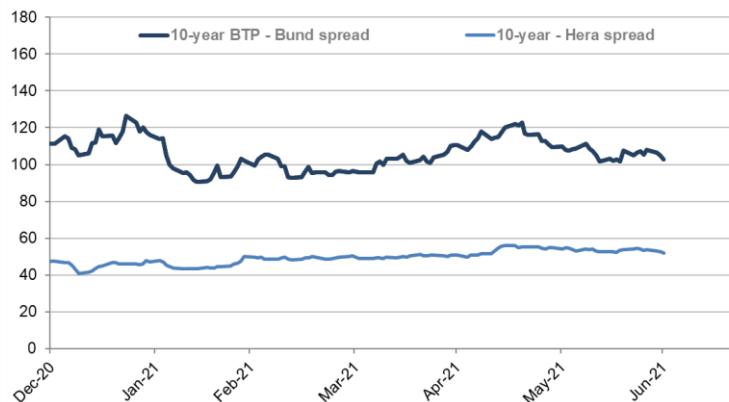


However, structural growth prospects and medium-term inflation expectations are still moderate; in this respect, the European Central Bank maintains that the reflationary phenomenon we are now witnessing is cyclical and not structural in nature, due to temporary factors that will recede. In order to keep interest rates under control, the Central banks have therefore confirmed their expansionary monetary policy.

In the European context, in order to avoid tightening financing conditions and a rise in bond yields, exposed to changes in market rates, purchases of public and private securities were increased during the first half of the year as part of the Pandemic emergency purchase programme (PEPP). The spreads between yields on bonds issued by non-financial corporations and the corresponding government bonds are contained. During the first half of the year, the Btp-Bund spread remained below 120 basis points and reached 100 basis points at the end of June.

The spread of the bonds issued by Hera is consistently below the corresponding spreads of Italian debt securities. The 10-year spread, in particular, remained about 50 basis points lower than the Btp-Bund

spread of the same duration, thanks to the Group's good creditworthiness and the consolidation of its continuous growth, which create lesser volatility.



1.01.02 Business, environment, regulations, human capital and technology

Trends in businesses

In the first half of 2021, energy prices showed a significant increase compared to the previous reporting period, influenced by the rise in Asian liquefied natural gas spot prices and mainly attributable to the economic recovery and favourable weather, which resulted in increased consumption. The Day-ahead electricity market (MGP) showed a price increase coming to 108% compared to the same period in 2020. The data made available by the company managing the national transmission grid (Terna Spa) shows that electricity consumption in the first six months of the year increased by 7.8%, reaching 154.8 TWh (as against 143.6 TWh in the same period during the previous year). Overall, 86.8% of demand was met by domestic production, which increased compared to the same period of 2020, while the balance from abroad stood at 20.5 TWh.

Renewable energy sources contributed with 37.6% of total net electricity generation, with a volume coming to 50.5 TWh, higher than the 49.8 TWh generated in the same period of 2020. This contribution did not, however, translate into an increase in the share of consumption met by renewables, which decreased from 34.7 % (first half of 2020) to 32.6%.

In the first six months of 2021, the price index for natural gas at the Dutch hub (TTF), taken as a reference for prices on European short-term spot markets, increased by 115% compared to the same period in 2020. The information made available by the operator of the national gas transportation network (Snam Rete Gas Spa) shows an 11.3% increase in natural gas consumption compared to the same period in the previous year, amounting to 39.6 billion cubic metres (35.6 billion cubic metres in the first six months of 2020). The most significant increases in consumption came from civil demand, which amounted to 19.4 billion cubic metres, and to electricity generation, with 11.9 billion cubic metres. In the first five months of 2021, 92.3% of demand was met, in terms of gas injected into the network, by gas imports, 3.9% by domestic production and the remainder by storage.

As regards the waste sector, the production of urban and industrial waste in the half-year, correlated with traditional socio-economic indicators (above all GDP and consumer spending), remained at lower levels than those recorded prior to the pandemic. This reduction in waste generated a consequent increase in plant availability at a European and national level and thus a reduction in treatment prices. It should be noted that, as regards the industrial waste market, the phenomenon of concentration is continuing; existing private industrial waste treatment plants are increasingly being acquired by competitors, particularly the main national utilities. In order to grasp market opportunities, i.e. to take up flows from areas with difficulties in treatment, several foreign players with experience in intermodal logistics have also started to establish commercial relations with national operators. This competition is, however, hindered by the complexity of national regulations and administration which, to participate in tenders for treatment on Italian territory, leads foreign operators to collaborate with national ones, and by the progressive entry into force, in several countries, of penalising mechanisms that increase the costs of treatment abroad.

As regards the recovery segment, also note that the prices of virgin polymers, i.e. plastic raw materials, while being correlated to the price of oil, continued their downward trend, leading to a consequent reduction, albeit less marked, in the sale prices of recycled plastic.

Changes in the regulatory framework

With regard to regulations, ARERA's most significant interventions during the half-year were:

- the definition of supplementary measures to deal with the Covid-19 emergency in the electricity sector;
- the publication of the final guidelines for the reorganisation of gas measurement at points of interconnection with the transportation network and the experimental regulation of pilot projects for innovation in gas transport and distribution infrastructures;
- final guidelines on regulations for output and performance in gas measurement;
- the introduction of the Gradual protection service (GPS) for the electricity sector, and amendments to the code of commercial conduct, to strengthen transparency of sellers in favour of end customers in the electricity and gas retail market;
- approval of the mechanism for recovering from electricity sellers the general system charges already paid to distribution companies and not collected from end customers in arrears;
- the introduction of a procedure to renew regulations for metering in the integrated water service;
- the simplification of the procedures for the automatic recognition of social bonuses for economic hardship in the electricity, gas and water network sectors;
- the publication of initial guidelines for regulating tariffs in the second regulatory period and for regulating the quality of the urban waste management service.

Covid-19: measures supporting non-household users for electricity supply

In the context of the Covid-19 emergency, ARERA intervened with further measures aimed at mitigating the effects of the pandemic, particularly in favour of non-household users and distributors in the electricity service. With Resolution 124/2021/R/eeel, implementing the "Support" Decree Law, it ordered a reduction in tariffs concerning expenses for transportation and meter management, and system charges, applied to electricity bills for the months of April, May and June 2021, compared with the tariffs approved for 2021, for non-household users connected to low-voltage networks. In the event that invoices had already been issued to end customers for April-June 2021, and the application of the 2021 prices resulted in an increase in expenses for the customer, ARERA also ordered that an adjustment be made with any subsequent reimbursements. By 31 October 2021, distributors will be reimbursed for the lower income through a compensation mechanism managed by the Energy and Environmental Services Fund (CSEA).

ARERA's final guidelines on reorganising measurement activities and trials for innovation in gas transport and distribution infrastructures

In the area of gas distribution, note the the Authority's final guidelines on the reorganisation of measurement activities at the entry and exit points of the gas transport network (Consultation Document (Dco) 167/2021/R/gas) and the launch of pilot projects for the innovation of gas transport and distribution infrastructures (Dco 250/2021/R/gas). With the guidelines in the first Dco, ARERA's objective is to ensure that the measurement of gas entering and leaving the transport network meets predefined criteria for accuracy and reliability, through adequate accountability of all players in the chain. To this end, the Authority expressed its willingness to introduce plant, performance and maintenance requirements for measurement systems, service standards and appropriate incentive mechanisms that call for financial recognition in the event of compliance with standards. With Dco 250/2021/R/gas, on the other hand, ARERA outlined the procedures for launching pilot projects for testing solutions for the optimised management and innovative use of gas transport and distribution infrastructures, in terms of types of intervention and subjects involved, general evaluation criteria and coverage of the costs of test projects.

Smart metering gas: ARERA's final guidelines on output and performance in the metering service and billing requirements

Still concerning gas, note the Authority's final guidelines in relation to the performance of the gas metering system. Consultation document 263/2021/R/gas presents a thorough revision, with reference to gas smart metering systems, of the criteria for putting meters into service, the frequency of readings and timing in making metering data available, the compensation to be paid by distributors to end customers and sellers, as well as certain adjustments regarding billing obligations for sellers. In addition, the methods for recognising costs associated with testing additional functions for gas smart metering were confirmed.

Energy retail markets: regulation of the Gradual Protection Service (GPS) and amendment of the Code of commercial conduct

As part of the process of overcoming price protection regimes, outlined by Law 124/2017 ("Competition Law") and subsequent amendments, with Resolution 491/2020/R/eeel ARERA introduced the regulation of the Gradual Protection Service (GPS) and established the competitive methods of assigning it. This service was designed to guarantee continuity in supply to small businesses (and under certain conditions also to very small businesses) that would have found themselves without a supplier because they had not signed a contract under free market conditions on 1 January 2021. Following the end of the six-month transitional period for managing the service, entrusted to greater protection operators, from 1 July 2021 the GPS will be provided by subjects identified for individual portions by geographical area. In order to accompany the overcoming of the protected systems, by way of Resolution 426/2020/R/com, ARERA strengthened transparency obligations for sellers, in favour of small household and non-household customers in the pre-contractual and contractual phases. Through a revision of the Code of commercial conduct, furthermore in order to ensure that end customers can compare offers and verify the contracts they have signed, the Code of Commercial Conduct was also amended and, with Resolution 242/2021/R/com, amendments were introduced to the Bill 2.0 regulation.

Recovery of unpaid general system charges for electricity sellers

With resolution 32/2021/R/com, Arera approved the mechanism for recognising general system charges (GSC) already paid by sellers to distribution companies, including cases of non-collection from defaulting end customers, thus resolving a long-standing administrative dispute. This measure is being applied retroactively as of 2016, and annual participation sessions have been planned. Uncollected GSCs, which meet certain "efficiency" conditions and have been waived as part of settlement agreements involving credit assignment and restructuring, are recognised. Furthermore, the mechanism has also been extended to the safeguarded service, concerning amounts not already recognised through other mechanisms, and the gradual protection service. The first session of the recognition mechanism (with effects encompassing the 2016-2020 competencies) is scheduled for 2021.

Amendments to regulations for metering in water services

With regard to the integrated water service, by way of resolution 83/2021/R/ldr Arera initiated a procedure to renew regulations for the metering service. The intervention is aimed at assessing the contribution of water smart metering, increasing transparency towards users as to their consumption habits, introducing compensation to users in the event of failed reading attempts by the operator, defining even regulations in the area of hidden losses on private plant management and, finally, identifying best practices for condominiums to allow owners of residential units to have individual consumption data.

Social benefits for economic hardship for network services: simplified procedures to access the benefit

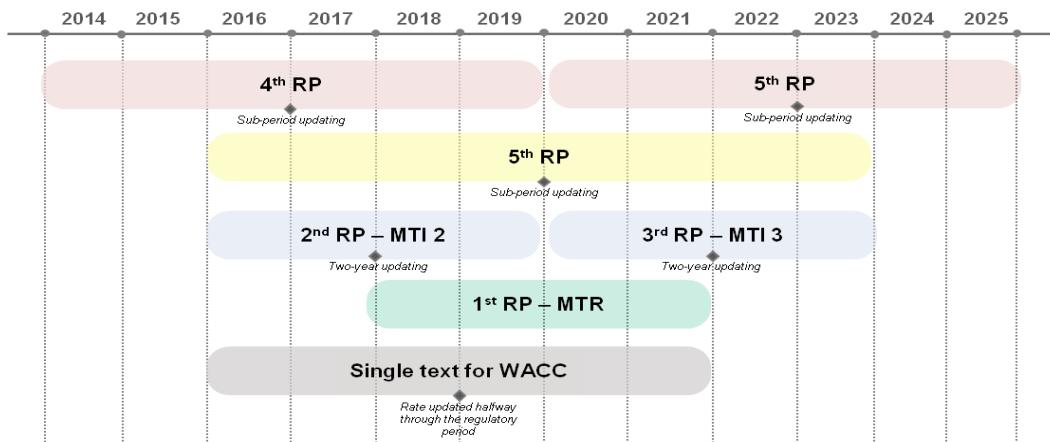
With resolution 63/2021/R/com, Arera implemented the application methods for the new process of automatic recognition of social benefits (electricity, gas and water) for economic hardship, introduced by Decree-Law 24/2019 and converted into Law 157/2019. As of 1 January 2021, in order to obtain the benefits to which one is entitled on the basis of current requirements involving income and assets by household (including social benefits), it will be sufficient to fill in a Single substitute statement (SSS) for ISEE, without the need to submit a special application for the recognition of these benefits, which will continue to be provided by retail energy sellers and integrated water service managers.

Consultation on integrated waste service tariff regulations for the second regulatory period (Mtr-2)

With reference to the waste sector, in the first half of 2021, the application of the first national tariff regulation continued (regulatory period 2018-2021), which concerned waste collection service operators and integrated operators (those who internalise waste collection and treatment service assets into a single legal company). During 2021, the approval of the tariff method for the second regulatory period 2022-2025 (Mtr-2) is expected, which will define the tariff regulation criteria for municipal waste treatment and disposal services for non-integrated operators. The consultation process, which began with Dco 196/2021/R/rif, summarises the main rationale behind the regulations, and postpones more precise proposals on tariff parameters to a subsequent document. With regard to "gate tariffs" for access to treatment and disposal plants, ARERA envisages the recognition of operating costs and the use of capital, introducing environmental contributions (positive or negative) to the transferors on the basis of the type of plant in which the waste is to be delivered. Arera also foresees an initial classification of treatment plants, in order to guide the degree of intensity of future tariff regulation. As regards the integrated service in general, the consultation document proposes confirmation of the limit on annual tariff growth, albeit with some adjustments aimed at making the cases where the limit is exceeded more explicit, in order to guarantee operating-financial balance for managers. Finally, the role of the competent local authorities/municipalities in sizing certain tariff parameters already identified in the MRT-1 (cost efficiency factor, sharing, etc.) is confirmed, although, in this case too, with greater third party responsibility in the choice of the criteria for evaluating the parameters themselves.

Initial guidelines for regulating the quality of municipal waste management services

A further important step in regulations that took place in the first half of 2021 concerns the publication of the initial guidelines for regulating the quality of municipal urban waste management services, the administrative procedure for which was introduced with Dco 72/2021/R/rif. This regulatory intervention aims to introduce obligations to record and report on the performance of operators, setting out quality indicators and minimum standards that are even throughout the country (commercial and initial technical quality elements).



Lastly, the table below indicates the main tariff references for each regulated sector, based on the regulatory framework in effect in 2020 and expected to remain until the end of the current regulatory periods.

	 Natural gas distribution and measurement	 Electricity distribution and measurement	 Integrated water service	 Integrated waste cycle
Regulatory period	2014-2019 4 th regulatory period (resolution 573/13)	2016-2019 1 st sub-period of the 5 th regulatory period (resolution 654/15)	2016-2019 2 nd regulatory period (resolution 664/15)	2018-2021 1 st regulatory period (resolution 443/19) (1)
	2020-2025 5 th regulatory period (resolution 570/19)	2020-2023 2 nd sub-period of the 5 th regulatory period (resolution 568/19)	2020-2023 3 rd regulatory period (resolution 580/19)	
Regulatory governance	Single level (Arera)	Single level (Arera)	Double level (Ega, Arera)	Double level (Regional authority, Arera)
Invested capital recognised for regulatory purposes (Rab)	Previous cost revised (distribution) Average between standard and actual cost (measurement) Parametric recognition (centralised capital)	Parametric recognition for assets until 2007 Previous cost revised for assets as of 2008	Previous cost revised	Previous cost revised
Regulatory lag for investment recognition	1 year	1 year	2 years	2 years
Return on invested capital (2) (real, pre-tax)	2019 6.3% Distribution 6.8% Measurement 2020-2021 6.3% Distribution and measurement	2019-2021 5.9%	2018-2019 5.31% 2020-2021 5.24%	2020-2021 6.3% +1% for investments as of 2018, covering the regulatory lag +1% for investments as of 2012, covering the regulatory lag
Recognised operating costs	Average value of actual costs by company grouping (by size/density), based on 2011 (for revenues until 2019) and 2018 (for revenues as of 2020) (3) Sharing for efficiencies achieved compared to recognised costs Update with price-cap	Average values of actual sector costs, based on 2014 (for revenues until 2019) and 2018 (for revenues as of 2020) Sharing for efficiencies achieved compared to recognised costs Update with price-cap	Efficiency-applicable costs: actual amounts for the manager in 2011, adj. for inflation Updatable costs: actual values, with 2-year lag Added charges for specific purposes (provisional)	Actual costs for manager with 2-year regulatory lag (as of 2020 tariffs for 2018 costs) Added costs for quality improvement and change in manager's scope (provisional) Balance for 2018-2019 based on 2017 costs (gradual)
Annual efficiency factor for operating costs	Annual X-factor 2019 Distribution: 1.7% large companies 2.5% medium companies Measurement and commercialisation: 0% As of 2020 Distribution: 3.53% large companies 4.79% medium companies Measurement: 0% Commercialisation: 1.57%	Annual X-factor 2019 Distribution: 1.9% Measurement: 1.3% As of 2020 Distribution: 1.3% Measurement: 0.7%	Efficiency-applicable mechanism based on: sharing manager's 2016 efficiencies Amount of sharing differentiated according to the discrepancy between actual costs and manager's efficient cost	
Incentive mechanisms		Sharing for net revenues coming from fibre optics transit in electricity grids	Sharing for electricity costs, based on energy saving achieved, recognition of 75% earnings from activities aimed at environmental and energy sustainability	Sharing for revenues coming from sales of materials and energy (range 0.3-0.6) and Conai incentives
Annual limit on tariff increases			Asymmetric, based on: -investment requirements -management cost -changes in scope Possibility of motion guaranteeing economic and financial balance	Asymmetric, based on the presence of: -changes in scope -quality improvement (only for 2020) continuity-maintenance of service quality following the Covid-19 emergency Possibility of motion guaranteeing economic and financial balance

(1) Resolution 443/19 applies to operators in the integrated waste cycle, including treatment activities (disposal or recovery), only if these activities are included in the operator's corporate scope. The specific measure to be introduced for tariffary regulation of compensation for plants falling outside this scope has been postponed. This measure will be effective as of the 2020 tariff year, following the application procedure foreseen in the measure itself, without prejudice to the derogations foreseen by Law Decree 18/2020 Cura Italia, commented on in the section with further details.

(2) For the energy and waste sectors, the Wacc methodology is applied, while for the integrated water service the amounts indicated refer to rate of coverage of financial and fiscal charges.

(3) Regarding the significant reduction in the recognition of operating costs introduced by resolution 570/2019 in February 2020, Inrete Distribuzione Energia Spa, the Group's main distributor, like other operators in the sector, has filed an appeal at the Lombardy-Milan Regional Administrative Court.

1.02 MAIN EVENTS OCCURRED

Business and financial events

Science Based Target On 22 April, the Hera Group received scientifically-based certification from the international network Science Based Target initiative (SBTi) of its target consisting in a 37% reduction in greenhouse gas emissions by 2030 compared to 2019. This objective is fully integrated into the Group's strategy and goes hand in hand with the growing creation of shared value with its stakeholders and the local areas in which it operates.

The 37% target for reduction in carbon dioxide emissions does not only apply to emissions produced by the Group's activities, but also extends to those of its customers, in relation to electricity and gas sales, and of its suppliers. The Group's initiatives required to achieve this target aim above all to promote the energy efficiency shown by its customers, including involvement and awareness-raising initiatives, to encourage reduced consumption. The actions planned include the expansion of district heating, energy requalification of buildings and the launch of initiatives for developing hydrogen as an energy vector, as well as increasing the use of electricity from renewable sources for internal consumption.

Rating upgrade: BBB+ On 7 May, Standard & Poor's upgraded Hera's rating to BBB+ with a stable outlook, in recognition of the path of growth implemented over the years and the Group's 2020 results, better than expected. This rating is one of the highest in the Stand-Alone (non-government related) Multi-utility sector at European level. Constant improvement in all main operating-financial indicators, financial solidity and efficient and proactive risk management represent the main strengths of the Group's activity, recognised by S&P's.

Tender offer On 12 May, the partial tender offer for non-convertible bonds with a nominal value of €700 million, issued by the company in January 2013 and maturing in 2028, listed on the Luxembourg Stock Exchange, was concluded. The securities tendered in the Offer to Purchase totalled 59.5 million euro. The final repurchase spread was set at 19 basis points and at a price of approximately 134.2%. This transaction is part of the ongoing process of streamlining the Group's financial management, both in terms of structure and costs, ready to seize all current opportunities.

Tax redemption On 30 June, with the payment of the 3% substitute tax, the Group was able to carry out a tax realignment concerning some items of goodwill resulting from the companies' financial statements at 31 December 2019, taking advantage of provisions included in the 2021 Budget Law. This operation is part of the increasing focus on tax opportunities introduced by the government and will contribute to improving the Group's cash flow generation in the coming years.

Significant corporate transactions

Primagas Ad On 27 April 2021, Aresgas Ead, through Atlas Utilities, acquired 96.9% control of Primagas Ad, a gas distribution company operating in Varna (Bulgaria), which holds licences for the distribution and sale of natural gas in the municipalities of Vladislav Varnenchik, Mladost and Asparuhovo. The transaction involved a cash outlay of 3.2 million euro and allowed the Group to strengthen its presence in Bulgaria.

On 29 April 2021, Herambiente Servizi Industriali Srl acquired 31% of SEA - Servizi Ecologici Ambientali Srl, a company operating in the Marche region active in special waste management and treatment and polluted site and disused industrial area reclamation. The company, over which the Group will exercise significant influence, enters the consolidated perimeter as a company valued at equity. The transaction involved a cash outlay of 9.7 million euro.

Recycla Spa On 28 June 2021, Herambiente Servizi Industriali Srl acquired 70% of Recycla Spa, thus gaining control of it. This company, specialised in managing solid and liquid industrial waste, operates in Mariago (PN), Resana (TV) and Savignano sul Rubicone (FC). The agreement for the acquisition involved overall compensation for the acquired share coming to 26.4 million euro and recognised the possibility for the Group to obtain total control in subsequent years.

Significant events occurred after the reporting period

No significant events occurred after 30 June 2021.

1.03 OVERVIEW OF OPERATING AND FINANCIAL TRENDS AND DEFINITION OF APMS

Alternative performance measures (APMs)

The Hera Group uses alternative performance measures (APMs) to convey information concerning trends in the profitability of the businesses in which it operates, as well as its equity and financial situation. In accordance with the guidelines published on 5 October 2015 by the European securities and markets authority (Esma/2015/1415) and in keeping with the provisions of Consob communication no. 92543 of 3 December 2015, the content and the criteria used in defining the APMs used in this financial statement are explained below. Any operating, financial and fiscal special items are then described.

The Hera Group determines its operating indicators for the reporting period by reclassifying, within the result from special items, any significant components of income that (i) derive from non-recurring events or transactions, i.e. any transactions or events that are not frequently repeated during the usual course of business; (ii) derive from events or transactions that do not represent normal business activities.

The indicators illustrated below are used as financial targets in internal presentations (business plans) and external presentations (for analysts and investors). They mainly provide useful measures for assessing the Group's operating performance (overall and within each business unit), including comparisons between the reporting period in question and previous periods as regards operating profitability.

Ebitda is calculated as the sum of the operating income shown in the balance sheets and depreciation, amortization and write-downs.

Operating APMs and investments

Ebit is calculated by subtracting operating costs from operating revenues. Among operating costs, special operating items, which if present are described in the detailed table at the end of this paragraph, are deducted from amortisations and provisions.

Pre-tax results are calculated by subtracting the financial management shown in the balance sheets from Ebit, as described above, net of special financial items which, if present, are described in the detailed table at the end of this paragraph.

Net results are calculated by subtracting from pre-tax results, as described above, the taxes shown in the balance sheets minus special fiscal items which, if present, are described in the detailed table at the end of this paragraph.

Results from special items (if present in the current report) are aimed at drawing attention to the result of the special item entries which, if present, are described in the detailed table at the end of this paragraph. In the Directors' report, this measure is placed between net results and net income for the reporting period, thus allowing the performance of the Group's characteristic management to be read more clearly.

Ebitda on revenues, Ebit on revenues and net income on revenues measure the Group's operating performance through a proportion, expressed as a percentage, of Ebitda, Ebit and net income divided by the value of revenues.

Net investments are the sum of investments in tangible fixed assets, intangible assets and equity investments, net of capital grants. For the data used in calculating investments, see the content of paragraph 1.04.01 and notes 14, 16, 17, 18 of paragraph 2.02.05 "Commentary notes to the financial statement formats".

Net non-current assets are calculated as the sum of: tangible fixed assets; rights of use; intangible assets and goodwill; equity investments; deferred tax assets and liabilities.

Financial APMs

Net working capital is made up of the sum of: inventories; trade receivables and payables; current tax receivables and payables; other assets and other current liabilities; the current portion of assets and liabilities for financial derivatives on commodities.

Provisions includes the sum of the items “employee severance indemnities and other benefits” and “provisions for risks and charges”.

Net invested capital is defined by calculating the sum of “net fixed assets”, “net working capital” and “provisions”.

Net financial debt (at times referred to below as Net debt) is a measure of the company's financial structure determined in accordance with ESMA Guidelines 32-382-1138, adding the value of non-current financial assets. This measure is therefore calculated by adding together the following items: current and non-current financial assets; cash and cash equivalents; current and non-current financial liabilities; current and non-current portions of assets and liabilities for derivative financial instruments on interest and exchange rates. Note that, as regards the recent changes made for determining this indicator by the aforementioned ESMA document, following the analyses carried out, no cases emerged that should be included in the determination of net financial debt, which had previously been excluded; this applies in particular to trade payables or other non-remunerated debt for which there is a significant financing component, either implicitly or explicitly, which is not the case for companies belonging to the Hera Group.

Sources of financing are obtained by adding “net financial debt” and “net equity”.

Operating- financial APMs

The Net debt to Ebitda ratio, expressed as a multiple of Ebitda, is a measure of the operating management's ability to pay back its net financial debt.

Funds from operations (FFO) are calculated beginning with Ebitda, subtracting provisions for doubtful accounts, financial charges, uses of severance pay and provisions for risks (net of releases from provisions and increases due to changes in assumptions on future outlays following revised estimates on current landfills) and taxes, net of the special items which, if present, are described in the detailed table at the end of this paragraph.

The FFO/Net debt indicator, expressed as a percentage, represents an indicator of the operating management's ability to pay back its net financial debt.

ROI, return on net invested capital, is defined as the ratio between Ebit, as described above, and net invested capital. It is intended to indicate the ability to produce wealth through operating management, thus remunerating equity and capital pertaining to third parties.

ROE, return on equity, is defined as the ratio between net profits and net equity. It is intended to indicate the profitability obtained by investors, recompensing risk.

Cash flow is defined as operating cash flow, net of dividends paid. Operating cash flow is calculated as Ebit (as previously described and net of special items, if present), to which the following are added:

- amortisation, depreciation and provisions for the period, not including provisions for doubtful debts;
- changes in net working capital (*);
- provisions for the risk fund (net of releases from provisions) (**);
- use of severance pay reserves;
- the difference between changes in taxes paid in advance and deferred taxes;
- operating and financial investments;
- financial charges and financial income (**);
- divestitures;
- current taxes;

(*) net of the effects of the different accounting policy used for financial derivatives on commodities traded on the Eex platform, whose differential is regulated on a daily basis; minus any changes in NWC deriving from an enlarged entire scope of operations.

(**) minus releases from provisions and increases caused by modifications in estimated future expenses following revised appraisals for operating landfills.

(***) minus the effects of updating deriving from the application of accounting standards Ias 37 and Ias 19 and the profits coming from associated companies and joint ventures, plus the dividends received from the latter, and gains/losses from transferred shareholding (excluding special items, if present).

The Hera Group's APMs are provided in the following table:

Operating APMs and investments (mn€)	June 21	June 20	Abs. change	% change
Revenues	4,179.7	3,402.3	777.4	+22.8%
Ebitda	617.9	559.7	58.2	+10.4%
Ebitda/revenues	14.9%	16.5%	(1.6) p.p.	+0.0%
Ebit	343.7	295.7	48.0	+16.2%
Ebit /revenues	8.3%	8.7%	(0.4) p.p.	+0.0%
Net profit	236.2	174.9	61.3	+35.1%
Net profit/revenues	5.7%	5.1%	+0.6 p.p.	+0.0%
Net investments	247.3	240.6	6.7	+2.8%
Financial APMs (mn€)	June 21	Dec 20	Abs. change	% change
Net non-current assets	7,097.6	6,983.6	114.0	+1.6%
Net working capital	(176.8)	53.6	(230.4)	(429.9)%
Provisions	(663.4)	(654.9)	8.5	+1.3%
Net invested capital	6,257.4	6,382.3	(124.9)	(2.0)%
Net debt	(2,956.7)	(3,227.0)	(270.3)	(8.4)%

Special item / balance sheet reconciliation

The following table provides a reconciliation between the income statement referred to in the remarks on operations and the published consolidated income statement.

mn€	2021		2020			
	Operations statement	Special items	Published statement	Operations statement	Special items	Published statement
Revenues	4,179.7		4,179.7	3,402.3		3,402.3
Other operating revenues	140.2		140.2	222.6		222.6
Raw and other materials	(2,128.5)		(2,128.5)	(1,605.1)		(1,605.1)
Service costs	(1,260.1)		(1,260.1)	(1,151.0)		(1,151.0)
Personnel costs	(301.8)		(301.8)	(290.9)		(290.9)
Other operating expenses	(37.9)		(37.9)	(32.5)		(32.5)
Capitalised costs	26.3		26.3	14.3		14.3
Ebitda	617.9		617.9	559.7		559.7
Amortization, depreciation and provisions	(274.3)		(274.3)	(264.0)		(264.0)
Operating profit (Ebit)	343.6		343.6	295.7		295.7
Financial operations	(55.1)	(28.5)	(83.6)	(56.2)		(56.2)
Other non-operating revenues (costs)	-	-	-	-		-
Pre-tax profit (Pre-tax result)	288.5	(28.5)	260.0	239.5		239.5
Taxes	(77.0)	53.2	(23.8)	(64.6)		(64.6)
Net result	211.5	24.7	236.2	174.9		174.9
Result from special items	24.7	(24.7)	-	-		-
Net profit for the period	236.2	-	236.2	174.9		174.9
Attributable to:						
Parent company shareholders	216.1		216.1	166.2		166.2
non-controlling interests	20.1		20.1	8.7		8.7

The figures classified as special items relate to the following two transactions:

- a tax realignment of certain goodwill values that were recognised at 31 December 2019, pursuant to article 1, paragraph 83, of law 178/2020. This transaction resulted in the tax recognition of these values, with the consequent recording of a tax benefit coming to 51.9 million euro, against the payment of a 3% substitute tax coming to 5.6 million euro.
- a partial repurchase (with a nominal amount of 59.5 million euro) of the 700 million euro bond maturing in 2028, which resulted in the recognition of 28.5 million euro in charges due to the repurchase price, higher than the book value. The related taxes, coming to 6.9 million euro, were also taken into account as an adjustment to the tax burden for the period.

1.03.01 Operating results and investments

Growth reflects strategy

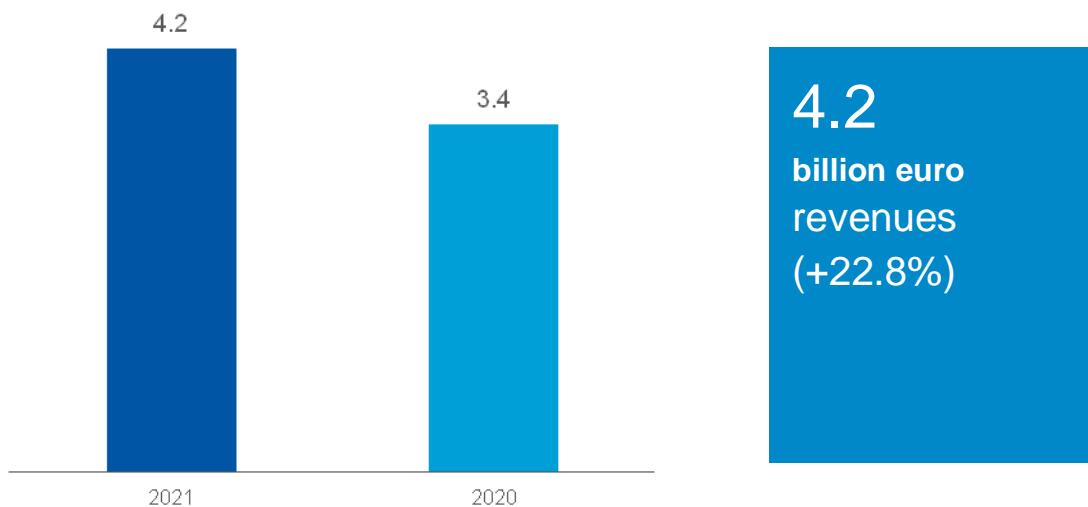
In 2021, the Hera Group is committed, with its usual focus, to efficiently managing the services provided and seeking opportunities for external growth. Initiatives to increase shared value and move towards the objectives on the UN 2030 Agenda are, as always, given priority.

The efforts made by the Hera Group to achieve its new objectives include industrial growth, through a balanced management of commercial development and participation in public tenders, the circular economy as a strategic driver of sustainable growth, and risk management, both across the board and proactive, at the level of its corporate strategy and integrated into its corporate culture. All of this will be achieved through means including digitalisation and innovation, as levers to support resilience.

Note the overall positive trend in the tenders for last resort markets awarded to Hera Comm Spa, details of which are provided in paragraphs 1.05.01 and 1.05.02.

The following table shows operating results at 30 June 2021 and 2020:

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	4,179.7	0.0%	3,402.3	0.0%	777.4	+22.8%
Other operating revenues	140.2	3.4%	222.6	6.5%	(82.4)	(37.0)%
Raw and other materials	(2,128.5)	(50.9)%	(1,605.1)	(47.2)%	523.4	+32.6%
Service costs	(1,260.1)	(30.0)%	(1,151.0)	(33.8)%	109.1	+9.5%
Other operating expenses	(37.9)	(0.9)%	(32.5)	(1.0)%	5.4	+16.6%
Personnel costs	(301.8)	(7.2)%	(290.9)	(8.5)%	10.9	+3.7%
Capitalised costs	26.3	0.6%	14.3	0.4%	12.0	+84.0%
Ebitda	617.9	14.8%	559.7	16.5%	58.2	+10.4%
Amortization, depreciation and provisions	(274.3)	(6.6)%	(264.0)	(7.8)%	10.3	+3.9%
Ebit	343.6	8.2%	295.7	8.7%	47.9	+16.2%
Financial operations	(55.1)	(1.3)%	(56.2)	(1.7)%	(1.1)	(2.0)%
Pre-tax result	288.5	6.9%	239.5	7.0%	49.0	+20.5%
Taxes	(77.0)	(1.8)%	(64.6)	(1.9)%	12.4	+19.2%
Net result	211.5	5.1%	174.9	5.1%	36.6	+20.9%
Result from special items	24.7	0.6%	-	0.0%	24.7	+100.0%
Net profit for the period	236.2	5.7%	174.9	5.1%	61.3	+35.1%
Attributable to:						
Parent company shareholders	216.1	5.2%	166.2	4.9%	49.9	+30.0%
Non-controlling interests	20.1	0.5%	8.7	0.3%	11.4	+131.1%

REVENUES (bn€)

4.2
billion euro
revenues
(+22.8%)

Revenues rise in all areas

Revenues increased by 777.4 million euro, or 22.8%, compared to the same period in 2020. With regard to the energy sectors, higher revenues came from brokerage activities, higher volumes of gas sold and an increase in the price of electricity and generation, against a drop in volumes of electricity sold and in revenues, with an equal effect on costs, from off-grid transmission and system charges; taken as a whole, these factors contributed with roughly 600 million euro. Growth also occurred in the heat management business, thanks to activities related to insulation incentives and energy efficiency works, which contributed around 72 million euro, and an increase in activities for value-added services for customers coming to roughly 6.0 million euro.

Increased revenues were also seen in the waste management sector, due to higher revenues from energy production, more waste treated and more plastics sold coming to approximately 53 million euro. Revenues were up in network services, both regulated and subcontracted, amounting to approximately 20 million euro, as were revenues from the public lighting service, where activities were resumed, coming to approximately 13 million euro.

Lastly, note that revenues from sales of materials recovered through separate waste collection amounting to approximately 16 million euro were reclassified, from other operating revenues to revenues.

For further details, see the separate analyses of each business area in paragraph 1.05.

Other operating revenues decreased by 82.4 million euro, or 37%, compared to the previous year. This trend was mainly due to the different classification of revenues for the sale of recovered materials previously mentioned, coming to 16 million euro, and lower energy efficiency grants, coming to approximately 90 million euro, as a result of the ministerial decree of 21 May 2021, redefining obligations for energy efficiency certificates (for further information, see paragraph 1.05.01). These drops were offset by higher revenues coming from contracts for assets under concession, amounting to approximately 23 million euro.

Costs for raw materials linked to the trend in revenues

The cost of raw and other materials increased by 523.4 million euro compared to the first six months of 2020, up 32.6%. This increase mirrors the trend in revenues from energy activities. In addition, purchasing costs for plastic materials also increased, due to higher volumes sold and higher costs for incremental improvements on assets under concession. This trend was partially offset by lower costs for purchasing energy efficiency certificates, following the ministerial decree mentioned above.

Other operating costs increased by 114.5 million euro overall (higher service costs coming to 109.1 million euro and higher operating expenses amounting to 5.4 million euro). This includes higher costs related to heat management coming to approximately 57 million euro, higher costs for incremental improvements to assets under concession totalling approximately 26 million euro, higher costs for waste collection and treatment amounting to approximately 30 million euro, higher costs for off-network

transmission and system charges for natural gas coming to approximately 20 million euro, higher ICT expenses as a result of the digitalisation and innovation process that the Group is carrying out totalling approximately 2.0 million euro, and higher costs for value-added services coming to approximately 2.8 million euro. These increases were partially offset by lower costs for off-network transmission and electricity system charges coming to approximately 42 million euro.

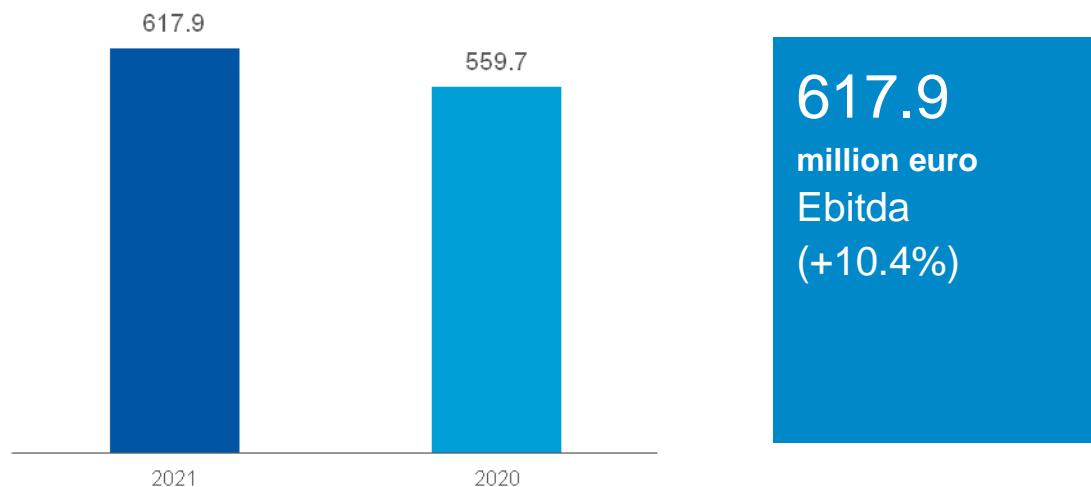
In addition, compared to the same period of the previous year, work resumed in construction sites that had been blocked by the lockdown due to the Covid-19 outbreak. Higher insurance costs were also seen. Finally, related to the health emergency, higher costs appeared for sanitation, cleaning and the purchase of PPE.

**+3.7%
increase
in
personnel
costs**

Personnel costs increased by 10.9 million euro, or 3.7%. This was linked to the salary increases provided for by the national collective bargaining agreement and the lower benefits for the massive holiday plan adopted by the Group last year during the national lockdown.

Capitalised costs increased by 12.0 million euro, due to higher works involving investment in assets owned by the group and between the companies themselves.

EBITDA (mn€)

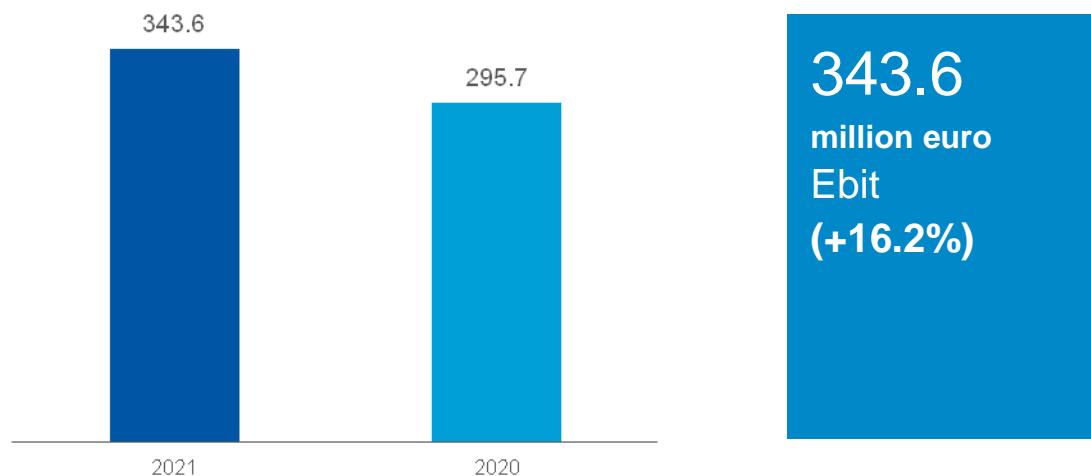


Ebitda increased by 58.2 million euro, or 10.4%. The growth in Ebitda is due to the performance of the energy areas, which grew by 36.3 million euro overall, mainly owing to higher sales and brokerage margins. The waste management area grew by 20.2 million euro, while the other services area increased by 2.0 million euro. Finally, the water cycle area showed a slight drop, coming to 0.4 million euro.

For further details, see the separate analyses of each business area.

**Higher
amortisation
for new
investments**

Depreciation, amortisation and provisions at 30 June 2021 increased by 10.3 million euro, or 3.9%, year-on-year. There was higher depreciation and amortisation mainly due to new investments in operating segments, partly offset by lower depreciation and amortisation due to the lower quantities delivered to the Herambiente Group's landfills and the end of the depreciation period for certain plants. Lower accruals to the provision for doubtful debts were seen, mainly in the sales company Hera Comm, both in last resort markets, following the awarding of portions by tender, and in traditional markets.

EBIT (mn€)

Ebit rose by 47.9 million euro, or 16.2%. The increase due to higher Ebitda was offset by higher depreciation and amortisation, as mentioned above.

Financial operations decrease

The result of financial operations at 30 June 2021 came to 55.1 million euro, down 1.1 million euro, or 2.0%, compared to 30 June 2020. This change is due to an increase in income from late payment indemnities on loans from customers in last resort markets, coming to approximately 4.2 million euro, the contribution of higher profits from subsidiaries and joint ventures, amounting to 1.7 million euro, and lower discounting charges, coming to approximately 0.6 million euro. This positive result was partially offset by higher financial expenses related to the transfer of tax credits due to Group companies, within the context of incentivised operating activities ("ecobonus").

Pre-tax results increased by 49.0 million euro, or 20.4%. The increase coming from higher Ebit rose additionally, due to the reasons described above.

Tax rate falls

Taxes for the first half of the year rose from 64.6 million euro in 2020 to 77.0 million euro in 2021. The tax rate, at 26.7%, was lower than in the same period of 2020, mainly due to the benefits received in terms of large and very large depreciations, following the significant investments made by the Group to contribute to the technological, digital and environmental transformation.

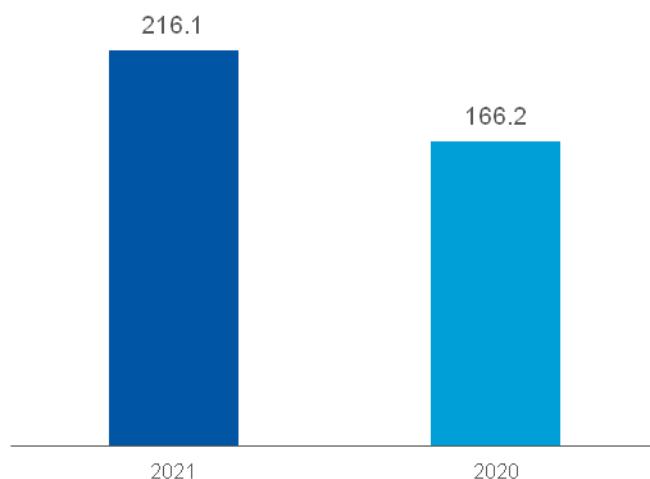
**+20.9%
Net result**

The net result increased by 20.9% to 36.6 million euro, with the increase in pre-tax results reduced by higher overall taxes, despite a lower tax rate.

In the first six months of 2021, a result from special items was seen with a total value of 24.7 million euro. A detailed description of its content is provided in the first section of paragraph 1.03 "Overview of operating and financial trends and definition of APMs".

**+35.1%
Net profit**

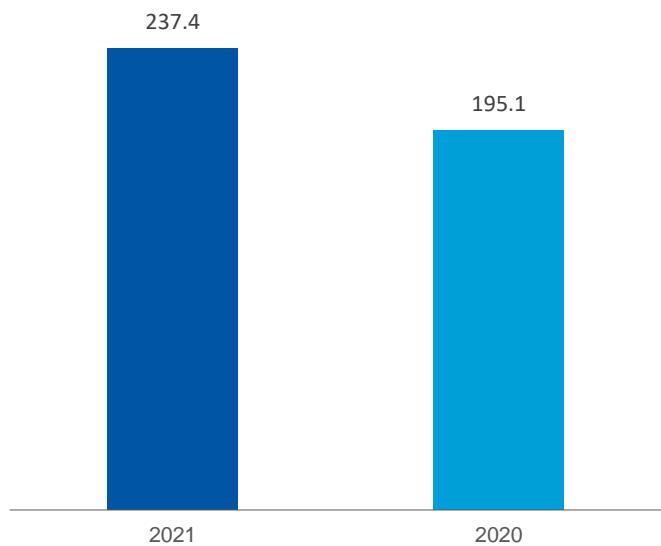
Net profit thus rose by 35.1%, or 61.3 million euro, due to the sum of all the events described above.

NET PROFIT POST MINORITIES (mn€)

216.1
million euro
net profit post
minorities
(+30.0%)

Profits pertaining to the Group rose by 49.9 million euro, or 30.0%, compared to the first six months of 2020.

Net investments amount to 247.3 million euro In the first half of 2021, the Group's investments amounted to 247.3 million euro, up on the previous year despite the purchase in 2020 of a share in Ascopiae Spa amounting to 45.5 million euro. Capital grants amounted to 9.5 million euro, of which 6.9 million euro in FoNI investments, as provided for by the tariff method for the integrated water service. Net operating investments amounted to 237.4 million euro, up 42.3 million euro compared to the same period of the previous year.

TOTAL NET OPERATING INVESTMENTS (mn€)

237.4
million euro
net operating
investments
(+42.3 mn€)

The following table provides a breakdown by business area, with separate mention of capital grants:

Total investments (mn€)	June 21	June 20	Abs. change	% change
Gas area	61.3	53.9	7.4	+13.7%
Electricity area	24.7	21.5	3.2	+14.9%
Integrated water cycle area	89.3	75.4	13.9	+18.4%
Waste management area	35.1	21.7	13.4	+61.8%
Other services area	5.2	3.9	1.3	+33.3%
Headquarters	31.2	26.8	4.4	+16.4%
Total gross operating investments	246.9	203.3	43.6	+21.4%
Capital grants	9.5	8.1	1.4	+17.3%
of which FoNi (New Investments Fund)	6.9	6.6	0.3	+4.5%
Total net operating investments	237.4	195.1	42.3	+21.7%
Financial investments	10.0	45.5	(35.5)	+100.0%
Total net investments	247.3	240.6	6.7	+2.8%

Including capital grants, the Group's operating investments amounted to 246.9 million euro, with a 43.6 million euro increase compared to the previous year, and were mainly related to works on plants, networks and infrastructures. In addition, regulatory upgrading was carried out, especially in the gas distribution sector, with the large-scale meter replacement, and in the purification and sewage sector.

Comments on investments in the individual areas are provided in the analysis by business area.

At the central facilities, investments were related to works on buildings at company headquarters, information systems, the vehicle fleet, as well as laboratories and remote control facilities. Overall, investments in facilities increased by 4.4 million euro compared to the previous year, mainly due to work on company headquarters and the vehicle fleet renewal.

1.03.02 Financial structure and adjusted net debt

What follows is an analysis of trends in the Group's net invested capital and sources of financing for the period closed at 30 June 2021.

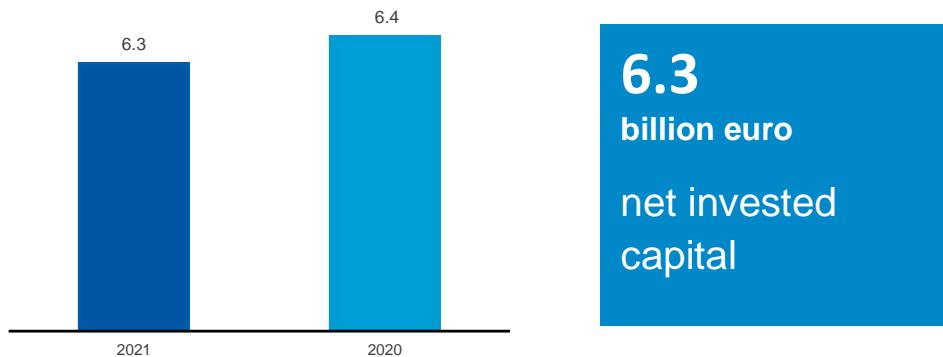
Invested capital and sources of financing (mn€)	June 21	% inc.	Dec 20	% inc.	Abs. change	% change
Net non-current assets	7,097.6	+113.4%	6,983.6	+109.4%	114.0	+1.6%
Net working capital	(176.8)	(2.8)%	53.6	+0.8%	(230.4)	(429.9)%
(Provisions)	(663.4)	(10.6)%	(654.9)	(10.3)%	(8.5)	(1.3)%
Net invested capital	6,257.4	+100.0%	6,382.3	+100.0%	(124.9)	(2.0)%
Equity	(3,300.7)	+52.7%	(3,155.3)	+49.4%	(145.4)	(4.6)%
Long-term borrowings	(3,460.6)	+55.3%	(3,617.1)	+56.7%	156.5	+4.3%
Net current financial debt	503.9	(8.1)%	390.1	(6.1)%	113.8	+29.2%
Net debt	(2,956.7)	+47.3%	(3,227.0)	+50.6%	270.3	+8.4%
Total sources of financing	(6,257.4)	(100.0)%	(6,382.3)	+100.0%	124.9	+2.0%

Group solidity confirmed

The increase in net non-current assets is mainly due to the investments carried out in the half-year. In particular, note the acquisition of 70% of Recycla Spa, a company dealing with industrial and solid waste treatment in Friuli, and the acquisition of 31% of SEA - Servizi Ecologici Ambientali Srl, specialised in special waste treatment and operating in the Marche region. For further details, see paragraph 2.02.02, "Scope of consolidation".

The change in net working capital is mainly due to an increase in payables in June, related to dividends paid in July 2021 (172.6 million euro), as well as recurring payables for excise duties and VAT, in line with the reporting period analysed here.

NET INVESTED CAPITAL (bn€)



663.4 million euro provisions

At June 2021, provisions amounted to 663.4 million euro, in line with the previous year-end figure, 654.9 million euro. This result is mainly due to provisions for the period and adjustments to post-mortem provisions for landfills and severance indemnities, which offset outflows for uses.

3.3 billion euro equity

At 30 June 2021, equity amounted to 3,300.7 million euro (3,155.3 million euro at 31 December 2020); the increase is mainly due to the positive net result from operations for the half-year, amounting to 236.2 million euro, the other components of the overall result in the income statement, amounting to 75.5 million euro, and the increase for treasury share transactions, amounting to 15.1 million euro, partially offset by the payment of 181.4 million euro in dividends.

An analysis of adjusted net financial debt is shown in the following table:

		30 June 21	31 Dec 20
a	Cash	1,040.6	987.1
b	Cash equivalents	-	-
c	Other current financial assets	30.9	32.8
d	Liquidity (a+b+c)	1,071.5	1,019.9
e	Current financial debt	(251.0)	(302.6)
f	Current portion of non-current financial debt	(316.6)	(327.2)
g	Current financial indebtedness (e+f)	(567.6)	(629.8)
h	Net current financial indebtedness (g-d)	50.9	390.1
i	Non-current financial debt	(484.7)	(594.2)
J	Debt instruments	(2,510.3)	(2,554.3)
k	Non-current trade and other payables	-	-
l	Non-current financial indebtedness (i+j+k)	(2,995.0)	(3,148.5)
m	Total financial indebtedness (h+l)	(2,491.1)	(2,758.4)
	Non-current financial receivables	135.2	140.8
	Net financial debt (excluding put option)	(2,355.9)	(2,617.6)
	Nominal amount - fair value put option	(462.8)	(456.4)
	Net financial debt with adjusted put option	(2,818.7)	(3,074.0)
	Portion of future dividends - fair value put option	(138.0)	(153.0)
	Net financial debt (Net debt)	(2,956.7)	(3,227.0)

The total value of net financial debt was 2,956.7 million euro, down approximately 270.3 million euro compared to the previous year.

The financial structure shows current financial debt coming to 567.6 euro million. Current financial liabilities coming to 251.0 million euro include the current portion of debt to other lenders amounting to 189.4 million euro and 61.6 million euro in bank debt. The current portion of non-current financial liabilities, coming to 316.6 million euro, includes 249.9 million euro related to the Bond due on 4 October 2021, 48.5 million euro related to the portion of medium-term bank loans due within one year and the current portion of operating leases, coming to 18.2 million euro.

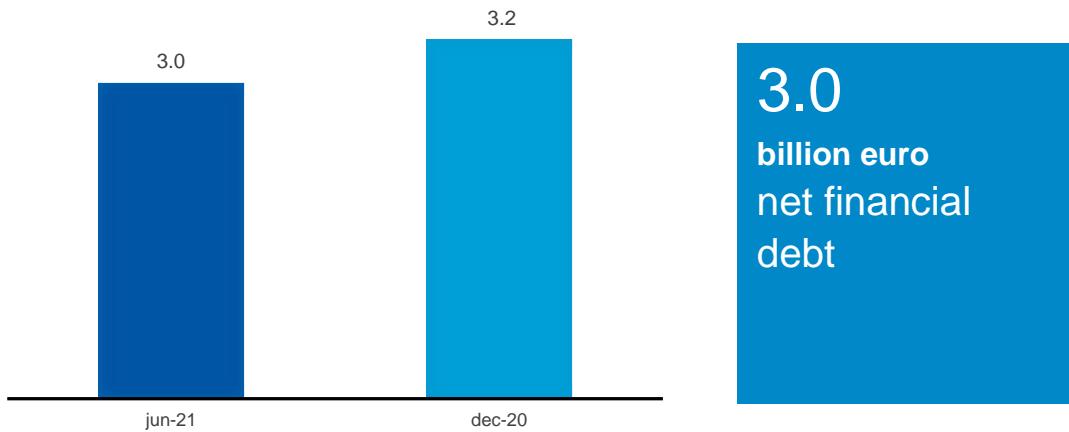
The amount relating to non-current loans and bonds issued decreased compared to the previous year due to the early repayment of the EIB loan (59.7 million euro), the partial repurchase of the 2028 Bond (59.5 million euro) and the classification in the current portion of the BPER loan (50 million euro), which was extinguished early during the half-year. For further details, please refer to the chapter "Consolidated financial statements", note 26 "Non-current and current financial liabilities".

Cash and cash equivalents rose from 987.1 million euro in 2020 to 1,040.6 million euro at 30 June 2021, mainly due to the positive results of operations. This improvement was partially offset by an increase in "Other current financial liabilities", which rose from 114 million euro in 2020 to 189.4 million euro in 2021.

At 30 June 2021, 85.9% of medium/long-term debt consisted in bonds with repayment at maturity. The total debt has an average residual maturity of approximately six years, with 66.8% maturing after five years.

Net financial debt decreased by 270.3 million euro, going from 3,227.0 million euro in 2020 to 2,956.7 million euro in 2021.

NET FINANCIAL DEBT (bn€)



1.04 SHARE PERFORMANCE AND INVESTOR RELATIONS

Confidence returns to markets, supported by vaccines and fiscal and monetary policies

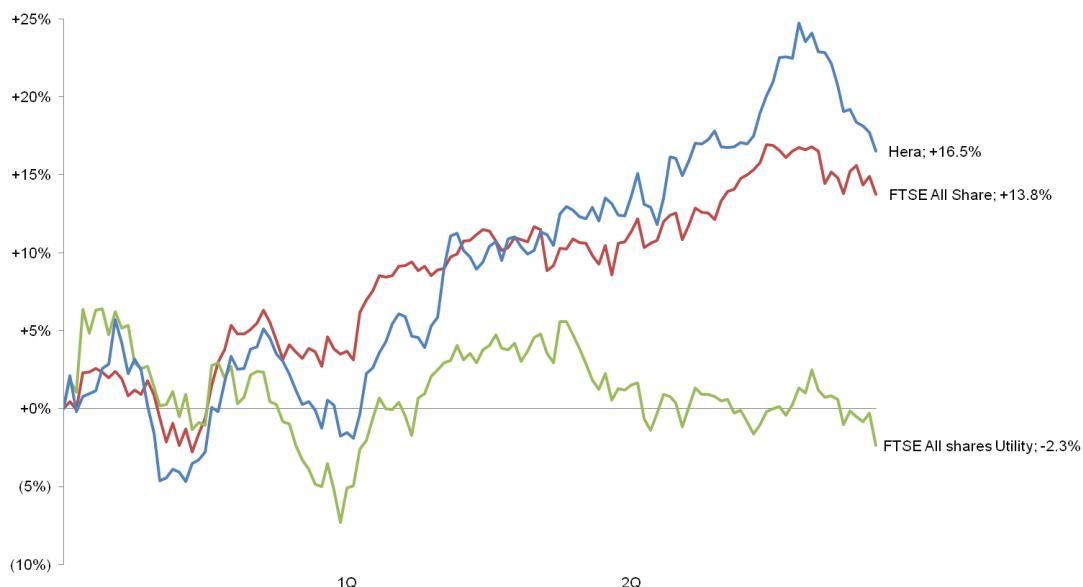
In the first half of 2021, all main global stock markets showed positive performances, supported by expectations for a return to full economic activity starting in the second half of the year, thanks to the deployment of vaccination plans and the beginning of expansive fiscal policies both in the United States, as promised during the election campaign by the new Administration, and in Europe with the Next Generation EU. Expectations for growth were also supported by central banks, which have restated the need to maintain expansive monetary policies for a prolonged period of time, even after the end of the health emergency.

The Italian FTSE All Share index rose by 13.8% in the first half of the year, achieving the second best performance among stock exchanges in Western countries, partly due to the formation of a new Executive that ensures greater stability, in view of the implementation of the National Recovery and Resilience Plan (NRRP).

Hera stock rises by +16.5% over the half-year

Hera stock closed the period with an official price of 3.484 euro, equivalent to a +16.5% growth, better than the Italian local utility sector. The stock's rise was supported by the positive reception of the business plan (presented in January) and the presentation of the final results for 2020, which showed solid fundamentals, confirmed in the first quarter results, up for the eighteenth consecutive year.

1H 2021 HERA STOCK, LOCAL UTILITY SECTOR AND ITALIAN MARKET PERFORMANCE COMPARISON



Dividend rises to 11 cents per share, higher than expectations

Hera's Board of Directors, which met on 24 March 2021 to approve the year-end results for 2020, decided to submit to the Shareholders Meeting a proposal of a dividend per share coming to 11 cents, up +10% and higher than the indications set out in the business plan, in light of the results achieved, higher than expectations. This increase was made possible by the strong cash flow seen in 2020, which also enables the additional dividend increases foreseen by the business plan to be fully financed. Following the shareholders' approval, which was given during the meeting held on 28 April 2021, the ex-dividend date was set at 5 July, with payment on 7 July. Hera thus confirms its ability to remunerate shareholders thanks to the resilience of its business portfolio, which has allowed it to pay constant and growing dividends since being listed.

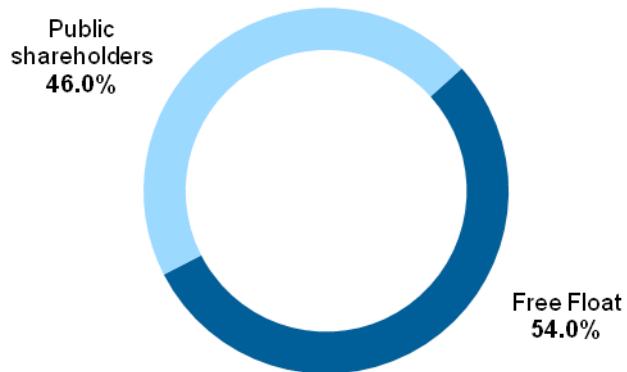
euro	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Dps	0.035	0.053	0.06	0.07	0.08	0.08	0.08	0.08	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.095	0.10	0.10	0.11

+293%
**Total
shareholders
return since
the IPO**

The joint effect of continuously remunerating shareholders through dividends, and the rise in the price of the stock over the years, led the total shareholders return accumulated since the IPO to remain consistently positive and to settle, at the end of the period in question, at over +293.0%.

The financial analysts covering the company (Banca Akros, Equita Sim, Intermonte, Intesa Sanpaolo, Kepler Cheuvreux, Mediobanca and Stifel) almost unanimously expressed positive opinions. The consensus target price came to 3.96 euro, showing room for a potential +13.7% rise.

SHAREHOLDER BREAKDOWN AT 30 JUNE 2021



46%
**Share capital
pertaining to
the public
stockholders
agreement**

At 30 June 2021, the shareholding structure showed its usual stability and balance, with 46% of shares belonging to 111 public shareholders located across the areas served and brought together by a stockholders agreement, which was renewed for a further three years, effective from 1 July 2021 to 30 June 2024, and a 54% free float. The shareholding structure is highly fragmentary, with a high number of public shareholders (111 municipalities, the largest of which holds less than 10%) and a large amount of private institutional and retail shareholders.

**Treasury
share
program
approved**

Since 2006, Hera has adopted a share buyback program, renewed by the Shareholders Meeting held on 28 April 2021 for 18 further months, for an overall maximum amount of 240 million euro. This plan is aimed at financing M&A opportunities involving smaller companies and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At the end of the first half of 2021, Hera held 24.8 million treasury shares.

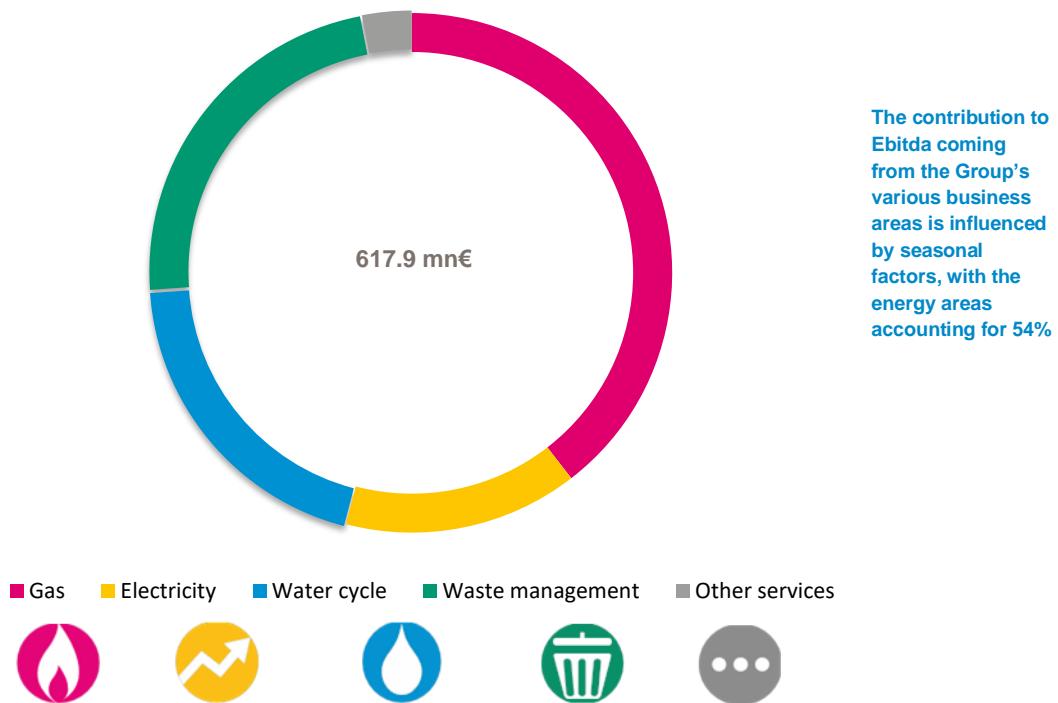
**Constant
communication
with the market
in 2021 as well**

The Group continued to engage in intense communications with investors in 2021, by way of virtual forums. After the 2020-2024 Business Plan was presented, the Executive Chairman and the CEO took part in meetings with investors in the main financial centres, to update them as to trends in businesses and future prospects. Further opportunities for contact arose through participation in the sector conferences organized by Borsa Italiana and brokers covering Hera stock, and through individual meetings requested by institutional investors (video calls and company visits). The intense dedication shown by the Group towards dialoguing with investors contributes to reinforcing its market reputation and represents an intangible asset benefiting Hera stock and stakeholders.

1.05 ANALYSIS BY BUSINESS AREA

A multi-business strategy An analysis of the operating results achieved in the Group's business areas is provided below, including: the gas area, which covers services in natural gas distribution and sales, district heating and heat management; the electricity area, which covers services in generation, distribution and sales; the integrated water cycle area, which covers aqueduct, purification and sewerage services; the waste management area, which covers services in waste collection, treatment and recovery; the other services area, which covers services in public lighting and telecommunications, as well as other minor services.

EBITDA JUNE 2021



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

The following analyses of each single business area take into account all increased revenues and costs, having no impact on Ebitda, related to the application of Ifric 12. The business areas affected by this accounting standard are: natural gas distribution services, electricity distribution services, all integrated water cycle services, waste collection services and public lighting services.

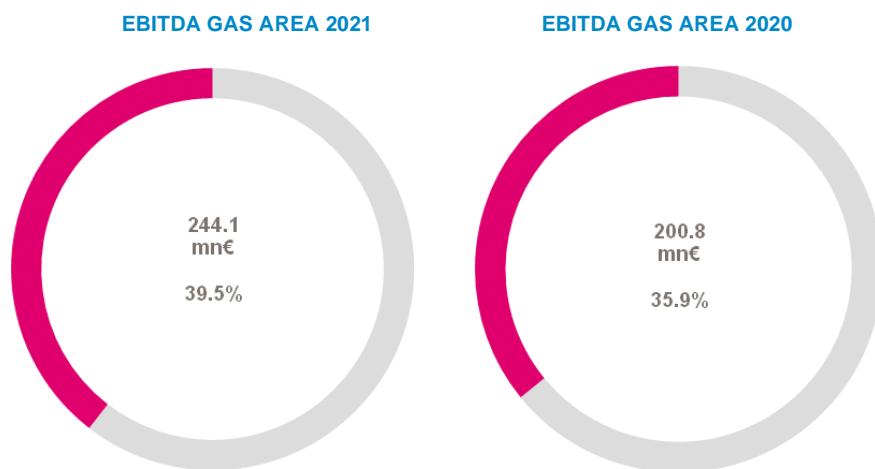
1.05.01 Gas

Ebitda rises

Growth was seen in the first half of 2021 compared to the same period in 2020, both in terms of Ebitda and volumes sold. This result was achieved mainly thanks to the positive contribution coming from traditional markets and markets subject to tenders, where the Hera Group is increasingly consolidating its presence. In this regard, Hera Comm Spa was awarded through tenders:

- 8 of the 9 portions of the last resort gas service (for customers who provide public services or are without a supplier) for the period 1 October 2020 - 30 September 2021: Valle d'Aosta, Piedmont, Lombardy, Liguria, Trentino A.A., Veneto, Friuli-V.G., Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata, Puglia, Lazio and Campania. In the previous tender, the number of portions awarded to Hera Comm was 4 out of 9;
- 5 out of 9 portions for the default gas distribution service (for customers in arrears), for the period 1 October 2020 - 30 September 2021: Valle d'Aosta, Piedmont, Lombardy, Liguria, Friuli-V.G., Emilia-Romagna, Tuscany, Umbria, Marche, Abruzzo, Molise, Basilicata and Puglia. In the previous tender, the number of lots awarded to Hera Comm was 2 out of 9;
- 9 out of the 12 portions of the Consip GAS13 tender with which public administrations will purchase natural gas in 2021: Valle d'Aosta, Piedmont, Liguria, Friuli-V.G., Emilia-Romagna, Lombardy, Lazio, Campania, Calabria, Sicily, Basilicata and Puglia.

Alongside the above-mentioned trends, note the increase in the heat management business, due to increased activities linked to the insulation bonus and energy efficiency works, the positive contribution coming from district heating and increased activities in Bulgaria.

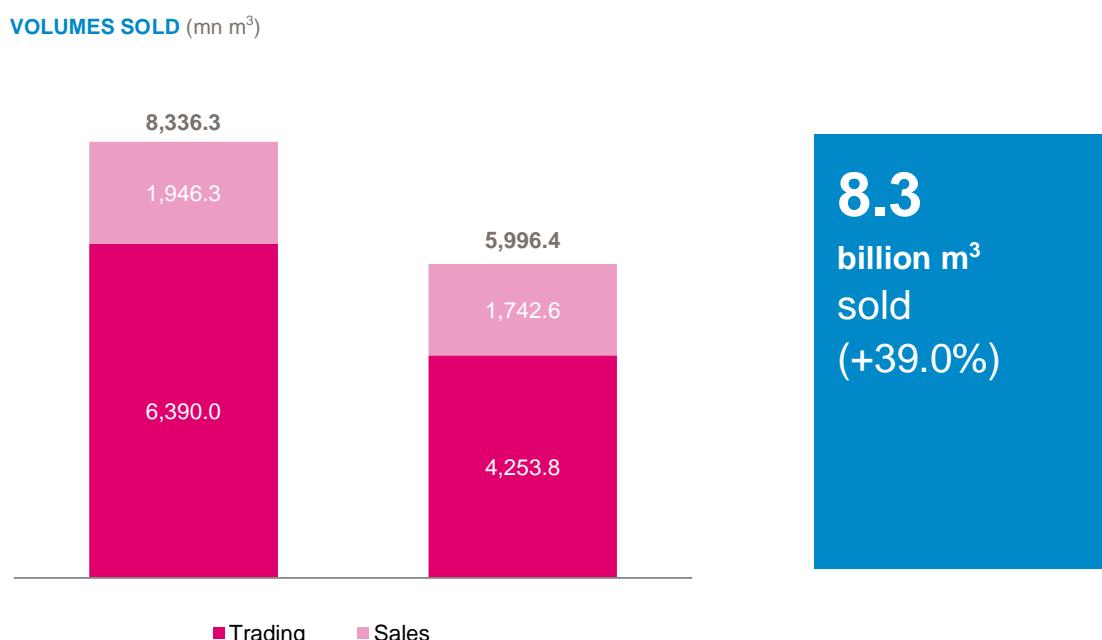


The following table shows the changes occurred in terms of Ebitda:

(mn€)	June 21	June 20	Abs. change	% change
Area Ebitda	244.1	200.8	43.3	+21.6%
Group Ebitda	617.9	559.7	58.2	+10.4%
Percentage weight	39.5%	35.9%	+3.6 p.p.	



The number of gas customers increased by 16.6 thousand, or 0.8%, compared to June 2020. The new portions awarded through tenders contributed to this increase with approximately 52 thousand customers, more than offsetting the decrease in the customer base on traditional markets coming to approximately 36 thousand customers.

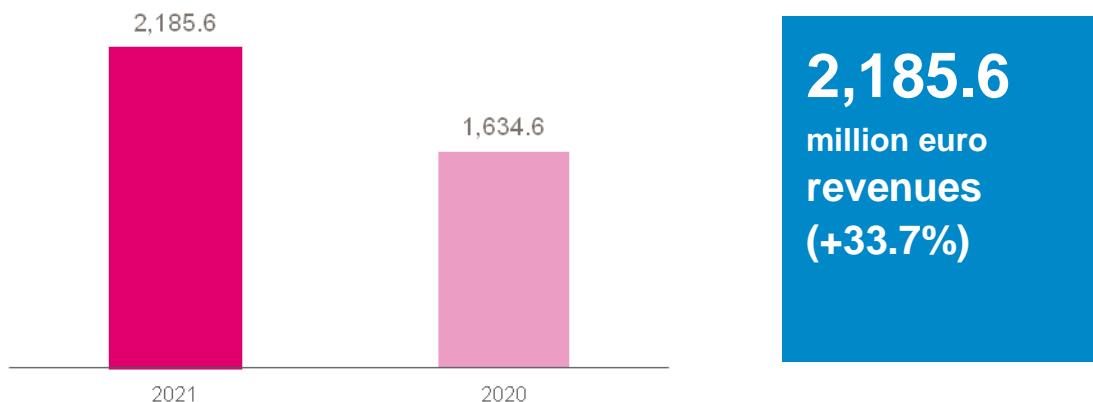


Total volumes of gas sold increased by 2,339.9 million cubic metres, or 39.0%. Intermediation volumes showed an increase coming to 2,136.2 million cubic metres, due both to the increased trading abroad and on the Italian market. Volumes sold to end customers grew by 11.7% compared to the same period in 2020, amounting to 203.7 million cubic metres, thanks to good performance on traditional markets, coming to 139.3 million cubic metres, and on last resort markets, coming to 64.4 million cubic metres, mainly due to the new portions awarded, as mentioned above.

The following table summarises operating results for the gas area:

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	2,185.6		1,634.6		551.0	+33.7%
Operating costs	(1,885)	(86.2)%	(1,378.9)	(84.4)%	506.1	+36.7%
Personnel costs	(64.2)	(2.9)%	(59.5)	(3.6)%	4.7	+7.9%
Capitalised costs	7.7	+0.4%	4.6	0.3%	3.1	+67.1%
Ebitda	244.1	11.2%	200.8	12.3%	43.3	+21.6%

REVENUES (mn€)

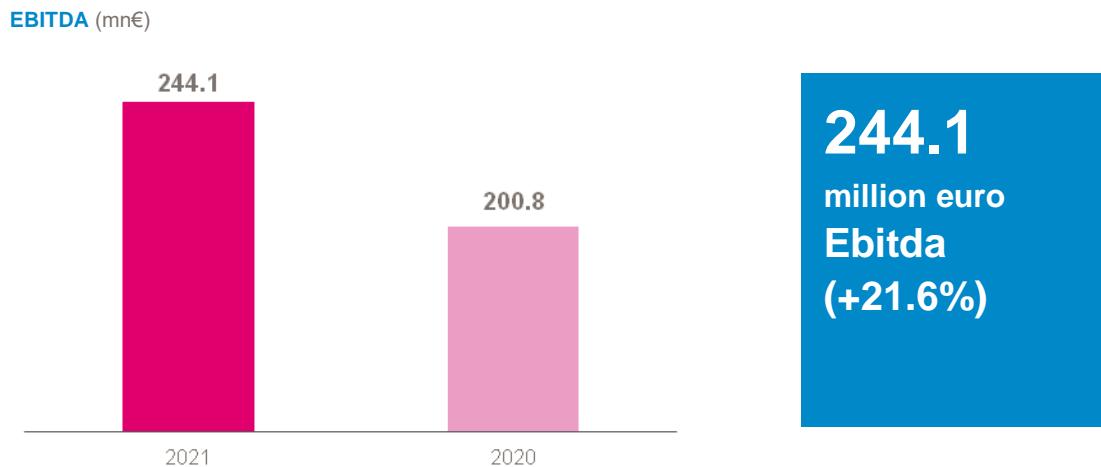


Revenues increased by 551 million euro, or 33.7%, compared to the same period in the previous year. The reasons for this mainly lie in trading activities, which generated higher revenues coming to 482 million euro, higher volumes sold coming to 50 million euro, with an equal effect on costs, higher revenues from off-network transmission and system charges coming to 20 million euro, with an equal effect on costs, higher revenues in the heat management business for activities related to the insulation bonus and energy efficiency works coming to approximately 71 million euro, revenues from long-term contracts and third-party works coming to 5 million euro, higher district heating volumes coming to 3 million euro and higher activities in Bulgaria coming to 4 million euro.

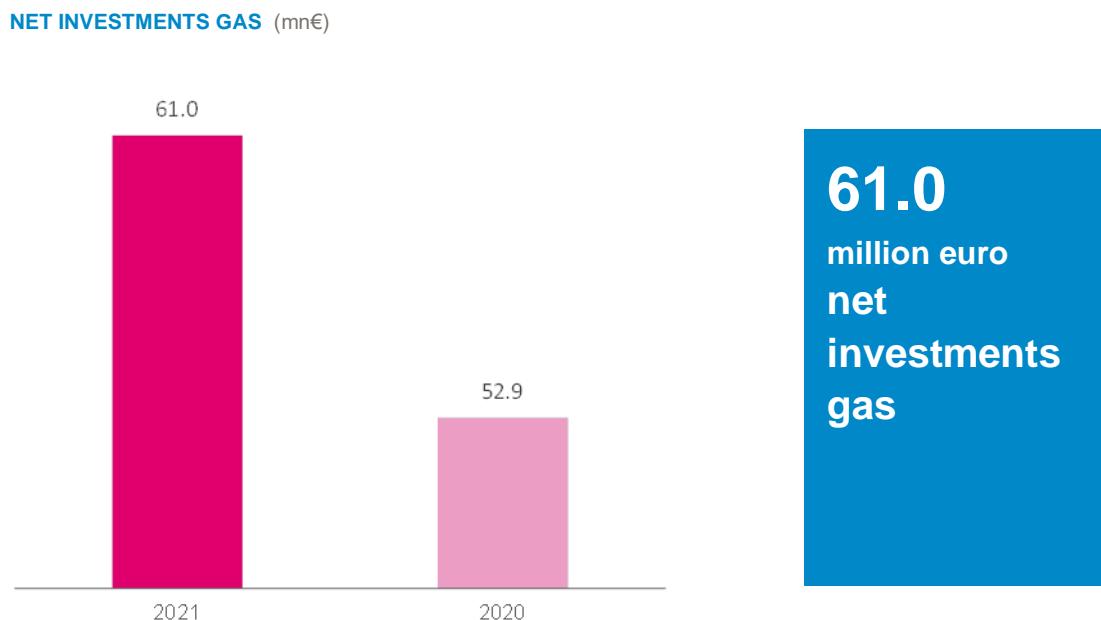
This growth was limited by a decrease in revenues for energy efficiency certificates, amounting to approximately 85 million euro, as a result of the ministerial decree 21 May 2021. This decree, which regulates and defines for the years 2021-2024 the national quantitative energy saving targets for electricity and gas distribution companies, had retroactive effects and reduced by 60% the number of certificates foreseen for 2020 obligations, as well as defining a significantly lower number of certificates for 2021 obligations than in the past.

Regulated revenues increased by 0.8 million euro. From a regulatory point of view, since 2021 is the second year of the new regulatory period, there are no regulatory changes to highlight. Therefore, the slight growth essentially involves a natural update of the limit mainly linked to the Capex update.

The increase in revenues was proportionally reflected by growth in operating costs, which showed an overall increase coming to 506.1 million euro. This trend is mainly due to increased activity in heat management and trading, higher volumes sold and lower costs for purchasing energy efficiency certificates.



Ebitda increased by 43.3 million euro, or 21.6%, thanks to the new portions awarded in the last resort and Consip markets, which, along with the positive contribution coming from district heating and the increased activities in Bulgaria, complemented and consolidated the growth recorded on traditional markets and in the heat management business, due to increased activities related to the insulation bonus and energy efficiency works.



In the first half of 2021, net investments in the gas area amounted to 61.0 million euro, with an 8.1 million euro increase compared to the previous year. In gas distribution, the overall increase came to 4.3 million euro, mainly due to increased non-recurring maintenance work on networks and plants. In gas sales, investments of 5.0 million euro involved activities related to acquiring new customers, up 0.7 million euro compared to the previous year. Investments increased by 2.6 million euro in district heating and heat management, with growth both in district heating by Hera Spa and in heat management with the activities of the companies Hera Servizi Energia Srl and AcegasApsAmga Servizi Energetici Spa. Requests for new connections were substantially in line with June 2020.

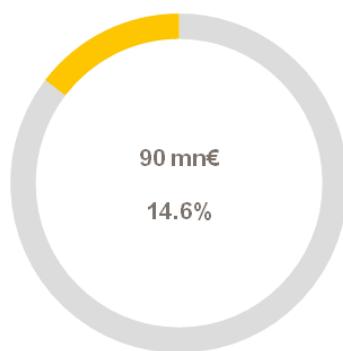
Details of operating investments in the gas area are as follows

Gas (mn€)	June 21	June 20	Abs. change	% change
Networks and plants	45.1	40.8	4.3	+10.5%
Acquisition gas customers	5.0	4.3	0.7	+16.3%
DH/heat management	11.3	8.7	2.6	+29.9%
Total gas gross	61.3	53.9	7.4	+13.7%
Capital grants	0.3	1.0	(0.7)	(70.0)%
Total gas net	61.0	52.9	8.1	+15.3%

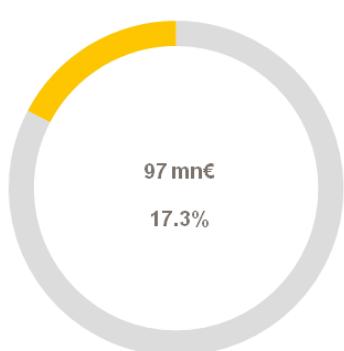
1.05.02 Electricity

At the end of the first half of 2021, Ebitda in the electricity area was down compared to June 2020. The positive results achieved in trading and strong commercial development supported by innovative offers, value-added services and an additionally improved customer experience for each type of customer, partially offset the fall in production activities, due to the different market conditions in the dispatching service compared to the same period in 2020. Furthermore, the lower results in the safeguarded market were caused by the different scope of portions managed: as of 2021, in fact, the Hera Group manages the portions of customers in Campania, Abruzzo and Umbria, compared to the 7 portions managed in the previous two-year period.

ELECTRICITY AREA EBITDA 2021



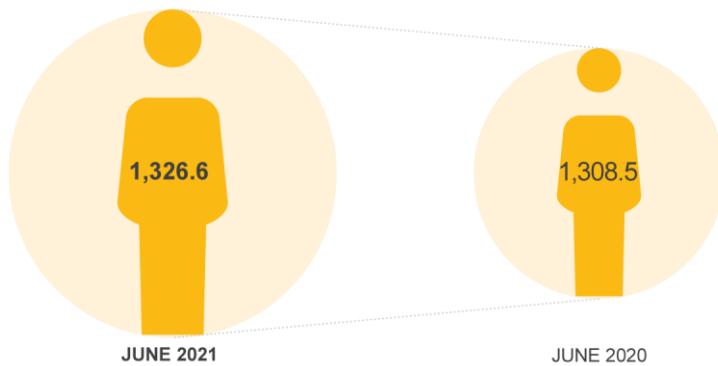
ELECTRICITY AREA EBITDA 2020



The following table shows the changes occurred in terms of Ebitda:

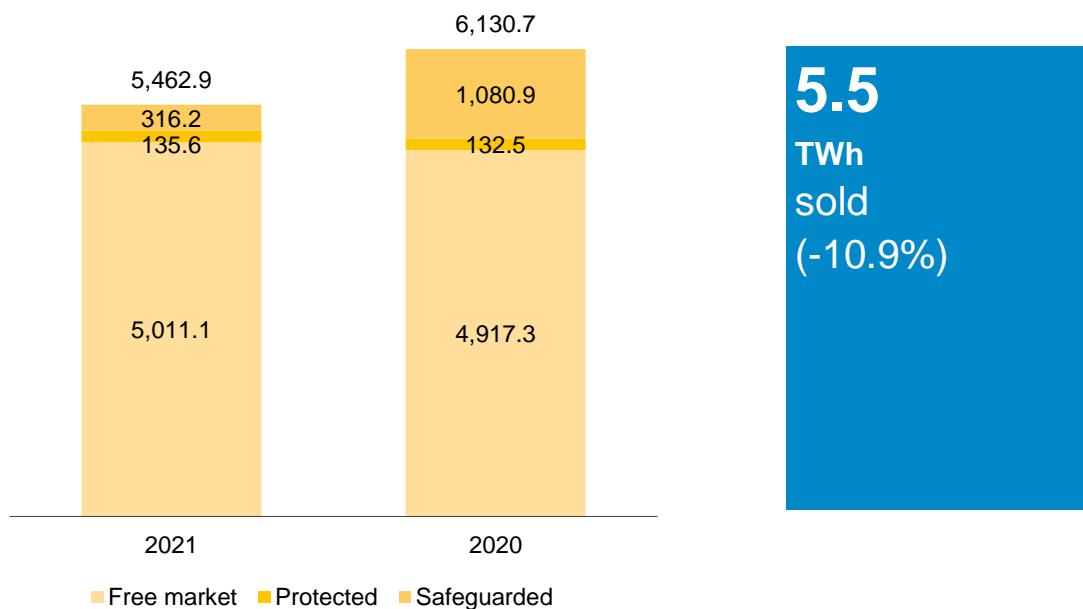
(mn€)	June 21	June 20	Abs. change	% change
Area Ebitda	90.0	97.0	(7.0)	(7.2)%
Group Ebitda	617.9	559.7	58.2	+10.4%
Percentage weight	14.6%	17.3%	(2.7) p.p.	

CUSTOMERS (k)



1.3
million
electricity
customers
(+1.4%)

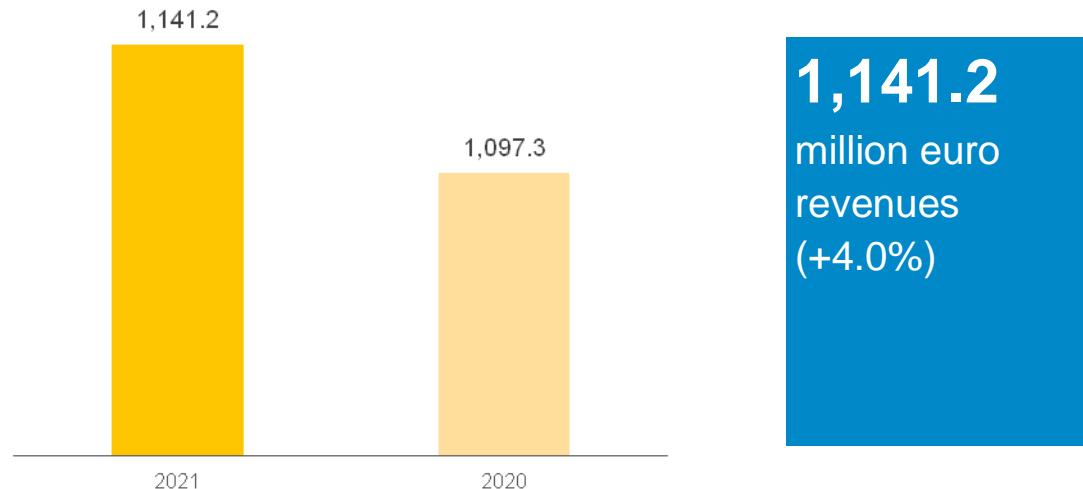
The number of electricity customers grew by 1.4% (18.1 thousand) compared to 30 June 2020. This growth occurred on the free market, accounting for 5.0% of the total, due to the strengthened marketing initiatives introduced. This growth proved able to offset both the decline in protected and safeguarded customers due to the different scope of portions managed.

VOLUMES SOLD (GWh)

Volumes of electricity sold were down sharply compared to the same period of the previous year, mainly due to the decrease in volumes in protected services, coming to 764.8 GWh, equivalent to 12.5% of the total, thanks to the factors mentioned above, only partially offset by the increase seen on traditional markets, coming to 96.9 GWh, equivalent to 1.6% of the total.

Operating results for the area are as follows:

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	1,141.2		1,097.3		43.9	4.0%
Operating costs	(1,032.6)	(90.5)%	(979.4)	(89.3)%	53.2	5.4%
Personnel costs	(23.9)	(2.1)%	(24.9)	(2.3)%	(1.0)	(4.0)%
Capitalised costs	5.3	0.5%	4.1	0.4%	1.2	29.6%
Ebitda	90.0	7.9%	97.0	8.8%	(7.0)	(7.2)%

REVENUES (mn€)

Revenues increased by 43.9 million euro, or 4%, compared to the same period in 2020. This trend mainly involved higher revenues from trading coming to 44 million euro, higher raw material prices coming to

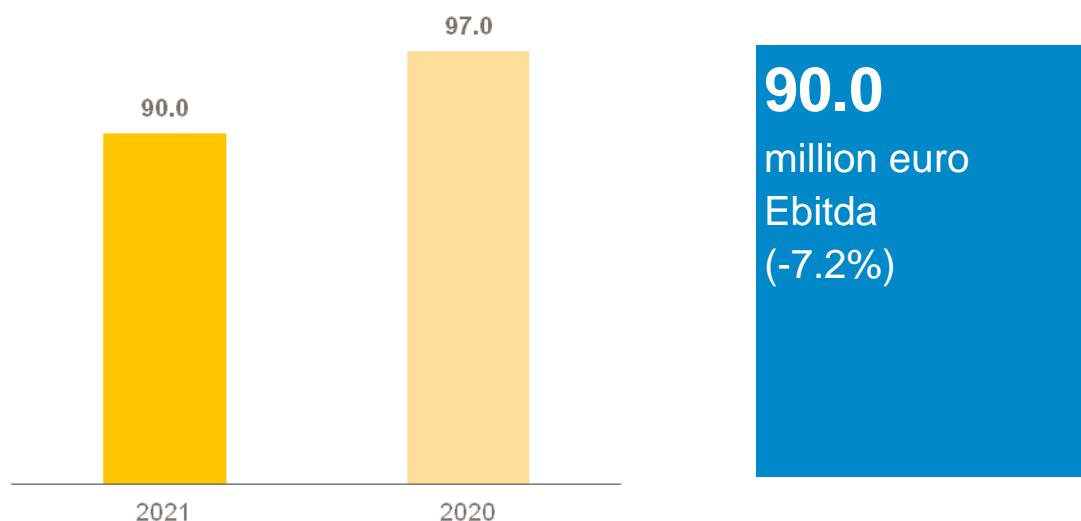
approximately 76 million euro, higher electricity generation revenues coming to approximately 12 million euro and higher revenues from value-added services for customers coming to approximately 6 million euro. These effects are partly related to the average annual trend of the national unit price, which increased by 200% compared to the previous year. On an annual basis, these changes were mainly driven by electricity consumption returning to pre-pandemic levels.

The aforementioned increases were only partially offset by the decrease in volumes sold, which led to lower revenues coming to approximately 50 million euro and lower revenues from off-grid transmission and system charges coming to 42 million euro, with an equal effect on costs. In addition to this, lower revenues came from energy efficiency certificates, amounting to approximately 4 million euro, as a result of the ministerial decree 21 May 2021. This decree, which regulates and defines for the years 2021-2024 the national quantitative energy saving targets for electricity and gas distribution companies, had retroactive effects and reduced by 60% the number of certificates foreseen for 2020 obligations, as well as defining a significantly lower number of certificates for 2021 obligations than in the past.

Regulated revenues decreased slightly, by 0.3 million euro, compared to the same period in 2020. This change, while being limited, was due to the minor decrease in recognised operating costs and a slight tariff increase, linked to Capex updates.

The increase in revenues was proportionally reflected by operating costs, which rose by 53.2 million euro. This trend was mainly due to a sharp increase in the price of raw materials and increased trading, despite the lower volumes sold and lower costs for purchasing energy efficiency certificates.

EBITDA (mn€)

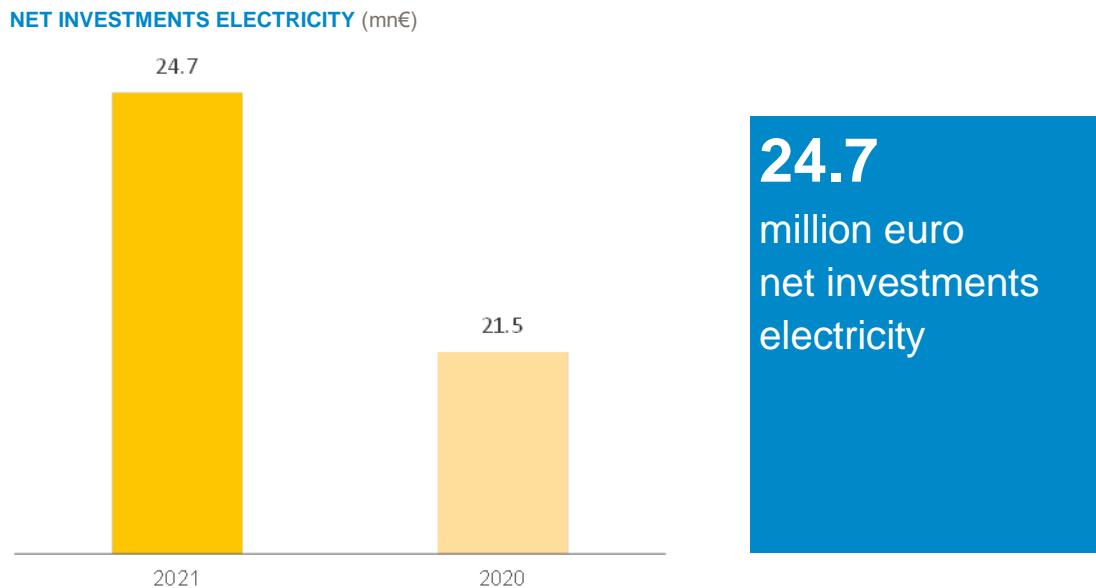


Ebitda decreased by 7.0 million euro, or 7.2%, mainly due to lower generation, which was affected by the increase seen during the previous year on the market for the dispatching service during the Covid-19 lockdown period. In addition, lower margins in the safeguarded market were due to the different scope of the portions managed. These trends were partly contained by the positive contributions coming from trading and commercial expansion on traditional markets.

In the electricity area, investments in the first half of 2021 amounted to 24.7 million euro, up 3.2 million euro compared to the previous year.

The interventions carried out mainly concerned extraordinary maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.

Compared to the previous year, the increase in the electricity distribution sector involved new constructions, such as the primary cabin at Modena Est, as well as non-recurring maintenance of networks and plants, and meter replacement. Requests for new connections increased compared to the previous year. Investments also increased in energy sales, due to activities linked to the acquisition of new customers.



Operating investments in the electricity area were as follows:

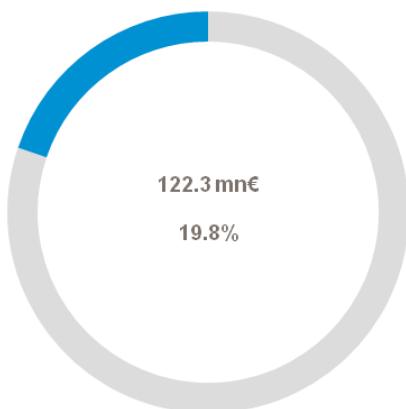
Electricity (mn€)	June 21	June 20	Abs. change	% change
Networks and plants	15.2	13.2	2.0	+15.2%
Acquisition electricity customers	9.4	8.3	1.1	+13.3%
Total electricity gross	24.7	21.5	3.2	+14.9%
Capital grants	-	-	-	+0.0%
Total electricity net	24.7	21.5	3.2	+14.9%

1.05.03 Integrated water cycle

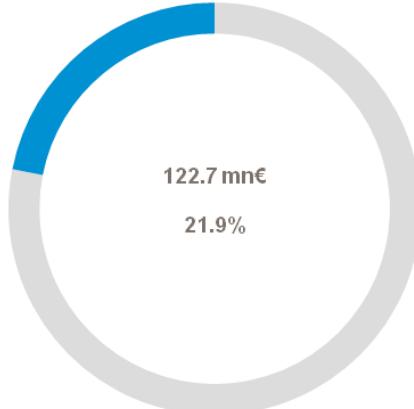
Slight drop in results during first half-year

In the first half of 2021, the integrated water cycle area showed results that were slightly down compared to June 2020, with a decrease in Ebitda coming to 0.3%. From a regulatory point of view, note that 2021 is the second year in which the tariff method defined by the Authority for the third regulatory period (MTI-3), 2020-2023 (resolution 580/2019) is applied. A revenue (VRG) is assigned to each operator, defined on the basis of operating costs and capital costs according to the investments made, with a view to increasing efficiency in costs, in addition to measures intended to promote and valorise interventions for sustainability and resilience.

EBITDA WATER CYCLE AREA 2021



EBITDA WATER CYCLE AREA 2020



The following table shows the changes occurred in terms of Ebitda:

(mn€)	June 21	June 20	Abs. change	% change
Area Ebitda	122.3	122.7	(0.4)	(0.3)%
Group Ebitda	617.9	559.7	58.2	+10.4%
Percentage weight	19.8%	21.9%	+(2.1) p.p.	

CUSTOMERS (k)



The number of integrated water cycle customers increased compared to the previous year by 6.3 thousand, or 0.4%, confirming the moderate trend of internal growth in the Group's reference areas, mainly in the Emilia-Romagna region served by Hera Spa.

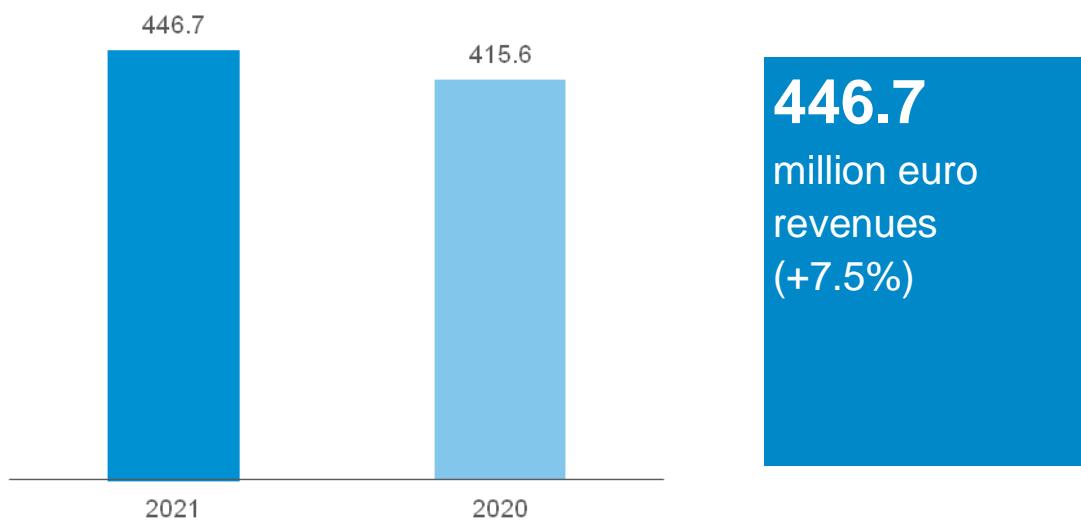
The main indicators for the area are as follows:



The volumes supplied through the aqueduct, which amounted to 137.0 million cubic metres, showed a slight 0.3% decrease compared to June 2020, equivalent to 0.4 million cubic metres. In June 2021, the quantities managed in sewerage amounted to 115.2 million cubic metres, a decrease of 1.2% compared to June 2020, while purification volume amounted to 113.6 million cubic metres, a slight 1.0% decrease compared to June 2020. The volumes supplied, following the Authority's resolution 580/2019, are an indicator of the activity of the areas in which the Group operates and are subject to equalisation, owing to legislation that calls for a regulated revenue to be recognised independently from volumes distributed.

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	446.7		415.6		31.1	+7.5%
Operating costs	(233.3)	(52.2)%	(202.4)	(48.7)%	30.9	+15.3%
Personnel costs	(93.5)	(20.9)%	(92.4)	(22.2)%	1.1	+1.2%
Capitalised costs	2.4	0.5%	1.9	0.4%	0.5	+27.0%
Ebitda	122.3	27.4%	122.7	29.5%	(0.4)	(0.3)%

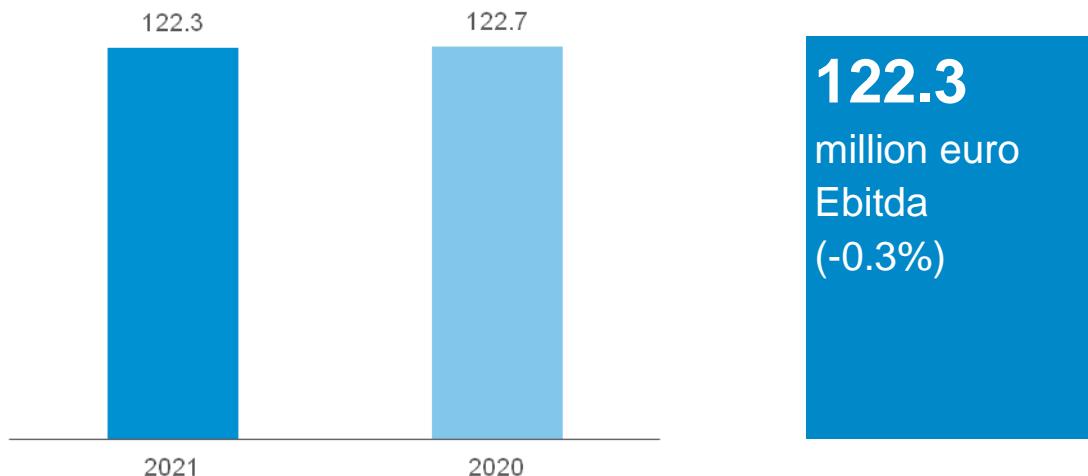
REVENUES (mn€)



The increase is due to higher revenue from subcontracts and works on behalf of third parties carried out in the first half of 2021, coming to 21.0 million euro overall. Revenues from new connections increased by 1.8 million euro and other revenues by approximately 1.9 million euro, mainly due to grants received. Revenues from supply showed a 6.4 million euro increase, mainly due to the rise in the equalisation costs of electricity and the raw material water, and the tariff adjustment called for by the new MTI-3 method.

The increase in operating costs at June 2021 was mainly due to higher costs related to the works carried out, described above under revenues, coming to 21.0 million euro overall, as well as higher costs for water as a raw material and electricity, totalling approximately 7.7 million euro. Finally, note the higher operating costs for network and plant management, the latter related to the different progress of works compared to June 2020, due to the Covid-19 outbreak.

EBITDA (mn€)



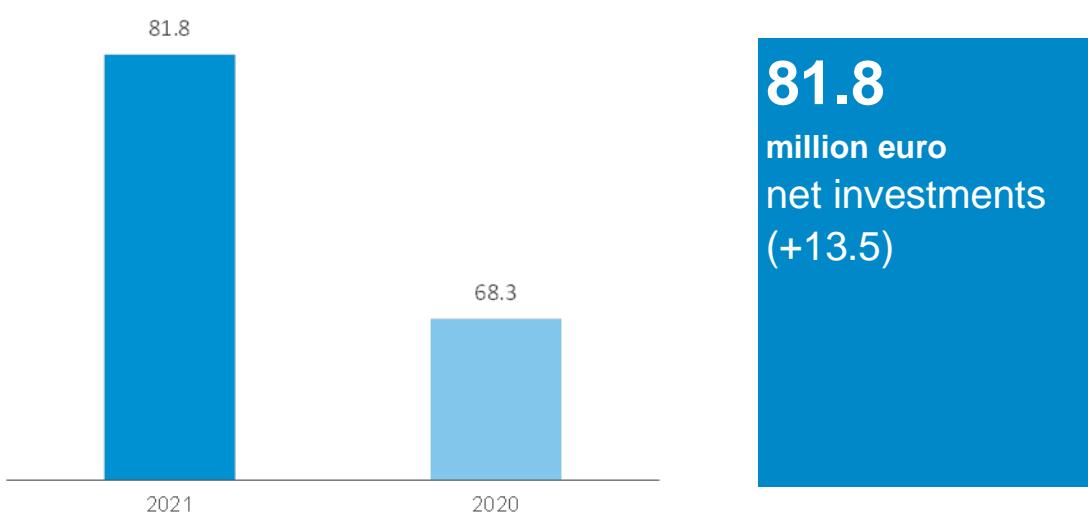
Ebitda fell slightly, by 0.3%. Higher revenues for new connections only partially offset the higher operating costs on networks and plants resulting from the resumed activities blocked by last year's lockdown.

In the first half of 2021, net investments in the integrated water cycle area amounted to 81.8 million euro, up 13.5 million euro compared to the previous year. Including the capital grants received, investments amounted to 89.3 million euro, with a 13.9 million euro increase.

Investments mainly related to extensions, reclamations and upgrades on networks and plants, as well as regulatory adjustments, especially in the water and sewerage area.

Investments amounted to 53.6 million euro in the aqueduct, 20.6 million euro in sewerage and 15.1 million euro in purification.

NET INVESTMENTS WATER CYCLE (mn€)



The main interventions include, in the aqueduct, an ongoing increase in reclamation for networks and connections, partially linked to Arera resolution 917/2017 on regulations for technical quality of the integrated water service, as well as earthquake-proof upgrading and requalification of areas with hanging

tanks, and significant maintenance on the intake works on the Setta stream, serving the Sasso Marconi drinking water plant, and the reclamation on the adduction network in the Municipality of Bentivoglio. In the sewerage sector, progress continues to be made on the seawater protection plan in Rimini, with the new sewerage separation portions in the northern area, even though in 2021 Hera's work is expected to have less of an impact than in the previous year. Maintenance and upgrading for the sewerage network in other areas also continued, as well as works to adapt drains to Dgr 201/2016, which are expected to increase in 2021. In purification, note the upgrades on the Lido di Classe purification plant, the revamping of the sand collectors at the IDAR purification plant in Bologna and the Gramicia purification plant in Ferrara.

Requests for new water and sewerage connections increased compared to the previous year.

Capital grants, amounting to 7.5 million euro, included 6.9 million euro linked to the tariff component of the tariff method for the New Investments Fund (FoNi), increasing by 0.3 million euro compared to the previous year.

Details of operating investments in the integrated water cycle area are as follows:

Integrated water cycle (mn€)	June 21	June 20	Abs. change	% change
Aqueduct	53.6	47.3	6.3	+13.3%
Purification	15.1	10.4	4.7	+45.2%
Sewerage	20.6	17.7	2.9	+16.4%
Total integrated water cycle gross	89.3	75.4	13.9	+18.4%
Capital grants	7.5	7.2	0.3	+4.2%
of which FoNI (New Investments Fund)	6.9	6.6	0.3	+4.5%
Total integrated water cycle net	81.8	68.3	13.5	+19.8%

1.05.04 Waste management

Ebitda increases

In 2021, the waste management area accounted for 23.1% of the Hera Group's Ebitda, increasing compared to 2020. The first half of 2021, characterised by recovery in commerce and a gradual improvement in waste production, confirmed the Group's ability to react with considerable resilience to the current market context, for reasons including to its set of plants, which continues to be a strategic and distinctive asset on the market. Commercial expansion in the industrial waste and environmental remediation and restoration market grew significantly in the first half of the year, thanks to various partnerships and company acquisitions that enabled the Group to consolidate its leadership. In the recovery market, the first six months of 2021 saw significant demand for recycled materials and an increase in product sales prices.

In the first half of 2021, all main initiatives in terms of circular economy launched in previous years continued, from the recovery of materials (such as the production of recycled polymers), to the production of renewable energy (such as biomethane) and green service offers to companies, including Global Waste Management and Hera Business Solution, the Group's multi-service offer. Environmental resource protection remains a priority objective in 2021, as does the maximisation of reuse; this is demonstrated by the particular attention Hera dedicates to increasing sorted waste collection, up by more than one percentage point compared to June 2020.



The following table shows the changes occurred in terms of Ebitda:

(mn€)	June 21	June 20	Abs. change	% change
Area Ebitda	142.6	122.4	20.2	+16.5%
Group Ebitda	617.9	559.7	58.2	+10.4%
Percentage weight	23.1%	21.9%	+1.2 p.p.	

The volumes marketed and treated by the Group in 2021 are as follows:

Quantity (k tons)	June 21	June 20	Abs. change	% change
Municipal waste	1,102.3	1,030.6	71.7	+7.0%
Market waste	1,226.4	1,111.6	114.8	+10.3%
Waste commercialised	2,328.7	2,142.2	186.5	+8.7%
Plant by-products	1,167.3	1,278.9	(111.6)	(8.7)%
Waste treated by type	3,496.0	3,421.1	74.9	+2.2%

An analysis of the quantitative data shows an increase in waste commercialised due to an increase in both municipal waste and market waste. With regard to municipal waste, the first half of 2021 showed growth coming to 7.0%; more specifically, the quantity of both sorted and unsorted waste increased.

Volumes of market waste grew by 10.3% compared to 2020, thanks to the consolidation of existing commercial relationships and an increased customer portfolio.

Finally, plant by-products decreased compared to the previous year, mainly due to lower rainfall.

SORTED WASTE (%)

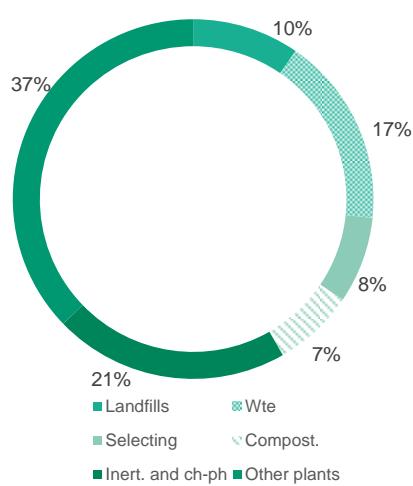


Sorted municipal waste collection in June 2021 showed further progress, increasing by 1.4 percentage points compared to the previous year across all areas served by the Group.

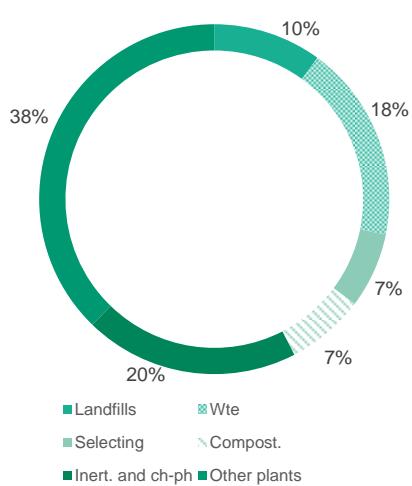
The Hera Group operates in the entire waste cycle, with 94 plants used for municipal and special waste treatment and plastic material regeneration. The most important of these include: 9 waste-to-energy plants, 11 composters/digesters and 14 selecting plants.

The care and attention given to the set of plants has always been a distinctive element of the Group's desire for excellence. Work continues to further improve safety and bring the facilities into line with the best available technology.

WASTE TREATED BY TYPE OF PLANT 2021



WASTE TREATED BY TYPE OF PLANT 2020



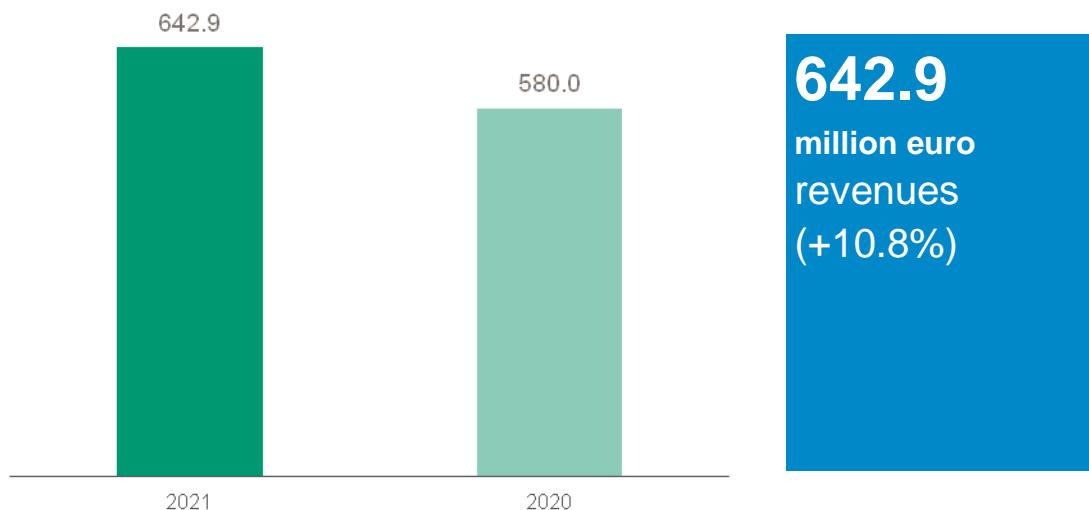
Quantity (k tons)	June 21	June 20	Abs. change	% change
Landfills	335.7	342.8	(7.1)	(2.1)%
WTE	596.7	623.9	(27.2)	(4.4)%
Selecting plants and other	272.3	238.1	34.2	+14.4%
Composting and stabilisation plants	253.9	247.3	6.6	+2.7%
Inertisation and chemical-physical plants	737.1	678.1	59.0	+8.7%
Other plants	1,300.3	1,291.0	9.3	+0.7%
Waste treated by plant	3,496.0	3,421.1	74.9	+2.2%

Waste treatment showed overall growth coming to 2.2% compared to June 2020. In this regard, lower quantities were seen in landfills, particularly at the Ravenna and Cordenons plants, as well as the depletion of the Sommacampagna and ASA plant. As regards waste-to-energy plants, the decrease was mainly due to a different scheduling of plant shutdowns for scheduled maintenance compared to the same period in 2020, despite the increase in waste delivered to some plants. The higher quantities in sorting plants is due to the greater quantities treated in all plants thanks to growth in sorted collection. In composting and stabilisation plants, volumes increased, mainly due to higher conferrals to the Sant'Agata biomethane plant. The higher quantities in inertisation and chemical-physical plants were mainly due to increased volumes at the purification plants in Tuscany and the Pozzilli plant, which was not operative in early 2020. Finally, a slight increase was seen in the other plants sector.

The table below summarises the area's operating results:

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	642.9		580.0		62.9	+10.8%
Operating costs	(401.6)	(62.5)%	(356.6)	(61.5)%	45.0	+12.6%
Personnel costs	(108.7)	(16.9)%	(103.9)	(17.9)%	4.8	+4.6%
Capitalised costs	10.0	1.6%	2.9	0.5%	7.1	+243.8%
Ebitda	142.6	22.2%	122.4	21.1%	20.2	+16.5%

REVENUES (mn€)

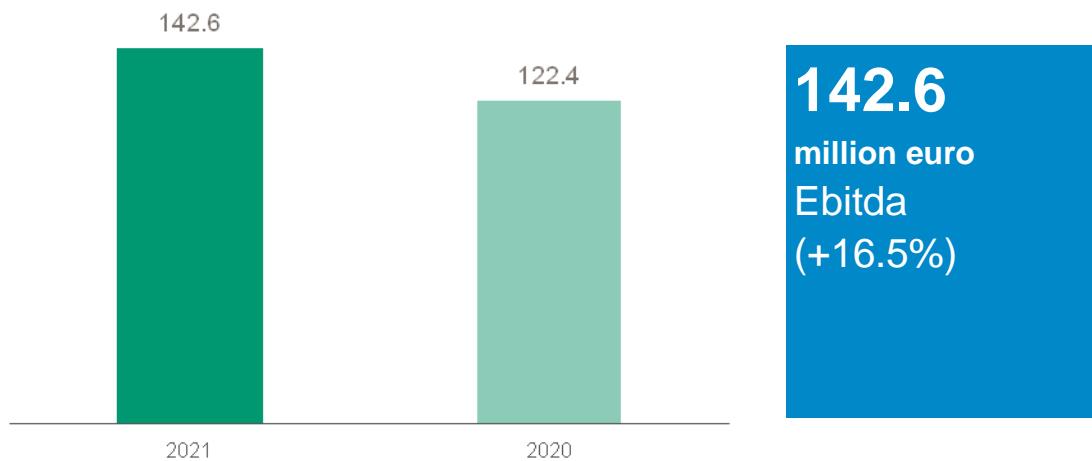


Revenues increased by 10.8% compared to the previous year. Higher revenues from energy production were seen, mainly due to increased prices for Grin certificates, market prices and the production of thermal energy and Biomethane, despite reduced volumes in WTE. The higher contribution from Aliplast Spa was also higher, due to the amount of products sold.

There was also an increase in revenues related to new acquisitions and expansion in commercial and trading activities, as well as higher revenues from municipal waste and sales of recovered material. Finally, higher revenues were seen due to increased sorted municipal waste collection.

Operating costs as at June 2021 increased by 12.6%. In the treatment market, note the increase in costs due to new acquisitions, higher volumes treated, growth in commercial activities, treatment of by-products and scheduled maintenance on Group plants. This growth was offset by lower costs due to a reduction in reclamation and efficiencies in operating costs. In the recovery market, the increase in the purchasing costs of raw materials sustained by Aliplast Spa was correlated to the trend in revenues mentioned above. As regards municipal waste collection, note the higher costs related to developing new sorted waste collection projects.

EBITDA (mn€)



The increase in Ebitda was due to higher revenues from electricity generation, growth in volumes treated and higher margins in plastic recovery. These positive factors were only partially offset by higher maintenance costs for Group plants.

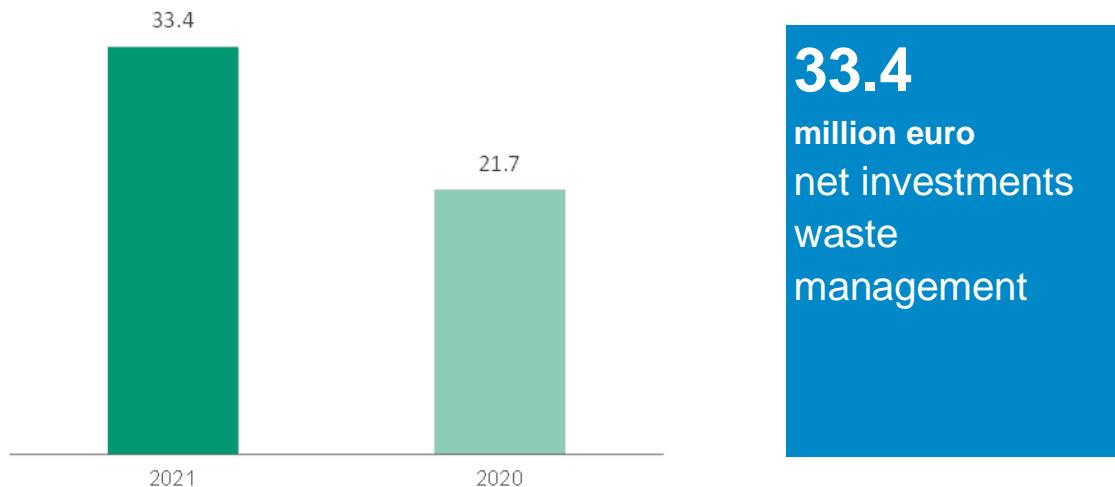
Net investments in the waste management area were related to maintenance and upgrading of waste treatment plants and amounted to 33.4 million euro, up 11.7 million euro compared to the previous year. Investments in the composting/digester plants sector were in line with the previous year, while investments in the landfills sector fell by 2.7 million euro, due to work carried out during the previous year on the 5th portion of the Pago plant.

Investments in the WTE sector increased by 4.7 million euro, mainly due to increased non-recurring maintenance on the Modena plant and additions to line two of the Trieste plant.

Investments in the industrial waste plants sector increased by 5.0 million euro compared to the previous year and involved revamping the F3 plant in Ravenna.

Investments in the ecological islands and collection equipment sector increased by 2.3 million euro compared to the previous year, while the 4.2 million euro increase in the sorting and recovery plants sector was due to higher investments for revamping the Castiglione sorting plant, construction work on a new PE regenerator and a PET regenerator at the Istrana site belonging to Aliplast Spa, as well as work on the Area 3 transhipment in Modena.

NET INVESTMENTS WASTE MANAGEMENT (mn€)



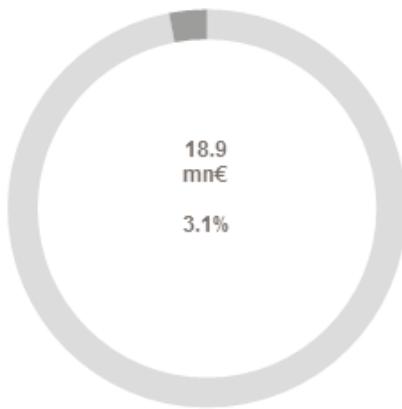
Details of operating investments in the waste management area are as follows:

Waste management (mn€)	June 21	June 20	Abs. change	% change
Composters/digesters	0.7	0.8	(0.1)	(12.5)%
Landfills	2.5	5.2	(2.7)	(51.9)%
WTE	9.2	4.5	4.7	+104.4%
RS plants	6.6	1.6	5.0	+312.5%
Ecological areas and collection equipment	6.7	4.4	2.3	+52.3%
Transshipment, selecting and other plants	9.4	5.2	4.2	+80.8%
Total waste management gross	35.1	21.7	13.4	+61.8%
Capital grants	1.7	-	1.7	+100.0%
Total waste management net	33.4	21.7	11.7	+53.9%

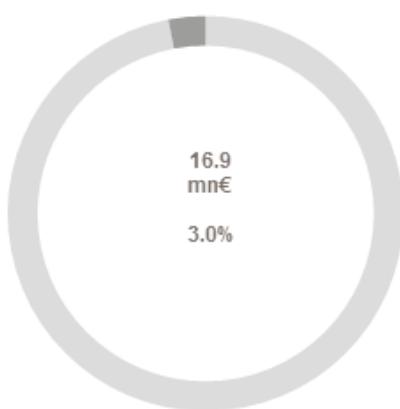
1.05.05 Other services

Ebitda rises The other services area covers all minor businesses managed by the Group, including public lighting, in which the Hera Group's efforts go towards planning, constructing and maintaining lighting structures, thus promoting safety across the areas served through avant-garde technologies and giving constant attention to the circular economy and sustainability; telecommunications, in which the Group offers connectivity for private customers and companies, telephone and Data Centre services through its own digital company; and, lastly, cemetery services. In June 2021, results in this area were up by 11.9%, corresponding to 2.0 million euro.

EBITDA OTHER SERVICES 2021



EBITDA OTHER SERVICES 2020



The changes occurred in terms of Ebitda are as follows:

(mn€)	June 21	June 20	Abs. change	% change
Area Ebitda	18.9	16.9	2.0	+11.9%
Group Ebitda	617.9	559.7	58.2	+10.4%
Percentage weight	3.1%	3.0%	+0.1 p.p.	

The following table shows the area's main indicators as regards public lighting services:

	Quantity	June 21	June 20	Abs. change	% change
	Public lighting				
560.8 thousand lighting points	Lighting points (k)	560.8	562.8	(2.0)	(0.4)%
	of which LED	35.8%	27.3%	+8.5	+0.0%
	Municipalities served	180.0	186.0	(6.0)	(3.2)%

During the first half of 2021, the Hera Group acquired approximately 12.5 thousand lighting points in 5 new municipalities. The most significant acquisitions were roughly 5.9 thousand lighting points in Lombardy, roughly 2.3 thousand lighting points in Lazio, roughly 0.7 thousand lighting points in Sardinia, and roughly 1.6 thousand lighting points in regions of central Italy. Lastly, more lighting points were managed in municipalities already served coming to roughly 2.0 thousand lighting points. The increases seen during the half-year only partially offset the loss of approximately 14.5 thousand lighting points and 11 municipalities managed in the Friuli-Venezia Giulia and Veneto regions.

The percentage of lighting points using LED bulbs also rose, settling at 35.8%, up 8.5 percentage points. This trend reflects the Group's constant focus on an increasingly efficient and sustainable management of public lighting.

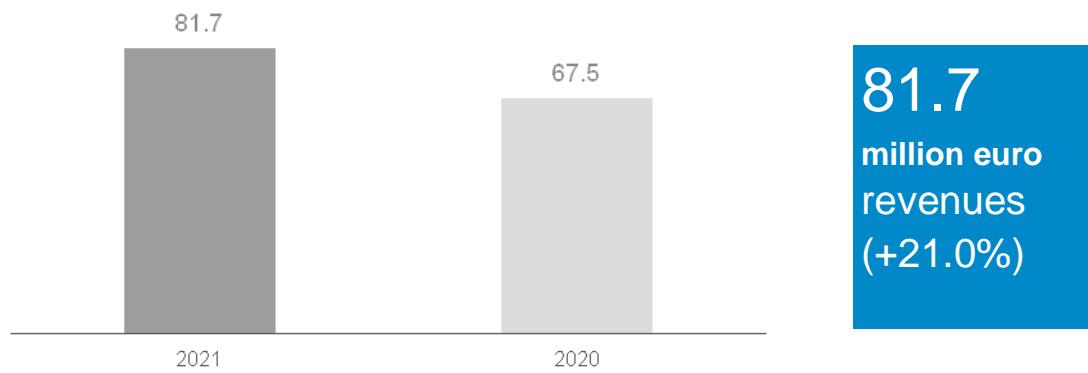
Among the quantitative indicators of the other services area, also note the 4,362 km of ultra-wideband fibre optic network owned by Hera Group through its digital company Acantho Spa. This network serves

the main cities in Emilia-Romagna, Padua and Trieste, offering businesses and private customers high-performance connectivity with outstanding reliability, system and data security and service continuity.

The area's operating results are provided in the table below:

Income statement (mn€)	June 21	% inc.	June 20	% inc.	Abs. change	% change
Revenues	81.7		67.5		14.2	+21.0%
Operating costs	(52.1)	(63.7)%	(41.2)	(61.1)%	10.9	+26.4%
Personnel costs	(11.5)	(14.1)%	(10.2)	(15.2)%	1.3	+12.7%
Capitalised costs	0.8	0.9%	0.8	1.2%	-	+0.0%
Ebitda	18.9	23.1%	16.9	25.0%	2.0	+11.9%

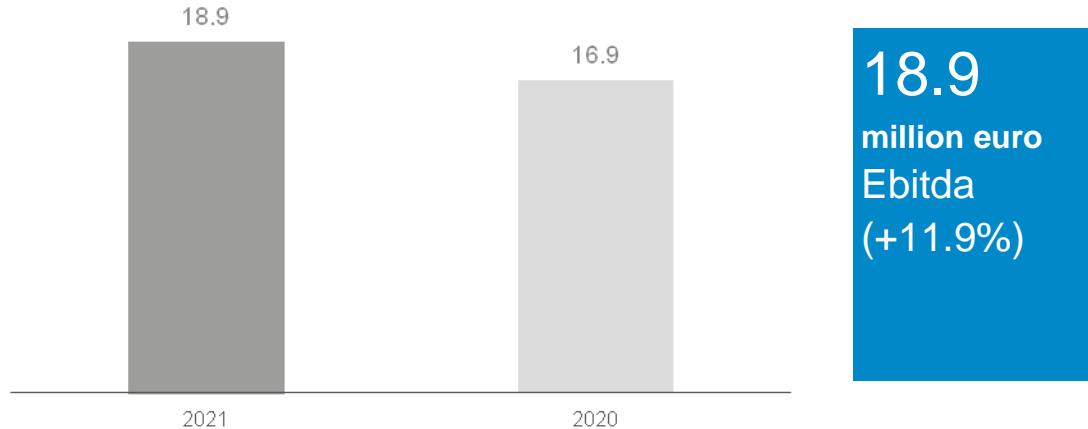
REVENUES (mn€)



The increase in revenues is mainly due to public lighting and is an effect of the greater progress made in the energy requalification works carried out by Hera Luce. Revenues from the telecommunications business were also up.

The increase in operating costs is related, as regards the public lighting business, to the higher costs resulting from the progress of works and the higher price of electricity. Costs in the telecommunications business also increased.

EBITDA (mn€)

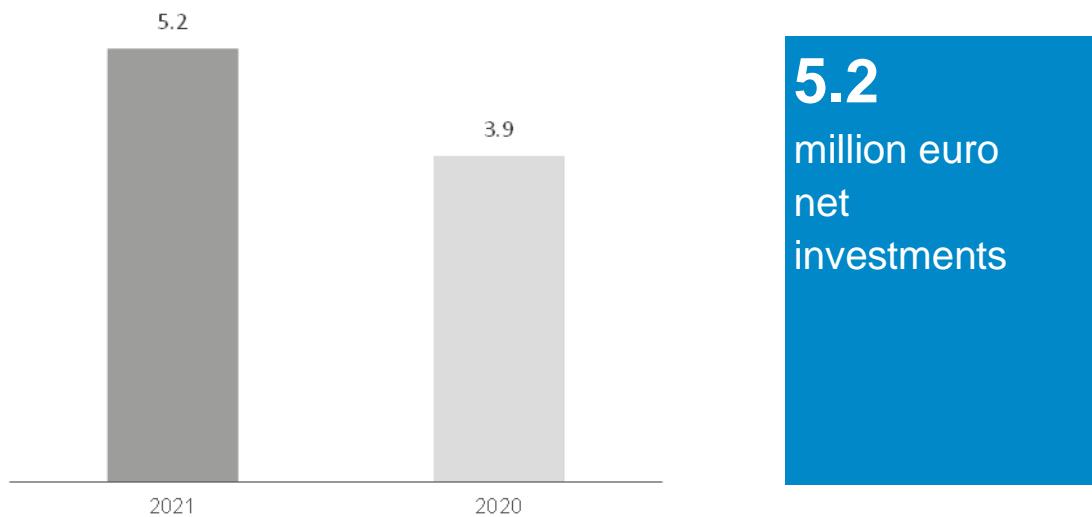


The growth in Ebitda resulted from the contribution of all businesses in the other services area, especially public lighting and telecommunications.

In the first half of 2021, investments in the other services area amounted to 5.2 million euro, up 1.3 million euro compared to the same period in the previous year.

In telecommunications, investments in networks and TLC services totalled 3.3 million euro, up 0.6 million euro compared to the previous year. In the public lighting service, investments were related to the maintenance, upgrading and modernisation for lighting systems in the areas served and amounted to 2.0 million euro, up 0.8 million euro on the previous year, and did not include public lighting contracts subject to different accounting under Ifric 12.

NET INVESTMENTS OTHER SERVICES (mn€)



Details of operating investments in the other services area are as follows:

Other services (mn€)	June 21	June 20	Abs. change	% change
TLC	3.3	2.7	0.6	+22.2%
Public lighting and traffic lights	2.0	1.2	0.8	+66.7%
Total other services gross	5.2	3.9	1.3	+33.3%
Capital grants	-	-	-	+0.0%
Total other services net	5.2	3.9	1.3	+33.3%

CONSOLIDATED FINANCIAL STATEMENTS



2.01 FINANCIAL STATEMENT FORMATS

2.01.01 Income statement

mn€	notes	first six months of 2021	first six months of 2020
Revenues	1	4,179.7	3,402.3
Other operating revenues	2	140.2	222.6
Raw and other materials	3	(2,128.5)	(1,605.1)
Service costs	4	(1,260.1)	(1,151.0)
Personnel costs	5	(301.8)	(290.9)
Other operating expenses	6	(37.9)	(32.5)
Capitalised costs	7	26.3	14.3
Amortisation, provisions and depreciation	8	(274.3)	(264.0)
Operating revenues		343.6	295.7
Share of profits (losses) pertaining to joint ventures and associated companies	9	5.4	3.7
Financial income	10	47.9	30.9
Financial expenses	10	(136.9)	(90.8)
Financial operations		(83.6)	(56.2)
Pre-tax profit		260.0	239.5
Taxes	11	(23.8)	(64.6)
Net profit for the period		236.2	174.9
Attributable to:			
parent company shareholders		216.1	166.2
non-controlling interests		20.1	8.7
Earnings per share	12		
basic		0.148	0.113
diluted		0.148	0.113

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate income statement outlined in paragraph 2.04.01 of this consolidated financial statement.

2.01.02 Statement of comprehensive income

mn€	notes	first six months of 2021	first six months of 2020
Profit (loss) for the period		236.2	174.9
Items reclassifiable to the income statement			
Fair value of derivatives, change for the period	20	102.2	(1.4)
Tax effect related to reclassifiable items		(29.1)	0.5
Items not reclassifiable to the income statement			
Actuarial income (losses) post-employment benefits	27	4.7	2.8
Shares valued at fair value	17	(1.5)	(2.5)
Tax effect related to not reclassifiable items		(0.8)	(0.6)
Total comprehensive profit (loss) for the period		311.7	173.7
Attributable to:			
parent company shareholders		291.8	164.8
Non-controlling interests		19.9	8.9

2.01.03 Statement of financial position

mn€	30 Jun 21	31 Dec 20
ASSETS		
Non-current assets		
Property, plant and equipment	13	1,922.5
Rights of use	14	91.2
Intangible assets	15	3,981.8
Goodwill	16	848.1
Equity investments	17	192.3
Non-current financial assets	18	135.2
Deferred tax assets	19	200.3
Derivative instruments	20	6.0
Total non-current assets	7,377.4	7,259.3
Current assets		
Inventories	21	236.2
Trade receivables	22	1,755.8
Current financial assets	18	30.9
Current tax assets	23	60.3
Other current assets	24	418.7
Derivative instruments	20	441.2
Cash and cash equivalents	18	1,040.6
Total current assets	3,983.7	3,775.5
TOTAL ASSETS	11,361.1	11,034.8

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.04.02 of this consolidated financial statement.

mn€	30 Jun 21	31 Dec 20
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves	25	
Share capital	1,464.1	1,460.0
Reserves	1,423.7	1,198.1
Profit (loss) for the period	216.1	302.7
Group net equity	3,103.9	2,960.8
Non-controlling interests	196.8	194.5
Total net equity	3,300.7	3,155.3
Non-current liabilities		
Non-current financial liabilities	26	3,515.0
Non-current lease liabilities	14	69.9
Post-employment and other benefits	27	108.0
Provisions for risks and charges	28	555.4
Deferred tax liabilities	19	138.6
Derivative instruments	20	16.9
Total non-current liabilities	4,403.8	4,547.7
Current liabilities		
Current financial liabilities	26	556.6
Current lease liabilities	14	18.2
Trade payables	29	1,300.3
Current tax liabilities	23	78.3
Other current liabilities	30	1,373.7
Derivative instruments	20	329.5
Total current liabilities	3,656.6	3,331.8
TOTAL LIABILITIES	8,060.4	7,879.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,361.1	11,034.8

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.04.02 of this consolidated financial statement.

2.01.04 Cash flow statement

mn€	30 Jun 21	30 Jun 20
Earnings before taxes	260.0	239.5
Adjustments to reconcile net profit to the cash flow from operating activities		
Amortisation and impairment of assets	220.6	214.9
Allocation to provisions	53.7	49.1
Effects from valuation using the equity method	(5.4)	(3.7)
Financial (income) expenses	89.0	59.9
(Capital gains) losses and other non-monetary elements	(12.6)	(15.7)
Change in provision for risks and charges	(18.7)	(15.1)
Change in provision for employee benefits	(5.7)	(5.6)
Total cash flow before changes in net working capital	580.9	523.3
(Increase) decrease in inventories	(64.8)	5.8
(Increase) decrease in trade receivables	184.9	280.8
Increase (decrease) in trade payables	(201.7)	(303.9)
Increase/decrease in other current assets/liabilities	220.5	102.5
Changes in working capital	138.9	85.2
Dividends collected	6.7	5.0
Interest income and other financial income collected	16.3	13.6
Interest expenses, net charges on derivatives and other financial charges paid	(61.2)	(53.2)
Taxes paid	(78.5)	(86.8)
Cash flow from operating activities (a)	603.1	487.1
Investments in tangible assets	(62.9)	(46.2)
Investments in intangible assets	(184.0)	(157.1)
Investments in subsidiary companies and business units net of cash and cash equivalents	31	(27.3)
Other equity investments	31	(10.0)
Sale price of tangible and intangible assets	0.4	2.3
Divestment of equity investments and contingent considerations	31	0.1
(Increase) decrease in other investment activities	8.7	21.1
Cash flow from (for) investing activities (b)	(275.0)	(224.1)
New issue of long-term binds	32	8.0
Repayments of non-current financial liabilities	32	(140.6)
Repayments and other net changes in financial payables	32	(141.5)
Lease payments	32	(11.4)
Acquisition of interests in consolidated companies		(1.2)
Dividends paid out to Hera shareholders and non-controlling interests		(4.2)
Changes in treasury share		15.1
Cash flow from (for) financing activities (c)	(274.6)	78.5
Increase (decrease) in cash and cash equivalents (a+b+c)	53.5	341.5
Cash and cash equivalents at the beginning of the period	987.1	364.0
Cash and cash equivalents at the end of the period	1,040.6	705.5

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate cash flow statement outlined in paragraph 2.04.03 of this consolidated financial statement.

2.01.05 Statement of changes in net equity

mn€	Share capital	Reserves	Reserves derivatives valued at fairvalue	Reserves actuarial income (losses) post-employment benefits	Reserves shares valued at fairvalue	Revenues for the period	Net equity	Non-controlling interests	Total
Balance at 31 December 2019	1,474.8	1,019.7	(37.9)	(33.8)	-	385.7	2,808.5	201.5	3,010.0
Revenues for the period						166.2	166.2	8.7	174.9
Other components of comprehensive income:									
fair value of derivatives, change for the period			(0.9)				(0.9)		(0.9)
actuarial income (losses) post-employment benefits				2.0			2.0	0.2	2.2
fair value of derivatives, change for the period					(2.5)		(2.5)		(2.5)
Overall revenues for the period	-	-	(0.9)	2.0	(2.5)	166.2	164.8	8.9	173.7
changes in treasury share	(4.2)	(7.8)					(12.0)		(12.0)
changes in equity investments							-	(11.3)	(11.3)
other movements		2.2					2.2	0.9	3.1
Allocation of revenues:									
dividends paid out					(150.2)	(150.2)	(14.7)	(164.9)	
allocation to reserves		235.5			(235.5)		-		-
Balance at 30 June 2020	1,470.6	1,249.6	(38.8)	(31.8)	(2.5)	166.2	2,813.3	185.3	2,998.6
Balance at 31 December 2020	1,460.0	1,230.8	5.9	(35.1)	(3.5)	302.7	2,960.8	194.5	3,155.3
Revenues for the period						216.1	216.1	20.1	236.2
Other components of comprehensive income:									
fair value of derivatives, change for the period			73.8				73.8	(0.7)	73.1
actuarial income (losses) post-employment benefits				3.4			3.4	0.5	3.9
fair value of derivatives, change for the period					(1.5)		(1.5)		(1.5)
Overall revenues for the period	-	-	73.8	3.4	(1.5)	216.1	291.8	19.9	311.7
changes in treasury share	4.1	11.0					15.1		15.1
Allocation of revenues:									
dividends paid out					(163.8)	(163.8)	(17.6)	(181.4)	
allocation to reserves		138.9			(138.9)		-		-
Balance at 30 June 2021	1,464.1	1,380.7	79.7	(31.7)	(5.0)	216.1	3,103.9	196.8	3,300.7

2.02 EXPLANATORY NOTES

2.02.01 Accounting policies and evaluation criteria

The consolidated half-year financial statement at 30 June 2021, 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, have been prepared in compliance with 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 consolidated half-year financial statements, prepared in accordance with IAS 34 Interim Financial Reporting, the same accounting principles were adopted as those utilized in drafting the consolidated financial statements at 31 December 2020, which should be consulted for more detailed information.

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

The figures in this consolidated half-year financial statement are comparable with the same balances of the previous financial year, unless indicated otherwise in the notes commenting on the individual items. In comparing the single items of the income statement and statement of financial position any change in the scope of consolidation outlined in the specific paragraph must also be taken into account.

Information on the Group's operations and significant events occurred after the end of the six-month period is provided in the Directors' report.

This consolidated half-year financial statement as at 30 June 2021 was drawn up by the Board of Directors and approved by the same at the meeting held on 28 July 2021. This financial statement underwent limited auditing by Deloitte & Touche Spa.

Financial statement formats

The formats used are the same as those used for the consolidated financial statements for the year ended 31 December 2020. A vertical format has been used for the income statement, with individual items analysed by type. We believe that this type of presentation, which is also used by our major competitors and is in line with international practice, best represents company results.

The statement of comprehensive income is presented in a separate document from the income statement, as permitted by IAS 1revised, distinguishing that may be reclassified subsequently to profit and loss and those that 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 the distinction between current and non-current assets and liabilities. The cash flow statement has been prepared using the indirect method, as allowed by IAS 7.

In the financial statements any non-recurring costs and revenues are indicated separately. Moreover, with reference to Consob resolution 15519 of 27 July 2006 on financial statements, specific supplementary formats of income statement, statement of financial position and cash flow statement have been included, highlighting the most significant balances with related parties, in order to avoid altering the overall clarity of the financial statements.

The financial statement formats and the information included in the explanatory notes are expressed in millions of euro, unless otherwise indicated.

Risk management

Credit risk

The credit risk faced by the Group originates from the broad structure of the client portfolios in the main business areas in which it operates; for the same reason, this risk is spread out over a large number of clients. In order to manage the credit risk, the Group established procedures for selecting, monitoring and evaluating its customer portfolio. The Italian market is the benchmark market.

The Group's credit management model makes it possible to analytically determine the different risks associated with the collectability of trade receivables as soon as they arise and progressively according to their increasing seniority. This approach allows the company to reduce the concentration and exposure to credit risk posed by both business and household customers. With regard to receivables from small-sized customers, write-downs are carried out on the basis of future-oriented analysis regarding the amount of probable future income, taking into consideration the seniority of the receivables, the type of recovery action undertaken and the status of the creditor. From time to time, analyses are conducted on the individual credit positions yet to be resolved, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down.

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 accomplished through 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.

The financial planning of requirements, focused on medium-term borrowings, and the availability of abundant funds in credit facilities, allow effective management of liquidity risk.

Interest rate risk and currency risk on financing operations

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

The Group regularly assesses its exposure to such risks and manages them by means of derivative financial instruments, in accordance with its risk management guidelines. To mitigate interest rate volatility risk and simultaneously ensure a correct balance between fixed rate debt and variable rate debt, the Group has stipulated interest rate derivatives in relation to a portion of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group has signed foreign exchange derivatives to fully hedge loans in foreign currencies.

Under these guidelines, derivative financial instruments may only be used to manage its exposure to interest and exchange rate fluctuations related to cash flows and balance sheet assets and liabilities. These policies do not enable speculative activities to be carried out.

Market risk and currency risk on commercial operations

Concerning the wholesale business carried on by Hera Trading Srl, 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 (U.S. dollar).

In relation to these risks, the Group has set up a number of instruments, including different types of commodity derivatives aimed at pre-establishing the effects on sales margins irrespective of changes in market conditions. The organisational model adopted and the supporting management systems make it possible to identify the nature of the operation (hedging vs. trading) and produce the information required for a formal identification of the purpose of these instruments. Specifically, from an operational standpoint, the Group identified a commercial portfolio, including contracts signed to manage the Group's procurement activities, and a trading portfolio, including instruments whose purpose cannot be strictly related to the underlying procurement activities.

Covid-19 emergency

The Group's management considered the aforementioned health emergency to be an event the relevance of which must be assessed in accordance with paragraph 15 of IAS 34. The current and forecasted effects for the Hera Group, however, are considered to be marginal and, consequently, the estimates of the financial statements values have not been revised as a result of the emergency. The business performance in the first half of the year further confirms this conclusion, recording a recovery in energy consumption to pre-pandemic levels and the resumption of work and construction activities previously blocked by the lockdown. Therefore, based on the current situation and information available to date, the management believes that there are no indicators of impairment such as to lead to re-calculating the recoverable value of the assets recognised in the Group's consolidated financial statements at 30 June 2021. In reaching this conclusion, it was also considered that the performance in the first half of 2021 was in line with the forecasts made for this period in the first year of the 2021-2025 Plan approved by the Board of Directors of Hera Spa on 13 January 2021 and used for the purposes of the impairment test with reference to the consolidated financial statements at 31 December 2020.

Significant estimates and valuations

The preparation of the consolidated half-year financial statement and related notes required the use of estimates and valuations by the directors, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that are reasonably likely to occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. The main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next accounting period are set forth below.

Going concern

The directors took into account the applicability of the assumed going concern in drafting the consolidated half-year financial statement and decided that such assumption is appropriate in that there are no doubts about the going concern.

Recognition of revenues

Revenues for the sale of electricity, gas and water are recognised and accounted for at supply only if the consideration is expected to be collected. They include the allocation for services rendered between the date of the last reading and the end of the six-month period, but still not billed. This allocation is based on estimates of the customer's daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

Depreciation

Depreciation is calculated on the basis of the useful life of an asset, determined at the moment that said asset is entered into the financial statement. Assessments of the length of the useful life are based on historical experience, market conditions and the expectation of future events that could affect this useful life, including technological changes. Therefore, the actual useful life might differ from the estimated useful life.

Provisions for risks

These provisions were made by adopting the same procedures as in previous years, with reference to reports by the legal advisors and consultants that are following the cases, and on the basis of developments in the relevant legal proceedings as well as of the updates of the hypotheses concerning future expenses for post-mortem costs of the landfills, following the revision of the estimated costs identified by external consultants.

Income taxes

Income taxes are reported on the basis of the best estimate of the weighted average tax rate anticipated for the full financial period, also taking into account any tax effects resulting from the regulatory provisions introduced during the half year.

Deferred tax assets

Accounting for deferred tax assets takes place on the basis of expectations of taxable income in future years. The evaluation of the taxable income expected for the purposes of accounting for deferred tax assets depends on factors that may vary over time and significantly affect the recoverability of deferred tax receivables.

Fair value assessment and evaluation process

The fair value of financial instruments, both on interest rates and foreign exchange rates, derives from market prices. In the absence of 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 fair value of derivatives contracts on commodity are determined using directly observable market inputs, where available. The methodology for calculating the fair value of these instruments includes the assessment of the non-performance risk, where relevant. All derivative contracts entered into by the Group are with leading institutional counterparties.

It is also noted that certain valuation processes, specifically the more complex ones such as establishing any impairment of non-current assets, are generally carried out fully only for the preparation of the annual financial statements, except in cases where there are impairment indicators that require an immediate impairment test.

2.02.02 Scope of consolidation

The consolidated half-year financial statements at 30 June 2021 includes the financial statements of the Parent Company Hera S.p.A. and those of its subsidiaries. Control is obtained when the parent company has the power to determine the financial and operational policies of a company, by way of currently valid rights, that is when it achieves the authority to direct the company's significant activities. Equity investments in joint ventures in which the Hera Group exercises joint control with other companies as well as the companies over which the Group exercises significant control are consolidated with the equity method.

Small-scale subsidiaries with insignificant size are excluded from overall consolidation and valued at fair value recorded in other items of the comprehensive income statement. These subsidiary companies are recorded in note 17 "Other minor companies".

The main exchange rates used to translate the value of foreign companies are as follows:

	30 Jun 21	30 Jun 21	31 Dec 20	31 Dec 20	30 Jun 20	30 Jun 20
	Average	Specific	Average	Specific	Average	Specific
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Polish Zloty	4.537	4.520	4.443	4.560	4.412	4.456

Changes in the scope of consolidation

The table below shows changes in the scope of consolidation introduced during the first half of the 2021 financial year as compared to the consolidated financial statement at 31 December 2020:

Acquisition of control	Company/business unit
	Atlas Utilities Ead
	Primagas Ad
	Recycla Spa
Acquisition of significant influence	Company/business unit
	SEA - Servizi Ecologici Ambientali Srl

For further details regarding the acquisitions carried out during the period, reference should be made to chapter 1.02 "Main significant events" in the Directors' report.

Other corporate operations

On 3 March 2021, the company HEA Spa was established for waste treatment activities, following a partnership agreement between Herambiente Servizi Industriali Srl and Eni Rewind Spa. This company, not equipped with significant assets, is not yet operational and has thus not been included in the scope of consolidation.

On 29 March 2021, Hera Comm Nord-Est Srl was merged by incorporation into EstEnergy Spa, with accounting effects backdated to 1 January 2021.

Business combination operations

Business combination operations were accounted for in accordance with the international accounting standard IFRS3. Specifically, the management initiated analyses of the fair value of potential assets and liabilities and contingent liabilities, on the basis of information concerning facts and events available at the date of acquisition. The assessment of the acquired companies is still ongoing at the date of these half-year financial statements, especially with regard to the possible fair value attributable to the customer list, the value and useful life of which are still being determined and validated by management and for which, consequently, the information necessary for recording it in the financial statements is not yet available.

The table below shows the assets and liabilities acquired recognised at their provisional fair value on the basis of available information:

	Primagas Ad	Recycla Spa	Total business combination
Non-current assets			
Property, plant and equipment	11.3	11.3	11.3
Rights of use	1.1	1.1	1.1
Intangible assets	2.3	0.1	2.4
Current assets			
Inventory and work in progress	0.1	0.1	0.1
Trade receivables	5.3	5.3	5.3
Financial assets	0.9	0.9	0.9
Other current assets	0.7	0.7	0.7
Cash and cash equivalents	2.3	2.3	2.3
Non-current liabilities			
Financial liabilities	(4.3)	(4.3)	(4.3)
Lease liabilities	(0.6)	(0.6)	(0.6)
Post-employment	(0.8)	(0.8)	(0.8)
Provisions for risks and charges	(2.1)	(2.1)	(2.1)
Deferred tax liabilities	(0.2)	(0.2)	(0.2)
Current liabilities			
Trade payables	(1.3)	(3.2)	(4.5)
Current tax liabilities	(3.3)	(3.3)	(3.3)
Other current liabilities	(1.9)	(1.9)	(1.9)
Total net assets acquired	1.0	5.4	6.4
Equivalent fair value	3.2	38.6	41.8
Non-controlling interests acquired			-
Total value of business combination	3.2	38.6	41.8
(Goodwill) / Profit	(2.2)	(33.2)	(35.4)

With reference to the acquisition of control of Primagas Ad and Atlas Utilities Ead, the table above shows the figures of Primagas only, since Atlas Utilities Ead is a pure equity vehicle with no significant assets or liabilities.

The evaluation process resulted in the following adjustments to the carrying amounts recorded in the financial statements of the acquired entity, as well as the following considerations in relation to the amount transferred:

	Primagas Ad	Recyla Spa	Total business combination
Reporting value of net assets acquired	1.0	7.5	8.5
Adjustments for fair value evaluation			
Current assets/ (liabilities)		(2.1)	(2.1)
Fair value of net assets acquired	1.0	5.4	6.4
Cash outlay	3.2	26.4	29.6
Deferred consideration		12.2	12.2
Equivalent fair value	3.2	38.6	41.8

With reference to the acquisition of Recyla Spa, it should be noted that a cross option to buy and sell the outstanding shareholding was negotiated with the counterparty, which may be exercised for 18 months beginning in the second year after closing. An initial provisional assessment determined the value of the option to be 12.2 million euro. According to the IAS/IFRS provisions, the existence of such a right held by the minority shareholder led to the need to classify the option in the consolidated financial statements under financial liabilities (rather than under derivative instruments). In accordance with its own accounting policies, the Group did not include the minority shares in its consolidated financial statements, considering the shareholding in Recyla Spa to be fully owned from an accounting point of view.

Finally, the assessment of the acquisition of Wolmann Spa, which occurred in the third quarter of the 2020 financial year, is still ongoing.

2.02.03 Changes to international accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2021

With reference to the areas that are significant for the Group, beginning 1 January 2021, the following accounting standards and associated amendments as issued by the IASB and endorsed by the European Union apply:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform for determining interest rates - phase 2 (Regulation 25/2021). Document issued by IASB on 27 August 2020, applicable from 1 January 2021 with early application allowed. The amendments provide for a specific accounting approach to allocate over time changes in the value of financial instruments or leases due to the replacement of the benchmark index for determining interest rates, thus avoiding immediate impacts on profit or loss and terminations of hedging relationships.

With reference to the application of these amendments and new interpretations, there were no observable effects on the Group's financial statements.

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

With reference to the areas that are significant for the Group, beginning 1 January 2022 the following accounting standard amendments will be obligatorily applied, having also already been endorsed by the EU:

Amendments to IFRS3 - Reference to the conceptual framework - (Regulation 1080/2021). Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. The amendments require entities to refer to the Conceptual Framework published in March 2018 and not the one in force when IFRS3 was introduced. Furthermore, IASB introduced an exception to the Conceptual

Framework. For some types of liabilities, an entity must refer to IAS 37 when applying IFRS 3. In fact, without this exception, an entity might recognise liabilities in gaining control of a business that it would not otherwise recognise, and immediately after the acquisition it would have to derecognise those liabilities by recording income that has no economic substance.

Amendments to IAS16 – Selling items produced while bringing an asset into the location and condition for its intended use (Regulation 1080/2021). Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The entity must recognise the proceeds from selling such items, and the cost of producing those items, in profit or loss for the period.

Amendments to IAS 37 - Onerous Contracts: cost of fulfilling a contract (Regulation 1080/2021). Document issued by IASB on 14 May 2020, applicable from 1 January 2022 with early application allowed. The changes specify that the cost of fulfilling a contract must comprise all the costs that relate directly to the contract. Accordingly, the valuation includes not only incremental costs (such as the cost of material used in the processing), but also all costs that the company cannot avoid because it entered into the contract (such as the share of personnel costs and depreciation of machinery used to fulfil the contract).

On 14 May 2020 the IASB published the document “Improvements to the International Financial Reporting Standard: 2018-2020 Cycle”. These improvements include amendments to two existing international accounting standards:

- **IFRS 1** - First adoption of International Financial Reporting Standards (Regulation 1080/2021). The improvement allows a subsidiary to measure cumulative exchange differences for all foreign currency transactions using the amounts that were recognised in the consolidated financial statements, based on the parent company's date of first adoption.
- **IFRS 9** - Financial Instruments (Regulation 1080/2021). It specifies that the only fees to be taken into account for the purposes of the 10% test for derecognising a financial liability are those exchanged between the entity and the lender.

These amendments, endorsed by the European Union through Regulation 1080/2021, are applicable beginning 1 January 2021 with early application allowed, and clarify, correct or remove redundant statements or formulations in the text of the standards in question.

The directors are currently assessing possible effects deriving from the introduction of these amendments into the Group's consolidated financial statement.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union.

The following standards, associated amendments and updates of IFRSs (already approved by IASB) and interpretations (already approved by IFRS IC) that are relevant for the Group are currently being endorsed by the relevant bodies of the European Union:

Amendments to IAS 1 - Presentation of Financial Statements: reporting liabilities as current or non-current. Document issued by IASB on 23 January 2020 and updated on 15 July 2020, applicable from 1 January 2023 with early application allowed. The amendments clarify the requirements to be considered in determining whether payables and other liabilities with uncertain settlement date should be classified as current or non-current in the statement of financial position (including payables that can be settled by conversion into equity instruments).

Amendments to IAS 1 and IFRS practice statement 2 - Disclosure of Financial Statements and Accounting Policies. Document issued by IASB on 12 February 2021, applicable from 1 January 2023 with early application allowed. The amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance to explain the application of the materiality process.

Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Document issued by IASB on 12 February 2021, applicable from 1 January 2023 with early application allowed. The amendments clarify that entities should distinguish between changes to accounting policies and accounting estimates.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions after 30 June 2021. Document issued by IASB on 31 March 2021 and applicable beginning 1 January 2021. The amendment extends for one year the possibility to apply the practical expedient to avoid assessing whether a lease concession that meets the conditions set out by the standard constitutes a contractual amendment.

Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Document issued by IASB on 7 May 2021, applicable from 1 January 2023 with early application allowed. The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations for which the exemption for reporting deferred taxation does not apply when assets and liabilities are recognised for the first time. The amendments aim at reducing the differences in deferred tax reporting between different types of contracts.

The directors are currently assessing the possible effects of the new amendments and interpretations mentioned above on the Group's consolidated financial statements related to their introduction.

2.02.04 **Commentary notes to the financial statement formats**

Please note that paragraphs 1.03 and 1.05 of the Directors' report provide an analysis of the business management performance for the period, including for each business area, that may contribute to a better understanding of changes in the main categories of operating expenses and revenues.

1 Revenues

	first six months of 2021	first six months of 2020	Chan.
Revenues from sales and services	4,130.6	3,392.6	738.0
Changes in work in progress, semi-finished and finished products	49.1	9.7	39.4
Total	4,179.7	3,402.3	777.4

Revenues are achieved mainly in Italy.

“Revenues from sales and services”, mainly include the Group sales of electricity and methane gas both on wholesale markets and to end customers, in addition to revenues generated by the waste management business (urban cleaning and treatment) and the integrated water cycle.

“Changes to work in progress, semi-finished and finished products”, the increase compared to the same period of the previous year is mainly attributable to the higher volume of work in the heat management businesses.

2 Other operating revenues

	first six months of 2021	first six months of 2020	Chan.
Long-term contracts	143.5	120.5	23.0
Operating grants	10.8	10.2	0.6
Grants related to plants	6.0	4.6	1.4
Other revenues	(20.1)	87.3	(107.4)
Total	140.2	222.6	(82.4)

“Long-term contracts” include revenues generated from the construction or improvement of infrastructures held in concession as per the application of the accounting model for intangible assets for public services held under concession.

“Operating grants” mainly include Fer incentives recognised by the GSE for energy produced from renewable sources and grants awarded by public bodies, authorities or institutions for specific projects and activities carried out by the Group.

“Grants related to plants” represent the proceeds for the period associated with the depreciation rate of the assets subject to grants.

“Other revenues”, mainly consisting of insurance reimbursements, recovery of fees from customers, use of funds and white certificates. White certificates comprise the revenues calculated on the basis of energy efficiency objectives as established by the GSE and regulated in relation to the Cassa per i Servizi Energetici e Ambientali. The change compared to the first half of 2020 is mainly due to the decrease in revenues from white certificates, which were negatively affected by the provisions contained in the Decree of the Ministry of Ecological Transition of 21 May 2021 concerning the definition of the national energy saving targets for electricity and gas distribution companies for the years 2021-2024. In addition to defining a significantly lower number of certificates than in previous periods for the 2021 obligation, this decree retroactively reduced by 60% the number of certificates for the 2020 obligation year.

3 Raw and other materials

	first six months of 2021	first six months of 2020	Chan.
Raw materials earmarked for sale	2,080.7	1,427.0	653.7
Plastic materials	28.2	21.4	6.8
Materials for industrial use	17.3	17.0	0.3
Charges and revenues from derivatives	(22.3)	31.2	(53.5)
Environmental certificates	(45.8)	49.7	(95.5)
Maintenance and other materials	70.4	58.8	11.6
Total	2,128.5	1,605.1	523.4

“Raw materials earmarked for sale”, net of changes in stocks, includes supplies of natural gas, electricity and water.

“Plastic materials”, net of changes in stocks, includes the cost of purchasing plastic raw materials destined for subsequent processing, transformation and sales as part of the Aliplast company activities.

“Materials for industrial use” mainly include the procurement of methane gas and electricity to power the Group's production plants, as well as the purchase of fuels and lubricants for fleet management.

“Charges and revenues from derivatives” include components related to commodity derivative contracts. The economic outcome arises from hedging relationships between derivative contracts and their underlying transactions, i.e. from the valuation of instruments in the portfolio and the fulfilment of outstanding contracts, as well as from speculative contracts related to trading activity. This item includes all income and expenses related to commodity derivative contracts. At 30 June 2021 the effect of commodity derivatives may be broken down as follows:

Type	30 Jun 21			30 Jun 20		
	Income	Expenses	Net effect	Income	Expenses	Net effect
Economic effect of derivative valuation	(163.3)	151.1	(12.2)	(29.5)	17.7	(11.8)
Realised cash flows	(12.2)	2.0	(10.1)	(1.4)	44.3	42.9
Economic effect of derivatives	(175.4)	153.2	(22.3)	(30.8)	62.0	31.2

The positive change of the net effect of income and charges from derivatives is measured against the respective changes in the opposite direction in the costs of raw materials (gas and electricity) in all respects form an integral part of this, and is attributable to the high increase of prices over the six-month period. For more detailed information, please see note 20 “Derivative instruments”.

“Environmental certificates”, mainly include the purchase cost of white certificates, which are supplied in accordance with the obligations assigned to the distribution companies. This item also includes the environmental certificates in stock, mainly made up of white and grey certificates as well as the valorisation of commitments for purchasing electricity certifications produced from renewable sources in relation to contracts signed with end customers. The negative value for the period is due to the income related to the reduction of the liability for the 2020 obligation that the legislator retroactively applied, as described in note 2 “Other operating revenues”.

“Maintenance and other materials”, net of changes in stocks, mainly include consumables used in the management of the Group's operating activities and, marginally, products purchased to be resold to end customers.

4 Service costs

	first six months of 2021	first six months of 2020	Chan.
Transport and storage	621.2	643.3	(22.1)
Work and maintenance expenses	255.6	167.2	88.4
Waste transportation, disposal and collection	189.9	181.2	8.7
Fees paid to local authorities	32.7	33.3	(0.6)
IT and data processing services	31.6	25.8	5.8
Professional services	19.2	19.1	0.1
Other service costs	109.9	81.1	28.8
Total	1,260.1	1,151.0	109.1

“Transport and storage” includes the costs of distributing, transporting and storing gas as well as electricity distribution as well as the network costs charged to the end customers.

“Charges for works and maintenance” includes the costs for the construction or improvement of infrastructures under concession pursuant to the application of the accounting model for intangible assets for public services held under concession, costs for maintaining the plants managed by the Group and costs incurred for renovation works in public buildings and apartment blocks on behalf of end customers.

“Waste transportation, disposal and collection” mainly include the operating costs of urban hygiene and waste disposal activities.

The item “Fees paid to local entities” includes the charges incurred for the use of public owned networks, fees paid to companies that own these assets for the rent of gas, water and electricity cycle assets. It also includes the fees paid to municipalities for the use of telecommunications and district heating networks.

“IT and data processing services”, include costs for maintaining and managing the Group's IT and telecommunications infrastructure, as well as corporate applications.

“Professional services” include charges for commercial, legal, notary, administrative and tax services requested by the Group. This item includes fees paid for the audit of financial statements and the issuance of certifications.

It should also be noted that the item “Other service costs” also includes the instalments relating to short-term leases and low-value leases, the value of which is not significant for the first six months of 2021.

5 Personnel costs

	first six months of 2021	first six months of 2020	Chan.
Salaries and wages	216.9	202.7	14.2
Social security costs	66.0	67.5	(1.5)
Other costs	18.9	20.7	(1.8)
Total	301.8	290.9	10.9

The increase in labour cost compared to the same period of the previous year is mainly due to the salary increases provided for by the National Collective Agreement and to the lower benefits related to the massive holiday plan, adopted by the Group in the first half of 2020 in relation to the national lockdown period.

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

	first six months of 2021	first six months of 2020	Chan.
Managers	151	154	(3)
Middle managers	572	558	14
Clerks	5,034	4,926	108
Blue-collar workers	3,288	3,276	12
Total	9,045	8,914	131

Overall, the average cost of labour per capita for the first six months of 2021 was 33.4 thousand euro (32.6 thousand euro in the first half of 2020).

At 30 June 2021, the actual headcount of employees was 9,036 (8,896 at 30 June 2020).

6 Other operating expenses

	first six months of 2021	first six months of 2020	Chan.
Taxation other than income taxes	10.8	10.3	0.5
Fees paid to local authorities	7.8	7.3	0.5
Losses on the sale and disposal of assets	0.9	0.6	0.3
Minor charges	18.4	14.3	4.1
Total	37.9	32.5	5.4

“Taxation other than income taxes” mainly relates to taxes on buildings, stamp duties and registration fees, public area occupation fees, fees related to the landfills managed and excise duties.

“Fees paid to local authorities” paid to the Emilia Romagna region, land reclamation consortia, sector agencies and mountain-area communities, mainly regarding the withdrawal and use of water, as well as maintenance and management costs for hydraulic works. The item also includes fees for the safeguarding of hydrogeological protection areas in mountain municipalities (as provided for by Dgr 933/2012) and fees paid for the operation of Atersir.

“Losses on the sale of goods and disposal of assets”, arising mainly from the disposal of certain components of the WTE plants and waste treatment plants.

“Minor charges” includes, in particular, losses on receivables, membership fees, indemnities, sanctions and fines.

7 Capitalised costs

	first six months of 2021	first six months of 2020	Chan.
Increase of self-constructed assets	26.3	14.3	12.0

This item includes mainly the labour costs and other charges (such as storage materials and costs for use of equipment) directly attributable to the Group's self-constructed assets.

8 Depreciation amortisation and provisions

	first six months of 2021	first six months of 2020	Chan.
Depreciation	220.6	214.9	5.7
Provisions	53.7	49.2	4.5
De-provisioning	-	(0.1)	0.1
Total	274.3	264.0	10.3

As breakdowns and further detail about these items, please refer to the comments under note 13 "property, plant and equipment", note 14 "Rights of use and leasing liabilities", note 15 "intangible assets", note 22 "trade receivables" and note 28 "Provisions for risks and charges".

"Depreciation" includes depreciation of tangible assets, rights of use and intangible assets. The changes as compared to the same period of the previous year is due primarily to:

- new investments in public services under concession accounted for using the intangible asset model, particularly in relation to the water cycle and gas distribution businesses, with a net effect of 5.5 million euro;
- capitalisation of incremental costs related to the entering into new energy and gas sales contracts with end customers, mainly represented by commissions paid to agents, depreciated according to the average useful life of the acquired customers (churn rate), for 3.3 million euro.

These effects were partially offset by the sharp reduction in depreciation of property, plant and equipment, due in particular to the lower quantities delivered to landfills managed by the Group and the conclusion of the depreciation period for certain plants.

"Provisions" include allowance for bad debts and the provision for risks and charges. Provisions for bad debts decreased by 3.3 million euro compared to the first half of 2020, while provisions to the risks and charges fund increased by 7.8 million euro mainly due to regulatory risks for 4 million euro and the presence of more waste in storage to be treated in the second half of the year for 2 million euro.

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

	first six months of 2021	first six months of 2020	Chan.
Joint venture share of net profits	0.8	0.5	0.3
Associated companies share of net profits	4.6	3.2	1.4
Total	5.4	3.7	1.7

The share of profits and losses of joint ventures and associated companies includes the effects generated by the valuation of the companies included in the scope of consolidation carried out using the equity method. For details please refer to note 17 "Shareholdings". The increase for the period is due to:

- higher portions of profit of the companies already consolidated at equity in the first half of 2020, a period that was strongly affected by the economic downturn linked to the Covid 19 pandemic, for 1.2 million euro;
- 0.5 million euro profit share of the associated company Sea - Servizi ecologici ambientali Srl, acquired during the current year.

10 Financial income and expense

	first six months of 2021	first six months of 2020	Chan.
Income from derivatives	16.9	12.6	4.3
Customers	15.3	11.1	4.2
Income from valuation at fair value of financial liabilities	8.4	-	8.4
Other financial income	7.3	7.2	0.1
Total income	47.9	30.9	17.0
Expenses from bonds and loans	37.8	38.8	(1.0)
Expenses from trading	28.5	-	28.5
Expenses from derivatives	24.1	13.1	11.0
Valuation at depreciated cost of financial liabilities	14.7	13.9	0.8
Discounting of provisions and finance leases	11.4	12.0	(0.6)
Charges from earn out and put option minority	9.8	9.7	0.1
Charges from valuation at fair value of financial liabilities	3.1	1.2	1.9
Other financial expenses	7.5	2.1	5.4
Total expenses	136.9	90.8	46.1
Total net financial income (expenses)	(89.0)	(59.9)	(29.1)

The change in overall financial management, including reference to the Group's average cost of debt, is described in the Directors' report in paragraph 1.03.02 "Equity structure and reclassified net financial debt".

Note 26 "Non-current and current financial liabilities" contains details of "Expenses from bonds and loans", "Expenses from trading" and "Charges from earn-outs and minority put options".

"Income and expenses from derivatives" includes the economic effects generated by the realisation of derivative financial instruments used to hedge cash flows and by the valuation and realisation of derivative financial instruments designed to hedge the fair value of financial liabilities in foreign currencies against interest rate and exchange rate risk. This item also includes the effects generated by interest rate derivatives, identified as non-hedged accounting, that stem in full from past restructuring operations and, despite not including instruments that qualify as hedges pursuant to IFRS 9, have as their main objective to hedge against interest rate fluctuations and have no impact on the income statement (mirroring). At 30 June 2021 the effect of derivatives on interest and exchange rates may be broken down as follows:

Type	Fair value hierarchy	30 Jun 21			30 Jun 20		
		Income	Expenses	Net effect	Income	Expenses	Net effect
Cash flow hedge	2		(0.1)	(0.1)		(0.1)	(0.1)
Fair value hedge	2	5.3	(12.4)	(7.1)	3.6	(3.5)	0.1
Non-hedge accounting	2	11.6	(11.6)	(0.0)	9.0	(9.6)	(0.6)
Total income (expenses)		16.9	(24.1)	(7.2)	12.6	(13.1)	(0.6)

The change compared to 30 June 2020 is due to derivatives meant to hedge interest rate and exchange rate risks and the fair value of foreign currency financial liabilities, both as cross currency swaps (CSS) and interest rate swaps (IRS), relate to the bond loan in Japanese yen. The change in fair value is due to the exchange rate, since the Japanese yen lost value against the euro during the first six months of 2021. In addition, as part of this hedge, the value of the underlying liability was adjusted for the amounts

reported in the items "Income from fair value valuation of financial liabilities" and "Expenses from fair value valuation of financial liabilities".

No significant ineffective portions connected to the existing financial instruments were found in the first six months of 2021. The economic effect associated with the assessment of this type of hedge as compared to the same period of the previous year reflects changes in the fair value of the financial instruments described in note 20 "Derivative instruments".

"Customers", mainly includes the interest on payments in arrears billing system for the gas and electricity customers.

The item "Other financial income" mainly includes:

- dividends paid by non-consolidated subsidiaries, amounting to 3.5 million euro, increased by 0.6 million euro;
- income related to the current value of non-current receivables in the amount of 2.3 million euro, increased by 1 million euro compared to the first six months of 2020;
- interest earnings on loans granted to companies valued at equity or to subsidiaries, in the amount of 1.1 million euro decreased by 0.3 million euro at 30 June 2020.

The net increases shown above are partially offset by the decrease in income from the sale of equity investments, as in the first half of 2020 the Group earned 1.4 million euro from the sale of its equity investment in Q.Thermo Srl.

"Expenses from trading", the item includes the net effect of the partial repurchase transaction on the market of a non-convertible bond with a nominal value of 700 million euro maturing in 2028. This operation led to the partial repayment of the debt for the nominal share repurchased for 59.5 million euro and the recording of net charges totalling 28.5 million euro. For further details regarding the repayment operation, reference should be made to chapter 1.02 "Main significant events" in the Directors' report.

"Valuation at depreciated cost of financial liabilities" the increase is mainly due to charges related to the 500 million euro bond issue in December 2020. The item also includes the recognition of figurative charges of 1.6 million euro, in line with the previous period, relating to the put option held by Ascopiae Spa on the minority shareholding in Hera Comm, accounted for as a loan (with a nominal value of 54 million euro) and measured at amortised cost.

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

	first six months of 2021	first six months of 2020	Chan.
Post closure landfills and third-party asset restoration provisions	9.5	9.8	(0.3)
Leasing	1.5	1.6	(0.1)
Post-employment and other benefits	0.3	0.5	(0.2)
Plant dismantling	0.1	0.1	-
Total	11.4	12.0	(0.6)

"Charges from earn out and put option minority" in line with the previous period includes the charges related to the fair value valuation (calculated as the current value of future cash disbursements) of the sale option granted to Ascopiae Spa for the non-controlling shares in Estenergy Spa, equal to 9.7 million euro.

"Other financial expenses", the item mainly includes expenses from the transfer to financial institutions of tax credits for renovation works carried out on behalf of end customers, provided for by the tax regulations currently in force (mainly the so-called "superbonus" and "bonus facciale") and acquired by the Group through the mechanism of the discounted invoice or through the transfer of the tax credit by the customers themselves. The significant increase compared to the previous period is due to the growth of energy efficiency services to customers and the consequent greater availability of tax credits to be transferred. In this regard, it should be noted that during the first half of the year, the Group monetized all the receivables acquired, thus recording the entire related financial charge.

11 Taxes

This item is made up as follows:

	first six months of 2021	first six months of 2020	Chan.
IRES	8.1	49.1	(41.0)
IRAP	10.1	13.1	(3.0)
Substitute tax	5.6	2.4	3.2
Total	23.8	64.6	(40.8)

Taxes for the fiscal period decreased from 64.6 million euro in 2020 to 23.8 million euro in 2021. The significant decrease in the tax amount and the consequent improvement in the tax rate from 27% to 9.2% is due to the non-recurring effects of the tax realignment of certain goodwill values, pursuant to Article 1, paragraph 83 of Law 178/2020. The tax recognition of higher values of eligible goodwill resulted in the recording of a tax benefit of 51.9 million euro, against the payment in June 2021 of a 3% substitute tax, amounting to 5.6 million euro.

For a more consistent analysis of the tax rate trend, reference should be made to paragraph 1.03.01 "Income statement and investments" of the Directors' Report, in which both the pre-tax earnings and the tax charge have been adjusted for special items for the period, in order to determine an adjusted tax rate fully comparable with that of the first half of 2020.

The reduction in the tax rate for the first half of 2021, net of the aforementioned non-recurring items, was mainly due to the benefits obtained in terms of maxi and hyper depreciation and amortisation as a result of the investments that the Group is currently making in technological, digital and environmental transformation.

Reporting on tax litigations

Company	Fee / Tax	Description of litigation	Status of litigation	Amount contested	Amount redetermined*	Amount paid (including provisionally)	Provisions booked on the balance sheet
Herambiente SpA	ICI/IMU	Notices of assessment for the years 2008 to 2015 concerning the classification in the real estate registry of the Ferrara waste-to-energy plant.	The proceedings were concluded for the 2008-2012 notices with a favourable ruling for the Company, and are still pending before the Tax Commission for the remaining years.	11.4	2.2	-	-
Herambiente SpA	ICI/IMU	Notices of assessment for the years between 2010 and 2015 concerning the classification in the real estate registry of land, facilities and buildable areas located in Ravenna.	Most of the notices of assessment were subject to judicial settlement in 2018 and the company is in the process of paying them. A number of notices of assessment for matters not included in the settlement agreement are still pending before the Regional Tax Commission of Emilia-Romagna and the Provincial Tax Commission of Ravenna.	2.1	1.8	1.8	0.2
	COSAP/ TOSAP	Notices of assessment for the tax periods from 2013 to 2017, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	The TOSAP proceedings for the years between 2013 and 2016 are pending before the Regional Tax Commission of Emilia-Romagna, while the COSAP proceedings for the year 2017 are pending before the Civil Court of Rimini.	3.5	1.0	1.0	
Hera SpA	COSAP	COSAP notice of objection for the tax periods from 2018 and 2019, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	The proceedings are pending before the Civil Court of Rimini.	2.1	-	-	0.9
	TOSAP	TOSAP notices of assessment for the tax years 2014 and 2015, notified by the Municipality of Coriano for the permanent occupation of public land with waste bins.	The proceedings for the year 2014 are currently pending before the Rimini Provincial Tax Commission, while the appeal for the year 2015 has been filed.	0.4	-	-	
Hera SpA	ICI/IMU	Request to appear for the years between 2014 and 2019 concerning the real estate registry classification of Bologna purification plant "Idar" located in the municipality of Bologna.	The Company and the Municipality signed the deed of adhesion for all years between 2014 and 2019 during the first half of 2021 and consequently the Company paid the amounts stated in the deed, thus settling the dispute.	1.3	0.3	0.3	-
Herambiente SpA	ICI/IMU	Notices of assessment for ICI/IMU for the years between 2013 and 2019 concerning the waste to energy plant and the recycling plant located in the municipality of Coriano.	The proceedings for the years 2013-2015 are currently pending before the Rimini Provincial Tax Commission, while the terms for filing an appeal are partially pending. With regard to the assessments for the years 2016-2019, the relevant appeals are being prepared.	1.0			
Herambiente SpA	IRAP	Notices of assessment for the years from 2009 to 2013, focused mainly on the amount the company owed in relation to the IRAP subsidy "tax wedge".	For the 2009 and 2011 tax years, proceedings are pending before the Court of Cassation following the appeal filed in 2020 against the unfavourable second instance ruling; for the 2010 tax year, the Regional Tax Commission of Emilia Romagna filed the second instance ruling in favour of the Company regarding the so-called "tax wedge". Lastly, the tax years 2012 and 2013 are pending before the Regional Tax Commission of Emilia-Romagna following the appeals lodged by the losing party against the first instance ruling.	4.4	-	3.5	0.6
Hera Trading Srl	IRES and "Robin Tax"	Notices of assessment for the years between 2011 and 2013 (only the latter for the Robin tax) concerning the deduction of net financial income related to commodity derivatives and environmental certificates.	The proceedings are pending before the relevant Regional Tax Commissions for all the tax periods for which appeals were lodged against the first instance ruling.	6.6	-	2.6	-

* "redetermined amount" means the amount of the claim redetermined as a result of judicial conciliation, assessment with adhesion, partial annulment in judicial proceedings or on self-defence.

Company	Fee / Tax	Description of litigation	Status of litigation	Amount contested	Amount redetermined*	Amount paid (including provisionally)	Provisions booked on the balance sheet
Inrete Distribuzione SpA	IRES and IRAP	The objection report for the year 2016 was issued with which the verifiers contested the undue deduction of discounting charges and the erroneous determination of the maxi depreciation allowance, with regard to accessory charges related to smart meters, as well as the undue deduction of personnel-related expenses for IRAP purposes. Notice of assessment for the year 2016 concerning IRES disputes.	The company entered into negotiations with the Inland Revenue Office and settled the IRAP claim by paying the amount due. With regard to the two IRES verifications, in the first six months of 2021 the company was served the notice of assessment for which the relevant appeals are being prepared.	0.3	0.3	-	-
AcegasApsAmga Spa	Excise	Technical-administrative audit of the Padua and Trieste waste-to-energy plants carried out by the Customs Agency for the years 2012 to 2015 in relation to the installation of measuring instruments for detecting electricity produced and used for self-consumption.	The proceedings pertaining to the waste-to-energy plant of Padua are pending before the Court of Cassation following the appeal filed, while the proceedings pertaining to the waste-to-energy plant of Trieste are pending before the Provincial Tax Commission of Trieste.	2.1	-	0.1	-
AcegasApsAmga Spa	IRES, IRAP and VAT	The tax audit report for the year 2015 containing objections to the secondment of staff.	Interlocutions with the Inland Revenue in case of notification of a possible tax assessment will be initiated in 2021.	0.6	-	-	-
Hera Luce Srl	IRES	Notice of assessment for the year 2013 concerning the deductibility of maintenance costs on assets identified as freely transferable.	The company appealed against the first instance ruling issued by the Provincial Tax Commission of Forlì, which cancelled the penalties, but confirmed higher taxes.	0.3	-	0.2	-
Hera Luce Srl	IRES and IRAP	Audit report for the year 2015 in relation to the handling of the waiver of own receivables against an increase in a consortium fund.	After analysing the reasons and considering that no defence was possible, the payment of the requested amount on 12 July 2021 with a reduction of one third of the penalties was executed in acquiescence.	0.2	-	0.1	-
Marche Multiservizi SpA	IRES and IRAP	Notices of assessment for the years between 2009 and 2014 to objection to the deduction of provision to landfill post management allowance.	The proceedings for the years 2009 and 2012 are pending before the Regional Tax Commission of Ancona following the appeals lodged by the losing party against the rulings. The proceedings for the years 2013 and 2014 from the Ancona Provincial Tax Commission were favourable to the company, while the terms for filing an appeal are currently pending.	1.9	-	1.6	0.2
Ascotrade SpA	IRES, IRAP and VAT	Notice of assessment for the years between 2013 and 2015 concerning the deductibility of a number of components of the purchase cost of raw material.	For the years 2013 and 2014, the first instance ruling filed on 24 April 2021 by the Venice Provincial Tax Commission upheld the company's appeal and cancelled the notices of assessment. The proceeding for the year 2015 is still pending.	7.6	-	-	-

* "redetermined amount" means the amount of the claim redetermined as a result of judicial conciliation, assessment with adhesion, partial annulment in judicial proceedings or on self-defence.

12 Earnings per share

	first six months of 2021	first six months of 2020
Profit or loss for the period attributable to holders of ordinary shares of the parent entity (A)	216.1	166.2
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,460,970,288	1,471,955,200
diluted (C)	1,460,970,288	1,471,955,200
Earnings (loss) per share (in euro)		
basic (A/B)	0.148	0,113
diluted (A/C)	0.148	0,113

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the parent company. Diluted earnings per share are equal to the basic as there are no classes of shares other than ordinary shares and there are no instruments that can be converted into shares.

At the writing of this consolidated financial statement, the share capital of the parent company Hera SpA consisted of 1,489,538,745 ordinary shares, unchanged from 31 December 2020, which were used in determining basic and diluted earnings per share.

13 Property, plants and equipment

	30 Jun 21	31 Dec 20	Chan.
Land and buildings	578.2	573.2	5.0
Plants and machinery	1,082.7	1,120.1	(37.4)
Other movable assets	121.4	126.5	(5.1)
Fixed assets under construction	138.0	104.4	33.6
Total operating assets	1,920.3	1,924.2	(3.9)
Investment property	2.2	2.3	(0.1)
Total	1,922.5	1,926.5	(4.0)

Property, plants 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	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which amortisation provision
30 Jun 20									
Land and buildings	583.5	0.6	(1.4)	(9.1)		3.2	576.8	818.1	(241.3)
Plants and machinery	1,181.6	6.6	(0.3)	(62.8)		8.7	1,133.8	2,871.5	(1,737.7)
Other movable assets	134.9	3.0		(15.1)		8.9	131.7	498.8	(367.1)
Fixed assets under construction	90.3	36.0			(19.8)		106.5	106.5	
Total	1,990.3	46.2	(1.7)	(87.0)		1.0	1,948.8	4,294.9	(2,346.1)
30 Jun 21									
Land and buildings	573.2	2.2	-	(10.6)	11.3	2.1	578.2	855.2	(277.0)
Plants and machinery	1,120.1	5.8	(0.4)	(58.5)	-	15.7	1,082.7	2,922.3	(1,839.6)
Other movable assets	126.5	2.5	(0.2)	(13.9)	-	6.5	121.4	491.8	(370.4)
Fixed assets under construction	104.4	52.3	(0.1)	-	-	(18.6)	138.0	138.0	-
Total	1,924.2	62.8	(0.7)	(83.0)	11.3	5.7	1,920.3	4,407.3	(2,487.0)

The breakdown and main changes within each category are commented on below, while for a more detailed description of the investments made during the period, please refer to paragraph 1.05 "Analysis by strategic business areas" of the Directors' report.

"Land and buildings" consists of 118.8 million euro in land and 459.4 million euro in buildings. These are mainly company-owned properties on which the majority of the sites and production plants stand.

"Plants and machinery" is made up mainly of distribution networks and plants relating to business not falling within the scope of the concession system such as district heating, electricity in the Modena area, waste disposal and waste treatment as well as plastic production plants. The main investments during the six-month period related to waste treatment and heat management, for a total of 4 and 1.4 million euro respectively.

"Other movable assets", mainly includes the equipment, waste disposal bins for 62.1 million euro, and vehicles and cars for 46.7 million euro.

"Fixed assets under construction and advances" increased compared to the first half of the previous year due to the extraordinary maintenance of networks and plants in relation to the electrical energy distribution in the areas of Modena, Imola, Trieste and Gorizia, as well as the waste treatment facilities at the Modena plant and work on line two of the waste-to-energy plant in Trieste.

“Other changes” covers the in-progress reclassification of fixed assets to the specific categories for assets brought into operation during the six-month period, possible reclassifications under other financial statement headings, and the recording in the amount of 5.1 million euro of the post-mortem asset relating to a landfill for which cultivation began during the first six-month period of 2021.

The “Change in the scope of consolidation” totalling 11.3 million euro refers to the acquisition of control over Recycla Spa that occurred in the first half of the year.

14 Rights of use and leasing liabilities

The following tables show the breakdown of rights of use (reported net of the associated amortisation provision) and leasing liabilities at the transition date and the related movements.

	30 Jun 21	31 Dec 20	Chan.
Rights of use land and buildings	65.5	68.7	(3.2)
Rights of use plants and machinery	8.3	7.9	0.4
Rights of use other movable assets	17.4	19.3	(1.9)
Total	91.2	95.9	(4.7)

	Net opening balance	New contracts and contractual changes	Decreases	Depreciation and amortisation	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which amortisation provision
30 Jun 20									
Rights of use land and buildings	69.2	0.3	-	(3.9)	(0.4)	65.2	101.3	(36.1)	
Rights of use plants and machinery	7.9	4.6	-	(0.7)	(3.3)	8.5	11.0	(2.5)	
Rights of use other movable assets	19.9	0.8	-	(3.4)	-	17.3	32.7	(15.4)	
Total	97.0	5.7	-	(8.0)	-	(3.7)	91.0	145.0	(54.0)
30 Jun 21									
Rights of use land and buildings	68.7	1.9	-	(3.8)	-	(1.3)	65.5	106.1	(40.6)
Rights of use plants and machinery	7.9	-	-	(0.7)	1.1	-	8.3	12.2	(3.9)
Rights of use other movable assets	19.3	1.8	-	(3.7)	-	-	17.4	34.5	(17.1)
Total	95.9	3.7	-	(8.2)	1.1	(1.3)	91.2	152.8	(61.6)

“Rights of use land and buildings” consist of 60.1 million euro in rights of use of buildings and 5.4 million euro in rights of use of land. The rights of use for buildings refer mainly to contracts concerning the real estate structures used for headquarters, offices and customer service desk.

“Rights of use of plant and machinery” refer mainly to contracts regarding purification and composting plants.

“Rights of use of other movable assets” refer mainly to contracts concerning IT infrastructures (especially data centres), operational vehicles and cars.

The column “New contracts and contractual amendments” shows the leases signed in the first half of the year for 2.8 million euro, as well as the change in the initial assumptions regarding their duration and contractual options or termination of existing contracts for 0.9 million euro.

The “Change in the scope of consolidation” totalling 1.1 million euro refers to the acquisition of control over Recycla Spa that occurred in the first half of the year.

The column "Other changes" includes the value of a property redeemed during the period whose value was reclassified under property, plant and equipment owned by the Group.

Financial liabilities are broken down below with details of the changes:

	Net opening balance	New contracts and contractual changes	Decreases	Financial expenses	Changes in the scope of consolidation	Other changes	Net terminal value
30 Jun 21							
Lease liabilities	93.6	3.7	(11.4)	1.6	0.6	-	88.1
of which							
non-current liabilities	73.5						69.9
current liabilities	20.1						18.2

Financial liabilities due to leases include financial payables arising mainly from the rental fees of the Group's operating and administrative offices. The column "New contracts and contractual amendments" includes the new contracts signed in the past six-month period and the re-assessment of the debt of some of the existing contracts, generated by the update of the assumptions underlying the contracts themselves concerning options of renewal, purchase or early termination.

"Decreases" are generated by the reimbursement of contractual fees due over the course of the six-month period.

In accordance with its procurement policies, the Group subscribed contracts in line with market standards for all types of underlying assets. In the case of offices, customer service desks, cars and IT infrastructure, the contracts do not contain any binding clauses or special fees in the event of annulment, as these assets are perfectly interchangeable and are offered by a large number of counterparties. The liability reported in the financial statements therefore represents the most likely total sum of disbursements that the Group will have to make in future periods. For the same reasons, moreover, the renewal clauses, when they exist, are not currently expected to be exercised, possibly assessing their cost-effectiveness in the future. Finally, with regard to the leased buildings hosting important production facilities, which represent the contracts with the most significant absolute value, it is currently assumed that the option to redeem them will be exercised and therefore the value of the liability already reflects the option to transfer ownership.

The table below shows the lease liabilities broken down by category according to their expiration date, within the financial period, within the 2nd year, within the 5th year and after 5 years:

Type	30 Jun 21	Portion due within the period	Portion due within 2nd year	Portion due within 5th year	Portion due beyond 5th year
Lease liabilities	88.1	18.2	21.7	18.3	29.9

15 Intangible assets

	30 Jun 21	31 Dec 20	Chan.
IT applications	73.0	78.8	(5.8)
Concessions and other rights of use	121.7	130.2	(8.5)
Public services under concession	2,845.3	2,860.1	(14.8)
Customer lists	530.7	546.3	(15.6)
Other intangible assets	71.9	67.7	4.2
Intangible assets under construction, public services under concession	257.8	169.5	88.3
Intangible assets under construction	81.4	71.8	9.6
Total	3,981.8	3,924.4	57.4

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	Changes in the scope of consolidation	Other changes	Net terminal value	of which gross terminal value	of which amortisation provision
30 Jun 20									
IT applications	78.6	0.8	-	(15.9)	-	8.4	71.9	451.4	(379.5)
Concessions and other rights of use	132.0	0.1	-	(7.1)	-	6.5	131.5	464.4	(332.9)
Public services under concession	2,718.6	15.6	(0.3)	(72.2)	-	14.5	2,676.2	4,622.6	(1,946.4)
Customer lists	578.4		-	(16.2)	-		562.2	638.1	(75.9)
Other intangible assets	49.6	13.9	(0.5)	(8.5)	-	1.1	55.6	178.3	(122.7)
Intangible assets under construction, public services under concession	157.3	104.1	-		-	(13.4)	248.0	248.0	-
Intangible assets under construction	65.7	22.6	-		-	(10.5)	77.8	77.8	-
Total	3,780.2	157.1	(0.8)	(119.9)	-	6.6	3,823.2	6,680.6	(2,857.4)
30 Jun 21									
IT applications	78.8	1.2	-	(15.9)	-	8.9	73.0	489.5	(416.5)
Concessions and other rights of use	130.2	-	-	(8.6)	-	0.1	121.7	471.4	(349.7)
Public services under concession	2,860.1	24.3	-	(77.7)	2.2	36.4	2,845.3	4,962.4	(2,117.1)
Customer lists	546.3	-	-	(15.6)	-	-	530.7	629.2	(98.5)
Other intangible assets	67.7	14.3	(0.1)	(11.6)	0.1	1.5	71.9	216.7	(144.8)
Intangible assets under construction, public services under concession	169.5	120.2	(0.2)	-	-	(31.7)	257.8	257.8	-
Intangible assets under construction	71.8	24.0	-	-	0.1	(14.5)	81.4	81.4	-
Total	3,924.4	184.0	(0.3)	(129.4)	2.4	0.7	3,981.8	7,108.4	(3,126.6)

The breakdown and main changes within each category are commented on below, while for a more detailed description of the investments made during the period, please refer to paragraph 1.05 "Analysis by strategic business areas" of the Directors' report.

"IT applications" refer to costs incurred in purchasing licenses and implementing corporate information systems.

“Concessions and other rights of use” mainly include:

- concessions, for 47.8 million euro, primarily involving the rights relating to the activities of gas distribution and integrated water cycle, classified as intangible assets even before the IFRIC 12 interpretation “Service concession arrangements” was first applied;
- the authorisation to operate the Serravalle Pistoiese landfill, for 62.6 million euro, an asset recorded as part of the Pistoia Ambiente business combination operation, amortised on the basis of the tons consigned.

“Public services under concession” include assets relating to gas distribution, electricity distribution (Imola area), the integrated water cycle and public lighting activities (except for the latter, as specified in note 18 “Current and non-current financial assets”) 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 12 interpretation. Investments for the period were carried out mainly in the water networks, in the amount of 22.6 million euro, and gas distribution networks, in the amount of 0.8 million euro.

“Customer lists” are recorded as a result of business combination transactions and the consequent valuation of the assets acquired. The amortisation period of these customer lists is correlated to the churn rate identified for each individual transaction.

The item “Other intangible assets” refers mainly to the rights of use for networks and infrastructures for the passage and laying down of telecommunication networks and the incremental costs incurred for obtaining new sale contracts. As required by IFRS 15, these incremental costs, involving mainly commissions paid to agents, were recorded as assets and are depreciated over the average lifetime of new customers (churn rate). The commissions stated as assets for the first six-month of 2021 amount to 12.6 million euro (12.4 in the first half of 2020).

“Intangible assets under construction and public services under concession” include investments related to these concessions that are still to be completed at the end of the period and mainly refer to the water networks, in the amount of 65.7 million euro, gas distribution networks, in the amount of 41 million euro, and the electricity distribution for 5 million euro.

“Intangible assets under construction” essentially comprises IT projects that are still incomplete.

“Other changes” include reclassifications of assets under construction to their specific categories for assets that began to be used during the six-month period and reclassifications from tangible assets, especially when goods used in activities under contract are involved.

For details on the operations whose value were recorded in the item “Changes in the scope of consolidation”, reference should be made to paragraph 2.02.02 “Scope of consolidation”.

16 Goodwill

	30 Jun 21	31 Dec 20	Chan.
Goodwill	848.1	812.8	35.3

The main change in the value of goodwill at 30 June 2021 compared to the previous year is mainly attributable to the acquisition of control of the company Recycla Spa for 33.2 million euro (whose goodwill was provisionally determined as the valuation is still in progress).

In accordance with the provisions of IAS 36 and having verified the absence of trigger events on the basis of the considerations outlined in the preceding section of 2.02.01 regarding the “Covid-19 emergency”, as set forth by the standard itself, the impairment test on goodwill recorded by 30 June 2021 has not been carried out.

17 Equity investments

	30 Jun 21	31 Dec 20	Chan.
Investments valued using the net equity method	142.9	137.2	5.7
Other equity investments	49.4	50.7	(1.3)
Total	192.3	187.9	4.4

The changes in equity investments valued using the net equity method as compared to 31 December 2020 take into account the pro-quota losses and profits reported by the respective companies (including the other components of the comprehensive income statement) as well as the possible reduction of the value for any dividends that were paid out and for depreciations due to the impairment test. The share of profit (loss) pertaining to these equity investments is shown in note 9 "Share of profit (loss) of joint ventures and associated companies".

Changes in consolidated investments using the net equity method are as follows:

	31 Dec 20	Investments and disinvestments	Net equity valuation	Dividends paid out	Changes scope of consolidation	Write-downs and other changes	30 Jun 21
Aimag Spa	50.6	-	1.8	(2.6)	-	-	49.8
Enomondo Srl	15.6	-	0.8	(1.1)	-	-	15.3
Set Spa	27.9	-	-	-	-	-	27.9
Sgr Servizi Spa	24.4	-	1.5	(2.2)	-	-	23.7
ASM SET Srl	18.7	-	0.8	(1.3)	-	0.1	18.3
SEA Srl	-	-	0.5	(2.3)	9.7	-	7.9
Total	137.2	-	5.4	(9.5)	9.7	-	142.9

Investments in companies not included in the scope of consolidation underwent the following changes:

	31 Dec 20	Investments	Disinvestments	Fair value valuations	30 Jun 21
Ascopiave Spa	42.0	-	-	(1.5)	40.5
Calenia Energia Spa	1.8	-	-	-	1.8
Veneta Sanitaria Finanza di Progetto Spa	3.6	-	-	-	3.6
Other minor	3.3	0.3	(0.1)	-	3.5
Total	50.7	0.3	(0.1)	(1.5)	49.4

18 Current and non-current financial assets

	30 Jun 21	31 Dec 20	Chan.
Loan receivables	39.1	44.3	(5.2)
Portfolio securities	1.9	1.9	-
Receivables for construction services	45.8	46.5	(0.7)
Other financial receivables	48.4	48.1	0.3
Total non-current financial assets	135.2	140.8	(5.6)
Loan receivables	6.5	4.1	2.4
Portfolio securities	0.1	0.1	-
Other financial receivables	24.3	28.6	(4.3)
Total current financial assets	30.9	32.8	(1.9)
Total cash and cash equivalents	1,040.6	987.1	53.5
Total financial assets, cash and cash equivalents	1,206.7	1,160.7	46.0

“Loan receivables”, comprises loans, regulated at market rate, made to the following companies:

	30 Jun 21			31 Dec 20		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Aloe SpA	6.9	0.8	7.7	6.9	0.8	7.7
Calenia Energia Spa	9.6	0.1	9.7	9.6	0.1	9.7
Set SpA	18.5	3.0	21.5	18.5	3.0	21.5
Tamarete Energia Srl	-	-	-	-	-	-
Other minor	4.1	2.6	6.7	9.3	0.2	9.5
Total	39.1	6.5	45.6	44.3	4.1	48.4

In the absence of trigger events (this latter condition having been verified with reference to the first six months of 2021 and related valuations), loans to companies representing vehicles through which the Group owns production quotas for electrical generation plants (Set SpA and Tamarete Energia Srl) were tested for impairment at the end of the fiscal period. The results of the test determined in previous fiscal periods value adjustments to be made that equal the whole value of the loan to Tamarete Energia Srl, whose value is therefore zero.

“Portfolio securities” include, for the non-current part, 1.9 million euro in bonds and funds to guarantee post-closure management of the landfill managed by the subsidiary Asa Scpa, the book value of which is substantially in line with the fair value. These securities are measured at fair value through other comprehensive income components.

“Receivables for construction services”, are recorded in relation to municipalities for construction services for public lighting systems in compliance with the financial activity model provided for by the IFRIC 12 interpretation.

For “Other financial receivables”, the non-current section refers to the following entities:

- Municipality of Padua, receivables regulated at market value and concerning the construction of photovoltaic systems which will be reimbursed at the end of 2030 in the amount of 17.9 million euro;
- The Consortium of Municipalities so called Collinare in the amount of 12.1 million euro represents the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end;
- Acosea Impianti Srl, regarding a security deposit in the amount of 12.5 million euro;

- The Municipalities of Vigarano, Goro and Castello d'Argile in relation to the credit for the compensation owed to the outgoing provider when the gas distribution services contract comes to an end, in the amount of 3.9 million euro;
- Consorzio Stabile Enrgie Locali (Csel) following the award of the public tenders entrusted to A.T.I., and entity that comprises the companies of the Group, in the amount of 2.9 million euro.

“Other financial receivables”, the current section is mainly comprised of:

- public grant receivables to be received from various subjects (Cato, the Friuli Venezia Giulia Region and the Veneto Region) in the amount of 8.9 million euro;
- advance payments to cover expenses paid by several Group companies as gas distribution service operators in view of the commencement of the calls for tender, in the amount of 4.7 million euro;
- receivables from the Consorzio stabile enrgie locali (Csel) for the award of the public tenders entrusted to A.T.I., and entity that comprises the companies of the Group, in the amount of 3.4 million euro;
- current portion of receivables from the municipality of Padua, regulated at market value and concerning the construction of photovoltaic systems which will be reimbursed at the end of 2030 in the amount of 2 million euro;
- receivables for cash pooling for 1.5 million euro from the affiliated company Asm Set Spa.

“Cash and cash equivalents” include almost exclusively bank and postal deposits.

To better understand the financial dynamics taking place during the first six months of 2021, see the financial statements and the comments shown in the Directors' report in paragraph 1.03.02 “Financial structure and adjusted net debt”.

19 Deferred tax assets and liabilities

	30 Jun 21	31 Dec 20	Chan.
Pre-paid tax assets	310.9	264.0	46.9
Offsetting of deferred tax liabilities	(111.0)	(107.8)	(3.2)
Substitute tax receivables	0.4	0.4	-
Total net deferred tax assets	200.3	156.6	43.7
Deferred tax liabilities	249.6	228.3	21.3
Offsetting of deferred tax liabilities	(111.0)	(107.8)	(3.2)
Total net deferred tax liabilities	138.6	120.5	18.1

“Pre-paid tax assets” arises from timing differences between reported profit and taxable profit, mainly in relation to bad debt provisions, risks and expenses funds, instances of civil depreciation that are greater than those relevant for tax purposes, and the redemption of goodwill customers lists and controlling interests.

The increase in the period is mainly due to the realignment of the book and tax values of goodwill recognised in the financial statements at 31 December 2019, as provided for by Article 1, paragraph 83 of the 2021 Budget Law. For further details see note 11 “Taxes”.

“Deferred tax liabilities” arises 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. The item also includes the significant tax effects of recognising or adjusting assets and liabilities in the consolidated financial statements.

The increase compared to 31 December 2020 is mainly due to deferred taxes related to changes in the fair value of commodity derivatives used as cash flow hedges.

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.

20 Derivative instruments

	30 Jun 21			31 Dec 20			Changes
	Fair value assets	Fair value liabilities	Net effect	Fair value assets	Fair value liabilities	Net effect	Net effect
Loan derivatives							
Loans	11.2	4.0	7.2	9.8	2.7	7.1	0.1
Foreign currency loans	6.0	16.9	(10.9)	14.4	20.1	(5.7)	(5.3)
Total loan derivatives	17.2	20.9	(3.7)	24.2	22.8	1.5	(5.2)
Commodity derivatives							
Commercial portfolio	305.6	196.0	109.5	56.5	49.4	7.0	102.5
Trading portfolio	124.4	129.4	(5.0)	46.8	63.6	(16.8)	11.8
Total commodity derivatives	430.0	325.5	104.5	103.3	113.0	(9.7)	114.3
Total derivatives	447.2	346.4	100.8	127.5	135.8	(8.2)	218.1
of which non current	6.0	16.9		14.4	20.1		
of which current	441.2	329.5		113.1	115.7		

The derivative instruments used by the Group are divided into two types based on the underlying assets hedged: interest and exchange rates with reference to financing transactions, commodities and exchanges with reference to commercial purchase and sale operations.

The Group's financial management policy envisages the use of hedging instruments to effectively offset changes in the fair value, or cash flows, of the hedged instrument, more specifically, changes in interest and exchange rate fluctuations that affect the sources of funds used. With regard to derivatives on current and non-current interest rates in the form of interest rate swaps (IRS) and cross currency swaps (CCS) in relation to foreign currency loans, at 30 June 2021 the Group's net exposure is unchanged as compared to the previous period and the trend in fair value is due to growing interest rate curves and a strengthening of the euro over the yen.

The Group's operational management, on the other hand, is carried out through two portfolios, which are distinguished according to their purpose, commercial or trading, or on the basis of the characteristics of the instruments they contain. The trading portfolio includes financial derivatives entered into to hedge future transactions in accordance with IFRS 9 and accounted for in cash flow hedges, and physical procurement contracts to which the own-use exemption is applicable in accordance with IFRS 9 and as such are not measured at fair value. The management of hedging transactions allows for all possible synergies for hedging the electricity consumption needs and is integrated with fuel and exchange rate transactions towards the market, which are carried out through the exclusive use of swap contracts or other derivatives authorised within the commercial portfolio. All other derivatives or similar instruments that are not intended to hedge the Group's requirements are classified in the trading portfolio. The Group's internal organisational model make it possible to identify the nature of the operation (commercial vs. trading) at the moment of signing the contract and produce the information required for a formal identification of the purpose of derivatives. At 30 June 2021, the increase in assets and liabilities relating to commodity derivatives reflects the high volatility of prices and the increase in prices in the six-month period.

The fair value of financial instruments is deduced 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. All derivative contracts entered into by the Group are with leading institutional counterparties.

Loan derivatives

Loan derivative instruments held as at 30 June 2021 can be classed into the following categories:

Type	Fair value hierarchy	30 Jun 21		31 Dec 20		Fair value assets	Fair value liabilities
		Notional	Fair value assets	Notional	Fair value liabilities		
Cash flow hedge	2	9.8 mn	-	0.2	10.5 mn	-	0.3
Fair value hedge	2	149.8 mn	6.0	16.7	149.8 mn	14.4	19.8
Non-hedge accounting	2	500 mn	11.2	4.1	500 mn	9.8	2.7
Total fair value			17.2	21.0		24.2	22.8

The fair value of derivatives classified as cash flow hedges, recorded in the non-current portion, is in line with the previous six-month period, against an upward trending interest rate curve, due to the realisation of cash flows during the period and the reduction in the notional amount of the derivative.

Derivatives designated as fair value hedges of foreign currency financial liabilities recorded in the financial statements (fair value hedges), both as cross currency swaps (CSS) and interest rate swaps (IRS), relate to the bond loan in Japanese yen with a notional residual value of 20 billion yen or 149.8 million euros (converted at the original exchange rate being hedged). These instruments are recorded in the non-current portion and, specifically in the case of cross currency swaps, it should be noted that they have a positive fair value in the amount of 6 million euro as compared to an assessment that was also positive, amounting to 14.4 million euro, at 31 December 2020. The change in fair value is due to the exchange rate, since the Japanese yen lost value against the euro.

The category of interest rate derivatives, identified as non-hedged accounting and recorded in the non-current portion, originates in full from past restructuring operations and, despite not including instruments that qualify as hedges pursuant to IFRS 9, have as their main objective to hedge against interest rate fluctuations and have no impact on the income statement (mirroring).

The economic effect associated with the assessment of this type of hedge as compared to the previous financial year, reflects changes in the fair value of the financial instruments described above. For further details on the effect of these instruments, please see note 10 "Financial income and expenses"

Commodity derivatives - Commercial portfolio

The commercial portfolio includes commodity derivative instruments entered into to hedge mismatches between purchase and sale formulas, which are classed into the following categories:

Type	30 Jun 21			31 Dec 20			
	Fair value hierarchy	Notional	Fair value assets	Fair value liabilities	Notional	Fair value assets	Fair value liabilities
Foreign gas hubs	3	7,686,525 MWh	103.1		6,089,061 MWh	11.6	
Methane gas	2	12,935,658 Scm	1.9				
Other refined oil products/coal	2	3,968 Ton	0.1				
Exchange rate EUR/Usd	2	14,423,193 Usd	0.3				
Electricity formulas	2	8,406,235 MWh	200.2		6,027,306 MWh	44.9	
Foreign gas hubs	3	4,690,290 MWh		77.4	7,076,405 MWh		14.5
Methane gas	2	4,138,943 Scm		0.6			
Other refined oil products/coal	2	5,251 Ton		0.4			
Electricity formulas	2	4,872,628 MWh		117.6	5,394,118 MWh		34.9
Total fair value			305.6	196.0		56.5	49.4

The commercial portfolio includes forward purchase contracts, entered into in connection with the supply of electricity and gas to end users, with the aim of covering estimated demand in terms of volumes and price formulae and are intended as substitutes for spot purchases on regulated markets. These contracts are not measured at fair value since the own-use exemption is applied to them and the related economic effects are recognised on an accrual basis.

The portfolio additionally includes financial instruments designated to hedge planned future electricity and gas purchase and sale transactions that are considered highly likely. All derivatives valued in this portfolio are accounted for in cash flow hedges.

The significant increase in the net fair value of commodity derivatives related to the trading portfolio is due to the strong increase in the gas national standard price and listings recorded during the first half of the year..

Commodity derivatives - Trading portfolio

The trading portfolio comprises financial derivatives on commodities recorded in the current portion and valued according to the following classes:

Type	30 Jun 21			31 Dec 20			
	Fair value hierarchy	Notional	Fair value assets	Fair value liabilities	Notional	Fair value assets	Fair value liabilities
Electricity formulas	2	8,166,763 MWh	124.4		4,878,393 MWh	46.8	
Electricity formulas	2	10,661,992 MWh		129.4	10,093,260 MWh		63.6
Total fair value			124.4	129.4		46.8	63.6

The operational logic of trading portfolio is speculative and based on pure position taking logics whenever there is a market opportunity. The purpose is univocally identified at source and follows a dedicated workflow, with exclusive instruments and reporting.

For further details on the effect of commodity derivatives, please see note 3 "Raw and other materials".

21 Inventories

	30 Jun 21	31 Dec 20	Chan.
Raw materials and stocks	106.8	91.3	15.5
Materials earmarked for sale and final products	10.2	6.1	4.1
Contract work in progress	119.2	74.3	44.9
Total	236.2	171.7	64.5

“Raw materials and stocks”, stated net of an obsolescence provision, mainly comprise gas stocks, for 55 million euro (37.9 million euro as at 31 December 2020), spare parts and equipment used for maintenance and running of operating plants and networks, equal to 47.2 million euro (47.7 million euro as at 31 December 2020) and plastics earmarked for regeneration in the amount of 4.6 million euro (5.7 million euro as at 31 December 2020).

The change in value as compared to 31 December 2020 is mainly due to the price increase of methane gas, whose increase more than offsets the lower volumes in stock. The book value of gas stocks is recoverable on the basis of gas sales signed by the Group at the date of these financial statements.

“Materials earmarked for sale and final products” mainly include equipment related to projects contracted by telecommunications customers of 5.3 million euro (0.5 million euro at 31 December 2020) and plastic products made in the Group's regeneration plants equal to 4.6 million euro (5.6 million euro as of 31 December 2020).

The item “Contract work in progress” includes long-term contracts for plant construction work, mainly in relation to water, heat and public lighting management (for 64.1 million euro, 34.4 million euro and 17.7 million euro respectively). The change in the period is mainly related to the renovation and energy requalification of buildings, a business that increased following the extension and strengthening by the Italian legislator of the tax incentives for the sector (building bonuses) during 2020.

22 Trade receivables

	30 Jun 21	31 Dec 20	Chan.
Receivables from customers	1,373.1	1,435.0	(61.9)
Allowance for bad debts	(415.7)	(394.4)	(21.3)
Receivables from customers for bills and invoices not yet issued	798.4	931.0	(132.6)
Total	1,755.8	1,971.6	(215.8)

Trade receivables comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 30 June 2021, as well as receivables for revenues coming due during the period, for the water sector, which will be billed in the following months in accordance with the billing methods for final customers established by Authority.

The value of trade receivables reported in the financial statements at 30 June 2021 represents the Group's maximum exposure to credit risk. Changes in the provisions for bad debts is as follows:

	Opening balance	Provisions	Uses and other movements	Closing balance
first six months of 2020	399.3	37.7	(14.7)	422.3
first six months of 2021	394.4	34.4	(13.1)	415.7

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on future-oriented analyses of the receivables regarding the general body of customers (in relation to the age of the receivables, the type of recovery

action undertaken and the status of the debtor), as described in the section "Risk management" in paragraph 2.02.01 "Accounting policies and evaluation principles".

23 Current tax assets and liabilities

	30 Jun 21	31 Dec 20	Chan.
Income tax receivables	58.4	9.8	48.6
IRES refund receivables	1.9	1.9	-
Total current tax assets	60.3	11.7	48.6
Income tax payables	78.3	25.4	52.9
Total current tax liabilities	78.3	25.4	52.9

"Income tax credits" refer mainly to advance payments made in the first half of 2021.

The "IRES refund receivables" refers to the requests for IRES refund due for the period 2007-2011, following the deductibility of IRAP from IRES related to labour costs and the like under Law Decree 201/2011.

"Income tax payables" includes the IRES and IRAP amounts allocated in relation to the profit produced in the first half of 2021.

24 Other current assets

	30 Jun 21	31 Dec 20	Chan.
Energy efficiency bonds and emissions trading	107.0	150.5	(43.5)
Security deposits to suppliers	54.9	55.4	(0.5)
Prepaid costs	53.9	19.9	34.0
VAT, excise and additional taxes	47.2	94.9	(47.7)
Fund for electricity and environmental services for standardisation and continuity income	44.9	49.1	(4.2)
Advances to suppliers and employees	28.2	25.8	2.4
Incentives from renewable sources	11.4	23.5	(12.1)
Receivables for tax benefits	6.2	7.5	(1.3)
Other receivables	65.0	60.9	4.1
Total	418.7	487.5	(68.8)

"Energy efficiency bonds and emissions trading", includes:

- white certificates for 79.2 million euro (127.9 million euro at 31 December 2020);
- green certificates for 9.8 million euro, in line with the 31 December 2020 values;
- grey certificates for 18 million euro (12.8 million euro at 31 December 2020).

The decrease in the value of the white certificate portfolio is mainly due to the reduction of the obligations established by the decree of the Ministry of Ecological Transition of 21 May 2021, which reduced the 2020 obligation of distribution companies by 60%, while establishing a significantly lower number of bonds for the obligations of the years 2021-2024. The effect of this valuation is outlined in note 2 "Other operating revenues".

The green certificate portfolio includes securities recognised on an accrual basis prior to 2016 in relation to the electricity production of certain waste-to-energy plants operated by the Group. These securities are the subject of a complaint by the GSE concerning the methodology for calculating the self-consumption of auxiliary services. To cover the potential risk of non-recognition, the Group has already

set up a risk provision in previous years to cover the entire amount of the portfolio. For further details see note 28 "Provisions for risks and charges".

In relation to grey certificates, the increase in the value of the portfolio is due to the increase of the market price of this type of certificates as compared with the previous period and to higher volumes under contract.

"Security deposits", mainly include:

- deposits provided as security for participation in foreign platforms that deal in commodity contracts, auctions on the electricity market, and to secure transactions on wholesale markets for electricity and natural gas, totalling 38 million euro;
- deposit paid to the associated company Sinergie Italiane in liquidation, in accordance with the provisions of the natural gas supply contract with the same company, to guarantee the sales that will be made to the Group for 7.5 million euro. This deposit is covered by a security that the Ascopia Group issued when the partnership agreement was signed in December 2019;
- security deposits required by Customs amounting to 2.3 million euro.

"Prepaid costs" mainly refers to the future portion of services and outsourced processing and services, costs incurred for insurance coverage and guarantees, banking fees and personnel costs (the latter with reference to the accrued portion of the fourteenth monthly salary paid in June). The increase as compared with the previous financial year is due to annual costs that have been paid in the first half of the year.

"VAT, excise and additional taxes", is comprised of tax credits receivables to the treasury for value added tax in the amount of 5.1 million euro and for excise and additional taxes in the amount of 42.1 million euro. The change as compared to 31 December 2020 is attributable to a decrease of 27.9 million euro in receivables for value added tax and an increase of 19.8 million euro in receivables for excise and additional taxes. These changes should be interpreted together with the same change shown in note 30 "Other current liabilities". In particular, with regard to excise duties and 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 period. These methods can generate credit or debit positions with differences that may be significant even between one period and another.

For "Fund for electricity and environmental services for standardisation and continuity income", the decrease is mainly due to lower receivables for standardisation and components of the water distribution and components of the water cycle, only partially offset by higher receivables due to the standardisation of the electricity distribution.

"Incentives from renewable sources", consist of receivables from the GSE for the new incentive mechanism to promote the production of electricity from renewable sources, which replaced the mechanism for recognising green certificates. The decrease from the previous financial period is due to the collection of almost the whole amount of receivables for 2020, partially offset by the half-yearly instalments recognised on an accrual basis.

"Receivables for tax benefits", mainly represent tax credits for investments in capital goods, including those related to Industry 4.0, introduced by the 2020 Budget Law in replacement of the previous tax legislation on maxi and hyper depreciation.

"Other receivables" includes mainly receivables for dividends from affiliated companies and joint ventures that will be collected in the second half of 2021 for 6.3 million euro.

25 Share capital and reserves

Compared to 31 December 2020, shareholders' equity increased by 145.4 million euro due to the combination of the following effects:

- overall revenues for the period in the amount of 311.7 million euro;
- distribution of dividends in the amount of 181.4 million euro;
- increase due to transactions on treasury shares, in the amount of 15.1 million euro.

The statement of changes in net equity is shown in section 2.01.05.

Share capital

The share capital as at 30 June 2021 amounted to 1,464 million euro, made up of 1,489,538,745 ordinary shares with a nominal value of 1 euro each and is fully paid-up.

The treasury shares, whose nominal value at 30 June 2021 was 24.8 million euro, and the costs associated with the new share issues, net of the relevant tax effects, are deducted from share capital.

The number of treasury shares in the portfolio at 30 June 2021 was 24,764,411 (28,891,271 at 31 December 2020).

Reserves

This item, amounting to 1,423.7 million euro, include retained earnings and reserves accrued in previous financial years and in-kind equity injections, or shares, in the amount of 1,396 million euro, cumulative losses in the other components of comprehensive income for 43 million euro and negative reserves for operations on treasury shares in the amount of 15.3 million euro. These latter items reflect transactions carried out on treasury shares as at 30 June 2021. Changes over the course of the six-month period generated an overall capital gain in the amount of approximately 1.3 million euro.

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.

With reference to the shareholding of the Ascopiave Group in EstEnergy Spa, nominally equal to 48%, note that Ascopiave Spa was granted an irrevocable option to sell its minority shareholding in EstEnergy Spa. This option may be exercised annually, on a discretionary basis on all or part of the shareholding, in a time window between 15 July and 31 October and, in any event, no later than 31 December 2026. According to the provisions of IAS 32, the existence of such a right held by the minority shareholder resulted in the classification of the option on the shares of EstEnergy currently held by Ascopiave Spa in the consolidated financial statements as a financial liability, thus considering the shareholding in EstEnergy Spa as fully owned. For additional details on the calculation of fair value of put option debt, please refer to paragraph 26 "Current and non-current financial liabilities".

The following is a reconciliation between the parent company's separate financial statements and the consolidated financial statements.

	Net Profit	Net equity
Balances as per parent company's financial statements	226.5	2,489.6
Excess of shareholders' equity reported in the financial statements for the period over the carrying amounts of investments in consolidated companies	10.4	375.1
Consolidation adjustments:		
net equity valuation of companies recognised in the separate financial statement at cost	(3.6)	38.7
difference between purchase price and corresponding net book equity	(17.9)	224.7
elimination of the effects of intra-group transaction	0.7	(24.2)
Total	216.1	3,103.9
Attribution of third-party interests	20.1	196.8
Balances as per consolidated financial statements	236.2	3,300.7

26 Current and non-current financial liabilities

	30 Jun 21	31 Dec 20	Chan.
Bonds and loans	2,928.9	3,096.1	(167.2)
Minority shareholders' put option	561.1	556.4	4.7
Payables to acquire controlling shares and potential consideration	22.9	22.8	0.1
Other financial liabilities	2.1	3.4	(1.3)
Total non-current financial liabilities	3,515.0	3,678.7	(163.7)
Overdrafts and interest expenses	61.6	188.6	(127.0)
Bonds and loans	305.6	314.3	(8.7)
Payables to acquire controlling shares and potential consideration	1.3	1.3	-
Other financial liabilities	188.1	112.7	75.4
Total current financial liabilities	556.6	616.9	(60.3)
Total financial liabilities	4,071.6	4,295.6	(224.0)

“Bonds and loans” for the non-current part, decreased mainly for:

- advanced repayment of a loan with a face value of 125 million euro granted by the European Investment Bank (EIB), which was to mature in June 2027; The portion of residual non-current debt repaid early for 59.8 million euro;
- the classification in the current portion of the loan of 50 million euro issued by Banca popolare dell'Emilia Romagna (BPER), maturing in January 2022 and repaid early in the first half of the year;
- the partial repurchase of the bond with a face value of 700 million euro, issued in January 2013, maturing in 2028 and listed on the regulated market of the Luxembourg Stock Exchange. The total number of securities tendered in the Tender Offer amounted to 59.5 million euro. For further details regarding the repurchase operation, reference should be made to chapter 1.02 “Main significant events” in the Directors' report. This operation, due to the repurchase price that was higher than the book value, resulted in the recognition of expenses for 28.5 million euro as reported in note 10 “Financial income and expenses”.

The item includes the value of the sale option, in the amount of 53.4 million euro, related to Ascopiate Spa's minority shareholding of 3% in Hera Comm Spa which, as a result of the contractual provisions, is classified as a loan pursuant to IFRS 9 and valued according to the depreciated cost method. The face value of such debt amounts to 54 million euro.

“Bonds and loans” for the current part, decreased mainly as a result of the early repayment of the current portion of the European Investment Bank (EIB) loan referred to above and for the regular repayment of the tranches of loans falling due in the period.

“Minority shareholders' put option”, which includes the fair value measurement of the put options that are granted, with specific contractual arrangements, to minority shareholders on their own shares. This item refers to the sale option on the non-controlling shares in EstEnergy Spa, equal to 48% of the share capital, held by the Ascopiate Group. The fair value of the option is calculated with reference to the future scenario of exercising the option deemed to be the most likely by the management in line with the updated planning assumptions, adopting applied multiples to margin indicators in accordance with the conditions agreed between the parties and discounting the corresponding future cash flows, using as a discount rate the average cost of the Group's long-term debt at the date of the transaction. Since the policy of the Group provides not to represent the interest of minority shareholders in the component of the result of the period, in evaluating the value of the debt for the option any dividends that are expected to be distributed by EstEnergy Spa along the hypothetical life of the option itself were taken into account (the corresponding cash flows will in fact adjust the consideration to be paid at the date of exercising the option according to the contractual mechanism agreed between the parties). The fair value recognised as a liability in the balance sheet is therefore not only the present value of the expected price of the put option at the date of it is exercised, but also contains the discounted estimate of future dividends distributed as part of the variable consideration due to the counterparty. However, it is important to underline that, given the structure of the operation, during the period in which the option is exercised,

48% of the profit generated by EstEnergy Spa will be distributed to Ascopiate Spa and 52% to the Hera Group. This mechanism means that the portion of the fair value of the put option that will be settled through the distribution of future dividends is actually self-liquidating, since the necessary financial resources (i.e. dividends in the amount of 48%) will be directly generated by EstEnergy Spa, without thus determining during that period a real additional financial need for the Group.

The change of the item "Minority shareholders' put option" as compared to the previous six-month period is due to:

- the recognition of notional financial charges generated by the discounting and allocation of dividends made by EstEnergy Spa during the period;
- the acquisition of 70% of Recyla Spa, that is the associated negotiation with the counterparty for a cross option to buy and sell the outstanding shareholding, which may be exercised for 18 months beginning in the second year after closing. For further details, reference should be made to paragraph 2.02.02 "Scope of consolidation".

The following table shows the value adjustments of the put option of the minority shareholding in EstEnergy Spa made in the first half of the year:

	31 Dec 20	Financial expenses	Dividends paid out	Hypothesis change	30 Jun 21
Put option (fair value)	401.9		7.5		409.4
Put option (future dividends)	153.0		2.2	(17.2)	138.0
Total put option	554.9		9.7	(17.8)	547.4

"Payables for the acquisition of controlling interests and potential payments" include the amounts still to be paid to transferor shareholders as part of the business combination transactions concluded in the period or in previous periods, as well as the estimate of the potential payments foreseen by the agreements signed at the time of the acquisition, as of the balance sheet date. As of 30 June 2021 this item mainly refers to the acquisition of:

- Aliplast Group, for 17.9 million euro (in the non-current part for 17.4 million euro and in the current part for 0.5 million euro);
- Pistoia Ambiente Spa for 5.4 million euro.

The item "Other financial liabilities", for the portion due after the current period, includes 2.1 million euro due to the Municipal Pension Fund of the Municipality of Trieste. The current part mainly consists of payables due to:

- deposits related to electricity trading contracts established on the EEX platform with daily adjustment of differentials totalling 84.8 million euro;
- collections from customers under a safeguard regime, customers for last resort services of the gas sector, and advances on earthquake reporting, to be returned to CSEA for 78.8 million euro;
- collection of receivables factored without recourse still to be transferred to factoring companies at year-end, in the amount of 11.7 million euro;
- the last instalment to be paid to Acer for the early redemption of assets previously held under a leasing contract for 1.1 million euro;
- payables for 0.5 million euro due to the Municipal Pension Fund of the Municipality of Trieste.

In "Overdrafts and interest expenses", the significant change compared with the previous financial period is mainly represented by the repayment of two hot money loans totalling 122.5 million euro in April 2021.

The table below shows the financial liabilities broken down by category as at 30 June 2021, with an indication of the portion expiring within the period, within 5 years and after 5 years:

Type	30 Jun 21	Portion due within the period	Portion due within 2nd year	Portion due within 5th year	Portion due beyond 5th year
Bonds	2,761.7	250.6	65.2	464.7	1,981.2
Loans	472.8	55.0	58.3	151.7	207.8
Minority shareholders' put option	561.1	-	12.2	1.5	547.4
Payables to acquire controlling shares and potential consideration	24.2	1.3	17.4	5.5	-
Other financial liabilities	190.2	188.1	0.4	1.7	-
Overdrafts and interest expenses	61.6	61.6	-	-	-
Total	4,071.6	556.6	153.5	625.1	2,736.4

The main conditions of the bonds outstanding at 30 June 2021 are as follows:

Bonds	Negotiation	Duration (years)	Maturity	Nominal value (mn)	Coupon	Annual rate
Bond	Listed	8	4 Oct 21	249.86 €	Annual	3.25%
Bond	Listed	10	22 May 23	68.0 €	Annual	3.375%
Green bond	Listed	10	4 Jul 24	329.29 €	Annual	2.375%
Bond	Unlisted	15	5 Aug 24	20,000 Jpy	Half yearly	2.93%
Bond	Listed	12	22 May 25	15.0 €	Annual	3.50%
Bond	Listed	10	14 Oct 26	400.0 €	Annual	0.875%
Bond	Unlisted	15/20	14 May 27/32	102.5 €	Annual	5.25%
Bond	Listed	8	05 Jul 27	500.0 €	Annual	0.875%
Bond	Listed	15	29 Jan 28	640.53 €	Annual	5.20%
Bond	Listed	10	3 Dec 30	500.0 €	Annual	0.25%

At 30 June 2021 the outstanding bonds, totalling a face value of 2,955 million euro (3,014.5 at 31 December 2020) and recorded at discounted cost of 2,761.7 million euro, have a fair value of 272.9 million euro (3,392.8 million euro at 31 December 2020) determined by market quotations where available.

There are covenants on a few loans that require compliance with the corporate rating limit, namely that not a single rating agency lowers its corporate rating below Investment Grade (BBB-).

At the date of the financial statement, this covenant has been complied with.

Current cash and lines of credit, in addition to the resources generated by the operating and financing activities, are deemed more than sufficient to meet future financial needs. At 30 June 2021, the Group has committed credit lines of 450 million euro and uncommitted credit lines of 533 million euro. These credit lines are distributed among leading Italian and international banks and allow for adequate diversification of counterparty risk and competitive conditions.

27 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 table below shows the changes in the above provisions during the six-month period:

	31 Dec 20	Service cost	Financial expenses	Actuarial profit/(losses)	Uses and other movements	Changes scope of consolid.	30 Jun 21
Post-employment	102.2	0.6	0.3	(3.7)	(5.2)	0.8	95.0
Tariff reduction	7.5	-	-	(0.8)	(0.2)	-	6.5
Gas discount	3.8	-	-	(0.2)	(0.1)	-	3.5
Premungas	3.2	-	-	-	(0.2)	-	3.0
Total	116.7	0.6	0.3	(4.7)	(5.7)	0.8	108.0

The item "Service Cost" regards companies with a small number of employees for whom the employee severance indemnity fund continues to represent a defined benefit plan. "Financial expenses" are calculated by applying a specific discount rate for each company, determined on the basis of the average financial life of the bond.

"Actuarial profit (losses)" reflect the re-measurement of the liabilities for employee benefits arising from changes in actuarial assumptions. These components are recognised directly in the other sections of the comprehensive income statement. The effect for the period, amounting to 4.7 million euro, is due to the ongoing decrease of the yield curve as compared to the previous period, which was already significant in 2020.

The item "Uses and other movements" mainly includes the amounts paid to employees over the course of the six-month period.

28 Provisions for risks and charges

	31 Dec 20	Provisions	Financial expenses	Uses and other movements	Changes scope of consolid.	30 Jun 21
Provision for third-party asset restoration	232.2	4.7	2.6	-	-	239.5
Provision for closure and post-closure landfill expenses	179.0	0.3	6.9	(4.9)	-	181.3
Provision for personnel legal cases and disputes	14.5	0.7	-	(1.2)	-	14.0
Provisions for waste disposal	6.7	6.8	-	(5.8)	-	7.7
Provision for plants dismantling	5.9	-	0.1	-	-	6.0
Other provisions for risks and charges	99.9	6.8	-	(1.9)	2.1	106.9
Total	538.2	19.3	9.6	(13.8)	2.1	555.4

The "Provision for third-party asset restoration", includes provisions made in relation to law and contractual requirements for the 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 owner companies for the wear and tear of the assets used for business activities. The provision shows 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 landfill closure and post-closure expenses" includes 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 managed. 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 process and provisions due to changes in the assumptions about future outlays, following the change in expert estimates on 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 the recording of an adjustment of the same amount as the value of the property, were classified under "Uses and Other movements".

"Uses and other movements" of the item "Provision for landfill closure and post-closure expenses" decreased by 4.9 million euro, as follows:

- 10 million euro for current cash outlays for the post-operational management of landfills, 2.4 million euro of which refer to internal costs included in "Other operating revenues";
- beginning developing a new landfill during the period for 5.1 million euro.

The "Provision for personnel legal cases and disputes" reflects the outcomes of lawsuits and disputes brought by employees.

"Provision for plants dismantling" includes the amounts allocated for the future dismantling of the WTE plants.

"Provision for waste disposal" reports the estimated costs of disposal of the waste already stored at the Group's plants. The provisions reflect the estimated costs of contributions for the first half of 2021 not yet processed at the end of the period, while the uses represent the costs incurred over the six-month period for the processing of waste that was residual as at 31 December 2020.

"Other provisions for risks and charges" comprises provisions made against sundry risks. A description of the main items is below:

- 18.7 million euro related to the potential risk of the amount of the WTE green certificates not being recognised calculated according to the difference between auxiliary services resulting from total self-consumption and services estimated on the basis of the benchmark percentage;
- 11.3 million euro, due to the potential liability related to existing obligations (guarantee on financial exposure given by AcegasApsAmga S.p.A.) in case of abandonment of the operations run by the foreign subsidiary Aresgas (Bulgaria);
- 6.6 million euro for the dispute that arose with the subsidiary Hestambiente Srl in connection with the payment of CIP6 incentives for the Trieste waste to energy plant for the years 2010-2012;
- 6.3 million euro for the potentially higher expenses that may be incurred in connection with extraordinary maintenance on the Ponte San Nicolò (Padua) landfill;
- 5 million euro for the potentially higher expenses that may be incurred in connection with litigation following a claim for compensation received after a contractual termination by the Group;
- 4.7 million euro for the potential risk of reimbursement of a portion of the sewerage and purification tariffs for the water service;
- 3.5 million euro for potential litigations arising from the risk of disputes in relation to the gas distribution unit of the Veneto and Friuli Venezia-Giulia regions, which was sold at the end of 2019;
- 3.3 million euro for the risk arising from the Authority's resolution 2016/527, which, in keeping with the findings of the GSE, established that the Fund for Energy and Environmental Services recover the amounts that the Group would have been unduly received for the electricity produced by the Granarolo (Bo) WTE plant .

For detailed information on risk provisions for tax litigations, see note 11 "Taxes".

The "Change in the scope of consolidation" include the provisions of Recycla Spa, acquired in the first half of 2021.

29 Trade payables

	30 Jun 21	31 Dec 20	Chan.
Payables to suppliers	406.2	616.8	(210.6)
Payables to suppliers for invoices not yet received	894.1	880.7	13.4
Total	1,300.3	1,497.5	(197.2)

The change in value as compared to 31 December 2020 is mainly due to the seasonal nature of the gas and electricity sale and distribution businesses.

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

30 Other current liabilities

	30 Jun 21	31 Dec 20	Chan.
Payables for advances to the fund for energy and waste management services	318.8	360.5	(41.7)
Plant investment grants	213.3	211.0	2.3
Dividend payables	179.9	2.7	177.2
VAT, excise and additional taxes payables	177.9	32.8	145.1
Security deposits from clients	112.7	117.5	(4.8)
Fund for electricity gas and waste management services and equalisation	98.3	88.2	10.1
Payables to social security institutions and employee withholdings	74.3	73.9	0.4
Personnel	65.3	55.6	9.7
Anticipated revenues and other expenses	17.0	18.8	(1.8)
Payables for damage deductibles	13.1	12.7	0.4
Other payables	103.1	82.5	20.6
Total	1,373.7	1,056.2	317.5

"Payables for advances to the fund for energy and waste management services" comprises non-interest-bearing advances granted by the electricity sector Equalization Fund, as follows:

- 231.6 million euro for advances in compliance with the integration mechanism set forth by resolution 370/2012/R/Eel and 456/2013/R/Eel by the Authority in charge of regulating the energy networks and environment (Arera), for overdue and unpaid receivables from customers managed as protected customers; The latest reports concern the years 2009-2018;
- 85.5 million euro in compliance with the integration mechanism set forth in Law 239 of 23 August 2004 and by Arera's TIVG, for the charges for delinquency of services of last resort in the natural gas sector (FUI, FTF and FDD) until the 2018-2019 thermic year;
- 1.7 million euro in compliance with the recognition mechanism established by Arera resolution 627/2015/R/com for overdue charges related to the supply of electricity, gas and integrated water service to the populations affected by the 20 May 2012 earthquakes in the Emilia-Romagna region;

The decrease compared to 31 December 2020 is due to repayments of advances obtained by the Group in previous years to cover payments made by customers in arrears in the first half of 2021.

"Plant investment grants" refers mainly to investments made in the water and environment sector; this item decreases in proportion to the amount of depreciation calculated on the fixed assets in question and increases as a result of new investments subject to grants. The item includes specifically:

- 63 million euro in contributions related to the FoNI fund (new water system investment fund);
- 37.1 million euro in contributions related to purification plants for the Servola plant built in the Municipality of Trieste;
- 34.9 million euro in contributions for investments earmarked for purification and sewer networks;

- 22.2 million euro in contributions to build rolling basins e underwater pipes in the area of Rimini.

“Dividend payables”, amounting to 179.9 million euro, include dividends not yet paid at 30 June 2021 to the shareholders of the parent company for 163.8 million euro (the related coupon was released on 5 July 2021 and paid on 7 July 2021) and to minority shareholders for 16.1 million euro (2.7 million euro at 31 December 2020).

“VAT, excise and additional taxes” includes payables for VAT in the amount of 31.4 million euro (1.9 million euro at 31 December 2020), and excise and additional taxes in the amount of 146.5 million euro (30.9 million euro at 31 December 2020). As outlined in note 24, “Other current assets”, this increase must be understood taking into account the factors that regulate financial relations with the Inland Revenue Office, which can generate credit/debit positions with differences that can be significant even between one financial period and another.

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

“Fund for energy and waste management services and equalisation”, reflects the liabilities for the Fund for energy and environmental services mainly due to some system components of the gas, water and electricity service for the protected market categories and equalization of the electricity service. The change as compared to 31 December 2020 is mainly due to a higher debit for certain components of electricity distribution and electricity and gas sales amounting to 17.4 million euro, offset by a lower debt for components of gas and water distribution as well as by lower debt due to equalization of the electricity service for a total of 7.3 million euro.

“Payables to social security institutions and employee withholdings” relate to contributions and withholdings owed to social security institutions and the inland revenue in relation to compensation for June.

“Personnel” includes the vacation time accrued and not used, as well as the productivity bonuses and additional monthly salaries accounted for by department at 30 June 2021. The increase compared to the previous period is mainly due to the Group's massive plan for using accrued vacation adopted in 2020 in connection with the national lockdown and not repeated in the first half of 2021.

“Anticipated revenues and other expenses” include portions of revenues already invoiced pertaining to the following financial period and portions of lower taxes for tax benefits related to tax credits for investments in new capital goods that the Group will use to offset taxes and fees in subsequent financial periods.

“Payables for damage deductibles” includes the value of insurance deductibles that the Group must repay directly to damaged third parties or insurance companies.

The item “other payables” mainly comprises the following:

- liabilities for energy efficiency and emission trading certificates of 16.6 million euro (8.1 million euro at 31 December 2020) relating to grey certificates held in the portfolio, future contracts for the sale of grey certificates and Recs - renewable energy certificate system. In relation to grey certificates, the increase in the value of the portfolio is due to the increase of the market price of this type of certificates and to higher volumes under contract;
- payments on account and specific tariff subsidies payable to customers amounting to 11.7 million euro (10.8 million euro at 31 December 2020) mainly referring to waste disposal and treatment service for 5.7 million euro and water cycle service for 5.1 million euro;
- CMor fee related to the overdue payments of gas and electricity customers, which is charged in the bill by the incoming sales company following a request for switching the operator by a customer already in arrears for 6.2 million euro (1.5 million euro as at 31 December 2020).

31 Investment activities

Investments in companies and business units net of cash and cash equivalents

The table below details the main cash disbursements and cash holdings acquired, when present, associated with shareholdings in companies and business units carried out during the first six months of 2021.

30 Jun 21	Recycla Spa	Atlas Utilities Ead	Sea Srl	Other minor	Total investments
Cash outlays leading to the acquisition of control	26.4	3.2			29.6
Cash outlays in non-consolidated companies			9.7	0.3	10.0
Cash holdings acquired	(2.3)				(2.3)
Investments in companies and business units net of cash and cash equivalents	24.1	3.2	9.7	0.3	37.3

Divestment of equity investments and contingent considerations

The item mainly represents the collection of the earn-out deriving from the sale of the shareholding in the company So.Sel Spa during the 2020 financial year.

32 Financing activities

Changes in liabilities generated by financing activities

The table below shows the changes in financial liabilities that occurred in the first half of 2021, broken down into cash and non-monetary flows.

Type	30 Jun 21	31 Dec 20	Chan.	Non-cash flows			Cash flows
				Acquisitions divestitures	Income Expenses from evaluation	Changes in fair value	
Banks, loans and non-current options	3,515.0	3,678.7	(163.7)	16.0	25.9	(5.3)	(50.6) (149.7)
Banks, loans and current options	556.6	616.9	(60.3)	0.4	(1.4)		65.1 (124.4)
Lease liabilities	88.1	93.6	(5.5)	0.6	1.6		3.7 (11.4)
Liabilities generated by financing activities	4,159.7	4,389.2	(229.5)	17.0	26.1	(5.3)	18.2 (285.5)

“Acquisitions and divestitures” include the effects of the acquisition of control of Recycla Spa. For further details, reference should be made to paragraph 2.02.02 “Scope of consolidation”.

“Evaluation income/expenses” mainly refers to:

- valuation at depreciated cost of bonds and financing for 14.7 million euro;
- discounting charges related to the option to sell the minority interest in EstEnergy Spa of 9.7 million euro;
- expenses related to lease contracts for 1.6 million euro.

For further details, please see note 10 “Financial income and expenses”

“Change in fair value” includes adjustments made to the carrying amount of the bond denominated in Japanese yen as a result of the hedging relationship (fair value hedge).

“Other changes” in the items “Banks and loans and non-current options” and “Banks and loans and current options” include mainly:

- expenses from trading due to the repurchase transaction on the market of a portion of a bond for 28.5 million euro maturing in 2028;
- the non-monetary component of financial expenses due to the change in accrued expenses of 11.5 million euro;
- the change of the value of the sale option related to Ascopiae Spa's minority shareholding in Hera Comm Spa which, as a result of the contractual provisions, is classified as a loan and valued according to the depreciated cost method, in the amount of 2.7 million euro.

For further details, please see note 10 “Financial income and expenses” and note 26 “Current and non-current financial liabilities”.

“Other changes” in the item “Lease liabilities” include payables related to contracts signed during the year and the remeasurement of payables under existing contracts, generated by an update of the underlying assumptions on renewal, purchase or early termination options. For further details, see note 14 “Rights of use and leasing liabilities”.

Finally, it should be noted that non-monetary flows due to exchange rate differences were absent in the first six months of 2021.

2.02.05 Reporting by operations

Reporting by operations is based on the approach management uses to monitor the performance of the Group by homogeneous business areas. The net costs and assets for business support functions, in keeping with the internal control model, are entirely associated to business lines.

As at 30 June 2021, the Hera Group is organized according to the following business lines:

Gas: includes the costs of distributing and selling methane gas as well as district heating and heating management;

Electricity: includes the costs of producing, distributing and selling electricity;

Water Cycle: includes aqueduct, purification and sewage services;

Waste management: includes waste collection, treatment, recycling and disposal services;

Other services: includes public lighting, telecommunications and other minor services.

Assets and liabilities by business lines for the first six months of 2021 are outlined below:

30 Jun 21	Gas	Electricity	Water cycle	Waste management	Other services	Total
Assets (tangible and intangible)	1,912.7	638.0	2,059.5	1,263.1	122.2	5,995.5
Goodwill	497.0	72.0	42.7	231.5	4.9	848.1
Equity investments	109.8	29.8	19.6	33.1	-	192.3
Not attributed fixed assets						61.7
Net fixed assets	2,519.5	739.8	2,121.8	1,527.7	127.1	7,097.6
Attributed net working capital	(193.7)	38.3	(206.7)	77.7	21.3	(263.1)
Non attributed net working capital						86.3
Net working capital	(193.7)	38.3	(206.7)	77.7	21.3	(176.8)
Other provisions	(175.8)	(33.3)	(163.4)	(286.7)	(4.2)	(663.4)
Net invested capital	2,150.0	744.8	1,751.7	1,318.7	144.2	6,257.4
31 Dec 20	Gas	Electricity	Water cycle	Waste management	Other services	Total
Assets (tangible and intangible)	1,855.5	618.8	2,122.4	1,222.9	127.2	5,946.8
Goodwill	498.5	68.5	42.8	198.1	4.9	812.8
Equity investments	112.6	29.9	20.0	25.4	-	187.9
Not attributed fixed assets						36.1
Net fixed assets	2,466.6	717.2	2,185.2	1,446.4	132.1	6,983.6
Attributed net working capital	181.1	(32.6)	(145.6)	78.5	(3.9)	77.5
Non attributed net working capital						(23.9)
Net working capital	181.1	(32.6)	(145.6)	78.5	(3.9)	53.6
Other provisions	(175.6)	(32.8)	(159.4)	(282.6)	(4.5)	(654.9)
Net invested capital	2,472.1	651.8	1,880.2	1,242.3	123.7	6,382.3

The most significant results by business line for the first half of 2021 and same period of 2020 are outlined as follows:

first six months of 2021	Gas	Electricity	Water cycle	Waste management	Other services	Structure	Total
Current period							
Direct revenues	2,133.4	1,081.2	426.9	610.2	60.6	7.6	4,320.0
Infra-cycle revenues	43.7	57.6	1.6	26.8	20.8	27.6	178.1
Total direct revenues	2,177.1	1,138.8	428.5	637.1	81.5	35.2	4,498.1
Indirect revenues	8.5	2.4	18.2	5.8	0.2	(35.2)	-
Total revenues	2,185.6	1,141.2	446.7	642.9	81.7	-	4,498.1
EBITDA	244.1	90.0	122.3	142.6	18.9	-	617.9
Direct amortisations and provisions	74.0	28.0	56.8	73.0	9.6	32.9	274.3
Indirect amortisations and provisions	4.0	1.4	14.0	13.2	0.2	(32.9)	-
Total amortisations and provisions	77.9	29.5	70.8	86.2	9.9	-	274.3
Operating income	166.2	60.5	51.4	56.4	9.0	-	343.6
first six months of 2020	Gas	Electricity	Water cycle	Waste management	Other services	Structure	Total
Previous period							
Direct revenues	1,589.2	1,032.2	399.6	548.3	47.5	8.2	3,625.0
Infra-cycle revenues	38.1	62.2	2.8	27.4	20.0	19.4	169.9
Total direct revenues	1,627.3	1,094.4	402.4	575.7	67.4	27.7	3,794.9
Indirect revenues	7.3	2.8	13.1	4.3		(27.7)	(0.2)
Total revenues	1,634.6	1,097.3	415.6	580.0	67.5	-	3,794.9
EBITDA	200.8	97.0	122.7	122.4	16.9		559.7
Direct amortisations and provisions	72.8	28.7	52.5	68.3	10.5	31.3	264.0
Indirect amortisations and provisions	3.6	1.5	13.9	12.1	0.2	(31.3)	-
Total amortisations and provisions	76.3	30.2	66.4	80.3	10.7	-	264.0
Operating income	124.4	66.8	56.2	42.1	6.1	-	295.7

2.03 NET DEBT

2.03.01 Net debt

		30 Jun 21	31 Dec 20
a	Cash	1,040.6	987.1
b	Cash equivalents	-	-
c	Other current financial assets	30.9	32.8
d	Liquidity (a+b+c)	1,071.5	1,019.9
e	Current financial debt	(251.0)	(302.6)
f	Current portion of non-current financial debt	(316.6)	(327.2)
g	Current financial indebtedness (e+f)	(567.6)	(629.8)
h	Net current financial indebtedness (g-d)	503.9	390.1
i	Non-current financial debt	(1,085.5)	(1,203.6)
J	Debt instruments	(2,510.3)	(2,554.3)
k	Non-current trade and other payables	-	-
l	Non-current financial indebtedness	(3,595.8)	(3,757.9)
m	Total financial indebtedness (h+l) ESMA 32 - 382 - 1138 indications	(3,091.9)	(3,367.8)
	Non-current financial receivables	135.2	140.8
	Net Debt	(2,956.7)	(3,227.0)

Reference should be made to note 14 "Rights of use and leasing liabilities" for details of the amount of payables associated with short and/or long-term leases, included under current and/or non-current debt. With regard to indirect and conditional indebtedness, which is intended to provide investors with an overview of any significant debts not reflected in the debt statement, please refer to notes 27 "Post-employment and other benefits" and 28 "Provisions for risks and charges".

2.03.02 Net debt according to the Consob notice DEM/6064293 of 2006

		30 June 21				31 Dec 2021			
		A	B	C	D	A	B	C	D
a	Cash	1,040.6	-	-	-	987.1			
b	Cash equivalents	-				-			
c	Other current financial assets	30.9	2.3	3.5	4.8	2.9	32.8	0.3	4.4
d	Liquidity (a+b+c)	1,071.5				1,019.9			
	of which related parties		2.3	3.5	4.8	2.9		0.3	4.4
e	Current financial debt	(251.0)			(0.6)		(302.6)		(0.7)
f	Current portion of non-current financial debt	(316.6)			(1.2)	(0.1)	(327.2)		(1.2)
g	Current financial indebtedness (e+f)	(567.6)					(629.8)		
	of which related parties				(1.8)	(0.1)			(1.9)
h	Net current financial indebtedness (g-d)	503.9				390.1			
	of which related parties		2.3	3.5	3.0	2.8		0.3	4.4
i	Non-current financial debt	(1,085.5)			(7.2)	(0.2)	(1,203.6)		(7.9)
J	Debt instruments	(2,510.3)				(2,554.3)			
k	Non-current trade and other payables	-				-			
l	Non-current financial indebtedness	(3,595.8)				(3,757.9)			
	of which related parties				(7.2)	(0.2)			(7.9)
m	Total financial indebtedness (h+l) ESMA 32 - 382 -1138 indications	(3,091.9)				(3,367.8)			
	of which related parties		2.3	3.5	(4.2)	2.6		0.3	4.4
	Non-current financial receivables	135.2				140.8			
	of which related parties				17.7	15.0	34.1		20.3
	Net Debt	(2,956.7)				(3,227.0)			
	of which related parties		2.3	21.2	10.8	36.7		0.3	24.7
								9.6	38.0

Legend of column headings for related parties:

A Non-consolidated subsidiaries

B Associated and jointly controlled companies

C Related companies with significant influence (shareholder municipalities)

D Other related parties

2.04 FINANCIAL STATEMENT FORMATS AS PER CONSOB RESOLUTION 15519/2006

2.04.01 Income statement as per Consob resolution 15519/ 2006

	notes	first six months of 2021	of which related parties						first six months of 2020	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	1	4,179.7	-	20.3	138.5	5.7	164.5	3.9%	3,402.3	-	17.0	141.0	6.8	164.8	4.8%
Other operating revenues	2	140.2	-	0.1	0.6	-	0.7	0.5%	222.6	-	0.1	2.8	-	2.9	1.3%
Raw and other materials	3	(2,128.5)	-	(38.3)	-	(20.8)	(59.1)	2.8%	(1,605.1)	-	(6.3)	-	(20.5)	(26.8)	1.7%
Service costs	4	(1,260.1)	-	(4.2)	(7.5)	(12.4)	(24.1)	1.9%	(1,151.0)	-	(4.4)	(7.8)	(11.9)	(24.1)	2.1%
Personnel costs	5	(301.8)	-	-	-	-	-	-	(290.9)	-	-	-	-	-	-
Other operating expenses	6	(37.9)	-	-	(0.5)	(0.1)	(0.6)	1.6%	(32.5)	-	-	(0.8)	(0.3)	(1.1)	3.4%
Capitalized costs	7	26.3	-	-	-	-	-	-	14.3	-	-	-	-	-	-
Amortisation, depreciation and provisions	8	(274.3)	-	-	-	0.0	0.0	(0.0)%	(264.0)	-	-	-	-	-	-
Operating revenues		343.6	-	(22.1)	131.1	(27.6)	81.4		295.7	-	6.4	135.2	(25.9)	115.7	
Share of profits (losses) pertaining to associated companies	9	5.4	-	5.4	-	-	5.4	100.0%	3.7	-	3.7	-	-	3.7	100.0%
Financial income	10	47.9	-	1.0	0.3	0.2	1.5	3.1%	30.9	-	2.4	0.4	0.2	3.0	9.7%
Financial expenses	10	(136.9)	-	1.0	(0.2)	-	0.8	(0.6)%	(90.8)	-	-	(0.1)	0.0	(0.1)	0.1%
Financial operations		(83.6)	-	7.4	0.1	0.2	7.7		(56.2)	-	6.1	0.3	0.2	6.6	
Other non-operating revenues (costs)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax profit		260.0	-	(14.7)	131.2	(27.4)	89.1		239.5	-	12.5	135.5	(25.7)	122.3	
Taxes	11	(23.8)	-	-	-	-	-	-	(64.6)	-	-	-	-	-	-
Overall revenues for the period		236.2	-	(14.7)	131.2	(27.4)	89.1		174.9	-	12.5	135.5	(25.7)	122.3	
To attribute to:															
Shareholders of the parent company															166.2
Non-controlling interests															8.7
Earnings per share		12													
basic	13	0.148													0.113
diluted	13	0.148													0.113

Legend of column headings for related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

2.04.02 Statement of financial position as per Consob resolution 15519/ 2006

	notes	30 June 21	of which related parties						31 Dec 20	of which related parties							
			A	B	C	D	Total	%		A	B	C	D	Total	%		
ASSETS																	
Non-current assets																	
Property, plant and equipment	13	1,922.5	-	-	-	-	-	-	1,926.5	-	-	-	-	-			
Rights of use	14	91.2	-	-	-	-	-	-	95.9	-	-	-	-	-			
Intangible assets	15	3,981.8	-	-	-	-	-	-	3,924.4	-	-	-	-	-			
Goodwill	16	848.1	-	-	-	-	-	-	812.8	-	-	-	-	-			
Equity investments	17	192.3	0.3	145.3	-	2.0	147.6	76.8%	187.9	-	139.7	-	2.0	141.7	75.4%		
Non-current financial assets	18	135.2	-	17.7	15.0	34.1	66.8	49.4%	140.8	-	20.3	15.0	36.9	72.2	51.3%		
Deferred tax assets	19	200.3	-	-	-	-	-	-	156.6	-	-	-	-	-			
Derivative financial instruments	20	6.0	-	-	-	-	-	-	14.4	-	-	-	-	-			
Total non-current assets		7,377.4	0.3	162.9	15.0	36.1	214.3		7,259.3	-	160.0	15.0	38.9	213.9			
Current assets																	
Inventories	21	236.2	-	-	-	-	-	-	171.7	-	-	-	-	-			
Trade receivables	22	1,755.8	-	7.1	51.3	15.8	74.2	4.2%	1,971.6	-	2.8	50.3	17.9	71.0	3.6%		
Current financial assets	18	30.9	2.3	3.5	4.8	2.9	13.5	43.7%	32.8	0.3	4.4	4.4	1.4	10.5	32.0%		
Current tax assets	23	60.3	-	-	-	-	-	-	11.7	-	-	-	-	-			
Other current assets	24	418.7	-	13.0	0.2	6.0	19.2	4.6%	487.5	-	8.5	-	5.4	13.9	2.9%		
Derivative financial instruments	20	441.2	-	-	-	-	-	-	113.1	-	-	-	-	-			
Cash and cash equivalents	18	1,040.6	-	-	-	-	-	-	987.1	-	-	-	-	-			
Total current assets		3,983.7	2.3	23.6	56.3	24.7	106.9		3,775.5	0.3	15.7	54.7	24.7	95.4			
TOTAL ASSETS		11,361.1	2.6	186.5	71.2	60.8	321.1		11,034.8	0.3	175.7	69.7	63.6	309.3			

Legend of column headings for related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

notes	30 Jun 21	of which related parties						31 Dec 20	of which related parties						
		A	B	C	D	Total	%		A	B	C	D	Total	%	
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and reserves															
Share capital	26	1,464.1	-	-	-	-	-	1,460.0	-	-	-	-	-		
Reserves	26	1,423.7	-	-	-	-	-	1,198.1	-	-	-	-	-		
Profit (loss) for the period		216.1	-	-	-	-	-	302.7	-	-	-	-	-		
Group net equity		3,103.9	-	-	-	-	-	2,960.8	-	-	-	-	-		
Non-controlling interests	26	196.8	-	-	-	-	-	194.5	-	-	-	-	-		
Total net equity		3,300.7	-	-	-	-	-	3,155.3	-	-	-	-	-		
Non-current liabilities															
Non-current financial liabilities		3,515.0	-	-	2.0	-	2.0	0.1%	3,678.7	-	-	2.3	-	2.3 0.1%	
Non-current lease liabilities		69.9	-	-	5.1	0.3	5.4	7.7%	73.5	-	-	5.6	0.3	5.9 8.0%	
Post-employment and other benefits		108.0	-	-	-	-	-	-	116.7	-	-	-	-	-	
Provisions for risks and charges		555.4	-	2.8	-	-	2.8	0.5%	538.2	-	2.8	-	-	2.8 0.5%	
Deferred tax liabilities		138.6	-	-	-	-	-	-	120.5	-	-	-	-	-	
Derivative financial instruments		16.9	-	-	-	-	-	-	20.1	-	-	-	-	-	
Total non-current liabilities		4,403.8	-	2.8	7.2	0.3	10.3		4,547.7	-	2.8	7.9	0.3	11.0	
Current liabilities															
Current financial liabilities		556.6	-	-	0.7	-	0.7	0.1%	616.9	-	-	0.8	-	0.8 0.1%	
Current lease liabilities		18.2	-	-	1.2	0.1	1.3	7.1%	20.1	-	-	1.2	0.1	1.3 6.5%	
Trade payables		1,300.3	-	12.4	14.9	19.6	46.9	3.6%	1,497.5	-	15.0	16.7	24.5	56.2 3.8%	
Current tax liabilities		78.3	-	-	-	-	-	-	25.4	-	-	-	-	-	
Other current liabilities		1,373.7	-	1.2	3.5	0.2	4.9	0.4%	1,056.2	-	1.4	5.7	0.3	7.4 0.7%	
Derivative financial instruments		329.5	-	-	-	-	-	-	115.7	-	-	-	-	-	
Total current liabilities		3,656.6	-	13.6	20.3	19.9	53.8		3,331.8	-	16.4	24.4	24.9	65.7	
TOTAL LIABILITIES		8,060.4	-	16.4	27.5	20.2	64.1		7,879.5	-	19.2	32.3	25.2	76.7	
Liabilities associated with assets earmarked for sale															
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		11,361.1	-	16.4	27.5	20.2	64.1		11,034.8	-	19.2	32.3	25.2	76.7	

Legend of column headings for related parties: A non-consolidated subsidiaries, B Associated and jointly controlled companies, C Related companies with significant influence (shareholder municipalities), D Other related parties

2.04.03 Cash flow statement as per Consob resolution 15519/2006

	30 June 21	Of which related parties
Earnings before taxes	260.0	
Adjustments to reconcile net profit to the cashflow from operating activities		
Amortization and impairment of assets	220.6	
Allocation to provisions	53.7	
Effects from valuation using the equity method	(5.4)	
Financial (income) expenses	89.0	
(Capital gains) losses and other non-monetary elements	(12.6)	
Change in provision for risks and charges	(18.7)	
Change in provision for employee benefits	(5.7)	
Total cash flow before changes in net working capital	580.9	
(Increase) decrease in inventories	(64.8)	
(Increase) decrease in trade receivables	184.9	(3.2)
Increase (decrease) in trade payables	(201.7)	(9.3)
Increase/decrease in other current assets/liabilities	220.5	(3.1)
Changes in working capital	138.9	
Dividends collected	6.7	4.8
Interest income and other financial income collected	16.3	1.6
Interest expenses, net charges on derivatives, and other financial charges paid	(61.2)	(0.7)
Taxes paid	(78.5)	
Cash flow from operating activities (a)	603.1	
Investments in property, plant and equipment	(62.9)	
Investments in intangible assets	(184.0)	
Investments in subsidiaries and business units net of cash and cash equivalents	(27.3)	
Investments in other equity investments	(10.0)	
Sale price of property, plant and equipment	0.4	
Divestments in consolidated companies and contingent consideration	0.1	0.1
(Increase) decrease in other investment activities	8.7	2.1
Cash flow from (for) investing activities (b)	(275.0)	
New issue of long-term binds	8.0	
Repayments for non-current financial liabilities	(140.6)	
Repayments and other net changes in financial payables	(141.5)	(0.4)
Lease payments	(11.4)	(0.7)
Acquisition of Interests in consolidated companies		
Dividends paid out to Hera shareholders and non-controlling interests	(4.2)	
Changes in treasury shares	15.1	
Cash flow from (for) financing activities (c)	(274.6)	
Increase (decrease) in cash and cash equivalents (a+b+c)	53.5	
Cash and cash equivalents at the beginning of the period	987.1	
Cash and cash equivalents at the end of the period	1,040.6	

2.04.04 List of related parties

The figures in the table as at 30 June 2021 refer to the correlated parties listed below:

Group A - Non-consolidated subsidiaries

Green Factory Srl

Group B- Affiliated and jointly controlled companies:

Adria Link Srl
Aimag Spa
ASM SET Srl
Centro idrico di Novoledo Srl
Energo Doo
Enomondo Srl
H.E.P.T. Co. Ltd
HEA Spa
Natura Srl in liquidation
Oikotheren Scarl in liquidation
SEA – Servizi Ecologici Ambientali
Set Spa
Sgr Servizi Spa
Sinergie Italiane Srl in liquidation Spa
Tamarate 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 Padua
Municipality of Ravenna
Municipality of Rimini
Municipality of Trieste
Con.Ami
Holding Ferrara Servizi Srl
Ravenna Holding Spa
Rimini Holding Spa

Group D - Other related parties

Acosea Impianti Srl
Acquedotto del Dragone Impianti Spa
Aloe Spa
Amir Spa - Asset
Apa2 consulting Sas
Aspes Spa
Calenia Energia Spa
Co.ra.b. Srl
Cora costr. Resid. Artig. Srl
Dental invest Srl
Executive Advocacy Srl
Fiorano Gestioni Patrimoniali Srl

Fonderia cab Srl
Fonderia fomar ghisa Srl
Formigine Patrimonio Srl
Ire immobiliare riqualificazione ed
Maranello Patrimonio Srl
Medeopart 2 Srl
Medeopart 3 Srl
Medeopart 5 Srl
Medeor associates Srl
Rabofin Srl
Romagna Acque Spa
Sassuolo Gestioni Patrimoniali Srl
Se.r.a. Srl servizi ristorazione
Serramazzoni Patrimonio Srl
Sis Società Intercomunale di Servizi Spa in liquidation
Società Italiana Servizi Spa - Asset
Te.Am Srl
Unica reti - Asset
Vanpart Srl
Auditors, directors, strategic executives, family members of strategic executives

2.04.05 Explanatory notes to relations with related parties

Service management

In most of the areas it serves competence and in almost all of shareholding municipalities for the provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna, Rimini, Padua, Udine, Trieste, Gorizia and Pesaro, the Hera Group holds the concession for the local public services of economic interest (distribution of natural gas through local gas pipelines, integrated water service and environmental services, including sweeping, waste collection, transport and recovery and disposal). The electricity distribution service is carried out in the areas of Modena and Imola, and in the municipalities of Trieste and Gorizia. Other public utilities (including urban district heating, heat management and public lighting) are carried out in a free market regime or through specific agreements with the local authorities concerned. Through specific relations with the local authorities and / or local agencies, Hera is also responsible for waste treatment and disposal services, not included in urban hygiene activities.

Water sector

The water services managed by the Hera Group are carried out in the areas served in the Emilia-Romagna, Veneto, Friuli-Venezia Giulia and Marche regions. It is carried out on the basis of conventions with the relevant local agencies, with a variable duration, which is usually twenty years.

The Hera Group's mandate for managing integrated water services refers to activities of water collection and drinking water treatment and distribution for civil and industrial applications as well as sewerage and sewage treatment. The agreements signed with the local area authorities also require the operator to carry out the planning and construction of new networks and plants aimed at providing the service. The conventions regulate the economic aspects of the contractual agreement, as well as the modes of managing the service, and the performance and quality standards.

Beginning in 2012, authority for rates was transferred from the state to the national agency ARERA which, as part of this task it has been assigned, approved a transitional rate method for the period 2012-2013, a two-year period of consolidation from 2014 to 2015 and a rate method in force for 2016-2019 and the current provision regime 2020-2023 (Mti-3).

The adjustment for 2020-2023 is in continuity with the 2016-2019 period with the introduction of a number of incentives that also include contract quality indicators. Each operator is granted revenue (VRG) independently of the trends of the volumes distributed and it is established on the basis of operating costs (efficient and exogenous) and capital costs in relation to the investments made.

For the purpose of carrying out the service, the operator uses networks, facilities and other equipment owned by the company itself or the municipalities or asset companies. These assets, part of the inaccessible water stores, or granted or leased to the provider, must be returned to the municipalities, asset companies or local area authorities at the end of the concession to be made available to the incoming provider. Any work carried out by the Hera Group for the water service must be returned to above mentioned entities following payment or the residual value of the assets in question.

The Hera Group's relations with users are regulated by provisioning regulations as well as Service Charters drafted on the basis of templates approved by local area authorities in compliance with provisions set out by ARERA regarding the quality of the service and the resource.

Waste management sector

The municipal waste service managed by the Hera Group in the area it serves is provided on the basis of agreements with local authorities and comprises the exclusive management of the collection, transportation, sweeping and cleaning of streets, preparations for waste recovery or disposal and other minor services. Agreements concluded with local area authorities regulate the economic aspects of the contractual agreement, as well as the modes of organising and managing the service, and the performance and quality standards. Beginning in 2020, the considerations due to the operator for the services rendered, including municipal waste disposal/treatment/recovery activities, have been defined annually on the basis of the new national rate regulation (Authority resolution 2019/433), as well as on the basis of the consideration resulting from competitive procedures already concluded, for the areas of new awarding of contracts. The municipal waste management service is billed by the Hera Group to the individual municipalities in the case of the Tari regime or to the individual users in the case of the application of the punctual correspondent tariff (TCP).

To run treatment plants for municipal waste, the Hera Group is required to obtain provincial authorizations; furthermore, for 2021, the subsidiary Herambiente Spa signed with Atersir the service

contract established by Article 16 of Regional Law 23 of Emilia Romagna, dated 2011, for the disposal of unsorted waste.

In compliance with the principle of continuity of public services, under the terms of the existing agreements, the operator is obliged to continue the service also in the territories where the existing concession has already expired and until the start of the new assignments. For the expired concessions, the procedures for the new assignments have already been started by the competent Agencies. . With effect beginning on 1 January 2020, a new assignment was signed for the Ravenna-Cesena area, valid for 15 years.

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 (so-called Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market. Inrete Distribuzione Energia Spa, an Hera Group company that took over natural gas and electricity distribution from Hera SpA, takes advantage of longer residual terms established for operators that have promoted partial privatizations 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. Rates for the distribution of gas are fixed under current regulations and by periodical resolutions issued by the national agency in charge of this sector Arera. The area in which the Hera Group company Inrete Distribuzione Energia Spa provides gas distribution services is divided into rate zones in which a uniform distribution rate is applied to different categories of customers. The tariff regulations in force at the time these half-year financial statements were approved are resolutions 596/2020/R/gas (Update of tariffs for gas distribution and metering services, for the year 2021), which replaced the 571/2019/R/gas of 27 December 2019 and which serve to approve the mandatory tariffs for natural gas distribution, metering and marketing services for 2021, as per Article 42 of the RTDG.

Beginning 1 January 2020, in fact, the new Regulation governing gas distribution and metering service rates for the regulation period 2020-2025 (Rtdg 2020-2025) came into force, approved with resolution 570/2019/R/gas.

Pursuant to Article 43 of the Rtdg 2020-2025, the mandatory natural gas distribution and metering tariffs are broken down into different rate areas:

- the northwest area, which includes the regions of Valle d'Aosta, Piedmont and Liguria;
- the northeast area, including the regions of Lombardy, Trentino - Alto Adige, Veneto, Friuli - Venezia Giulia, and Emilia - Romagna;
- the central area, comprising the regions of Tuscany, Umbria and the Marche;
- the central-southeastern area, including the regions of Abruzzo, Molise, Apulia and Basilicata;
- the central-southwestern area, including the Lazio and Campania regions;
- the southern area, including the regions of Calabria and Sicily;
- the Sardinia area, including the region of Sardinia.

The value of the tariff components GS, RE, RS and UG1 referred to in paragraph 42.3, sections c), d), e), f) of the Rtdg 2020-2025 is subject to quarterly updating.

Beginning 1 January 2021 the values are those of Table 8 attached to Resolution 349/2020/R/com and beginning 1 March 2021 the values of Table 8 attached to Resolution 349/2020/R/com are applied.

With regard to electricity, the contracts (lasting thirty years and renewable pursuant to the current regulations) govern power distribution activities comprising, *inter alia*, the management of distribution networks and the operation of associated plants, ordinary and extraordinary maintenance, the planning and identification of development projects, and metering. The contract may be suspended or terminated, on the judgement of the national Authority, if defaults and violations occur on the part of the concessionary company that seriously affect the performance of the distribution and metering of electricity. The concessionary company is obliged to apply the rates set by current regulations and resolutions adopted by the sector Authority. The rate regulations in effect at the time the half-yearly financial statements are approved refers to the Authority's resolution 654/2015/R/Eel of 23 December 2015 (Rate regulations for electricity transmission, distribution and metering, for the regulatory period 2016-2023), which replaced the previous Authority resolution Arg/elt no. 199/2011 and subsequent amendments and additions (Official directives for the provision of electricity transmission, distribution and metering services for the regulatory period 2012-2015 and provisions on economic conditions for the provision of connection services), in force until 31 December 2015. With this resolution, the Authority issued the provisions on the tariff regulation of electricity transmission, distribution and measurement

services for the 2016-2023 regulatory period, defining an eight-year regulatory period made up of two four-year semi-periods, also providing for an intra-period update between the first and second semi-periods.

The mandatory rate for distribution services covers the costs of transporting electricity along distribution networks. It is applied to all end customers, with the exception of low-voltage household customers. The rate has a trinomial structure and is expressed in hundredths of a euro per sampling point per year (fixed component), euro cents per KW per year (power component) and euro cents per kWh consumed (energy component).

The compulsory tariff for the distribution service is periodically updated by the national authority Arera by means of an appropriate provision, therefore, on 27 December 2019, resolution 568/2019/R/Eel was issued, approving the tariff regulation of electricity transmission, distribution and measurement services for the 2020-2023 regulatory semi-period.

2.05 LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Registered name	Registered office	Share capital (euro) (*)	Percentage held		Total interest
			direct	indirect	
Acantho Spa	Imola (BO)	23,573,079	80.64%		80.64%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
AcegasApsAmga Servizi Energetici Spa	Udine	11,168,284		100.00%	100.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sarl	La Wantzenau (France)	1,025,000		75.00%	75.00%
Aliplast Iberia SL	Calle Castilla -Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spoo	Zgierz (Poland)	1,200,000 PLN		75.00%	75.00%
Amgas Blu Srl	Foggia	10,000		100.00%	100.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Ascopiaive Energie Spa	Pieve di Soligo (TV)	250,000		100.00%	100.00%
Ascotrade Spa	Pieve di Soligo (TV)	1,000,000		89.00%	89.00%
Atlas Utilities EAD	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Lev		100.00%	100.00%
Blue Meta Spa	Pieve di Soligo (TV)	606,123		100.00%	100.00%
EstEnergy Spa	Trieste	299,925,761		100.00%	100.00%
Etra Energia Srl	Cittadella (PD)	100,000		51.00%	51.00%
Feronia Srl	Finale Emilia (MO)	100,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	2,748,472		75.00%	75.00%
Hera Comm Spa	Imola (BO)	53,595,899	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		84.00%	84.00%
Hera Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		67.61%	67.61%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		46.70%	46.70%
Primagas AD	Varna (Bulgaria)	1,149,860 Lev		96.90%	96.90%
Recycla Spa	Maniago (PN)	90,000		75.00%	75.00%
Tri-Generazione Scarl	Padua	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%
Wolmann Spa	Bologna	400,000		100.00%	100.00%

(*) unless otherwise specified

Jointly controlled entities

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%

Associated companies

Registered name	Registered office	Share capital (euro)	Percentage held		Total interest
			direct	indirect	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
ASM SET Srl	Rovigo	200,000		49.00%	49.00%
SEA - Servizi Ecologici Ambientali Srl	Saline (AN)	100,000		23.25%	23.25%
Set Spa	Milan	120,000	39.00%		39.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Sinergie Italiane Srl in liquidation	Milan	1,000,000		31.00%	31.00%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

*The share capital of these companies consists of 67,577,681 euros of ordinary shares and 10,450,000 of related shares.

2.06 DECLARATION ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1 - I sottoscritti Stefano Venier, in qualità di Amministratore Delegato e Luca Moroni, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Hera Spa, attestano, tenuto anche conto di quanto previsto dall'articolo 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n.58:

- l'adeguatezza in relazione alle caratteristiche dell'impresa e
- l'effettiva applicazione

delle procedure amministrative e contabili per la formazione del bilancio semestrale abbreviato nel corso del 1° semestre 2021.

2 - Si attesta, inoltre, che:

2.1 - il bilancio semestrale abbreviato:

- è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n.1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
- corrisponde alle risultanze dei libri e delle scritture contabili;
- è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

2.2 - La relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul bilancio semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La relazione intermedia sulla gestione, comprende, altresì, un'analisi attendibile delle operazioni rilevanti con parti correlate.

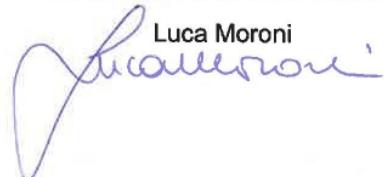
L'Amministratore Delegato



Stefano Venier

Il Dirigente Preposto alla redazione

dei documenti contabili societari



Luca Moroni

Bologna, 28 luglio 2021

2.07 REPORT BY THE INDEPENDENT AUDITOR

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 (the "Hera Group"), which comprise the statement of financial position as of June 30, 2021 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, 2021 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.

DELOITTE & TOUCHE S.p.A.

Signed by
Mauro Di Bartolomeo
Partner

Bologna, Italy
August 3, 2021

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

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