Report of the Board of Auditors on Hera Spa's Consolidated Financial Statements

Shareholders,

The Hera Group has drawn up the consolidated financial statements in accordance with the EC Regulation no. 1606/2002 of 19 July 2002, as per the Ias/Ifrs International Accounting Principles, ratified by the European Community, supplemented by the related interpretations (standard Interpretations Committee – Sic and International Financial Reporting Interpretation Committee – Ifric) issued by the International Accounting Standard Board (Iasb), as well as by the instructions issued by way of implementation of Article 9 of Italian Legislative Decree no. 38/2005.

The accounting period ended as at 31 December 2009, represents the following summary results (figures in thousands):

BALANCE SHEET	
Non-current assets	
Tangible fixed assets	3,255,712
Intangible fixed assets	196,614
Goodwill and consolidation differences	378,574
Equity investments and securities	121,243
Financial assets	10,535
Deferred tax assets	73,596
Financial instruments – derivatives	419
TOTAL NON CURRENT ASSETS	**4,036,693**
Current assets	
Inventories	47,068
Trade receivables	1,137,076
Contract work in progress	19,904
Financial assets	21,790
Financial instruments – derivatives	50,199
Other current assets	178,892
Cash and cash equivalents	350,332
TOTAL CURRENT ASSETS	**1,805,261**
TOTAL ASSETS	**5,841,954**
Liabilities	
Group Shareholders' equity	1,642,606
Shareholders' equity pertaining to minority shareholders	58,125
TOTAL SHAREHOLDERS' EQUITY	**1,700,731**

Loans falling due beyond 12 months	2,144,857
Employee leaving indemnity	101,017
Provisions for risks and charges	186,200
Deferred tax liabilities	132,801
Financial leasing payables	9,379
Financial instruments	40,394
TOTAL NON CURRENT LIABILITIES	**2,614,648**
Banks and loans	113,039
Financial leasing payables	7,148
Trade payables	1,048,214
Tax payables	80,213
Other current liabilities	223,328
Financial instruments	54,633
TOTAL CURRENT LIABILITIES	**1,526,575**
Total liabilities	**4,141,223**
SHAREHOLDERS' EQUITY AND LIABILITIES	**5,841,954**

INCOME STATEMENT	
Revenues	4,204,204
Change in inventories of finished products and work in progress	-1,878
Other operating income	82,755
Consumption of raw materials and consumables	-2,774,865
Costs for services	-633,441
Personnel costs	-352,044
Amortisation, depreciation and provisions	-276,001
Other operating costs	-37,444
Capitalised costs	79,990
Operating profit (EBIT)	**291,276**
Portion of profits (losses) pertaining to associated companies	3,921
Financial income	22,967
Financial charges	-140,244
Other non-operating costs	-15,319
Pre-tax profit	**162,601**
Income taxes for the year	-77,637
Net profit for the year	**84,964**

In the Report to the consolidated financial statements and related explanatory notes, the Board of Directors illustrated the Group's consolidated operations and the summary of the overall income performances.

The independent auditing firm, with whom the Board of Statutory Auditors has had contact, confirmed that it had ascertained the regularity and correspondence of the balance sheet and income statement deriving from the consolidation with the accounting records of the Company and with the information forwarded by the subsidiary companies, included in said scope of consolidation, and that it had also established that full compliance exists between the contents of the consolidated financial statements and the information and clarification which can be obtained from the explanatory notes and the report on operations.

In as far as we are responsible, we can confirm the following:

- The consolidated financial statements of the Hera Group include the financial statements as at 31 December 2009 of the Parent Company Hera S.p.A., and those of the subsidiary companies. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, in such a way as to obtain benefits from its activities.
- Subsidiary companies whose entity is irrelevant and those in which the effective exercise of the voting rights is subject to serious and long-lasting restrictions, are excluded from line-by-line consolidation, along with the subsidiary companies held exclusively for the purpose of subsequent disposal.
- Equity investments representing fixed assets in associated companies, whose entity is significant, are carried at equity. Dormant companies, or those of an insignificant entity, are by contrast maintained at cost.
- Companies held exclusively for the purpose of subsequent disposal are excluded from the scope of consolidation and valued at the lower between cost and fair value. These equity investments are classified in their own items.
- There are no companies consolidated on a proportional basis.
- The consolidated balance sheet and income statement schedules have been drawn up on the basis of the accounting schedules which the companies included within the scope of consolidation have appropriately reclassified and adjusted (on the basis of specific instructions issued by the Parent Company) so as to render them consistent with the accounting standards and policies of the Hera Group. With regard to associated companies, adjustments in shareholders' equity balances have been considered to adjust it to the IAS/IFRS standards.
- When drawing up the consolidated balance sheet and income statement schedules, the asset and liability, as well as the income and costs of the companies included in the scope of consolidation were adopted on a line-by-line basis. Receivables and payables, income and expense, gains and losses deriving from transactions carried out between consolidated companies have by contrast been eliminated. The book value of the equity investments is also eliminated against the corresponding portions of shareholders' equity of the investee companies.

- The positive difference between the book value of the equity investments and the fair value of the assets and liabilities acquired is allocated to the asset and liability elements and then residually to goodwill. The negative difference is immediately recorded in the income statement, as illustrated in the following section “business combinations”. This negative difference is recorded in a consolidation reserve item only if it regards acquisitions prior to 31 March 2004. The amount of the capital and the reserves of the subsidiary companies corresponding to the minority interest is recorded in an equity item entitled “minority interests in capital and reserves”; the portion of the consolidated economic result corresponding to the minority interests is recorded in the item “profit (loss) for the year pertaining to minority shareholders”.
- Dividends recorded under financial income of the consolidated companies are eliminated within the sphere of the consolidation process of the respective companies, against the reserves for retained earnings under shareholders’ equity. Dividends received by companies carried at equity are booked against the book value of the investment. Dividends resolved by companies carried at cost are maintained under financial income.
- The valuation of the financial statement items is carried out, aspiring to the general principles of prudence and accruals, with a view to the Company as a going concern. For the purposes of the accounting entries, the economic substance of the transactions is given priority over their legal form.
- The same standards and policies applied to the previous financial year were followed in preparing these consolidated financial statements, taking account of the new accounting principles, amendments and interpretations applied on 1 January 2009. As for the income statement, costs and revenues stated include those recorded at year-end, which have balancing entries in the balance sheet. In this regard, income is included only if realised by said year-end date, while account has been taken of the risks and losses even if known after said date.
- All the information contained in the consolidated financial statements and the related accompanying documents relates to the 2009 calendar year.
- With regard to the accounting standards, they comply with statutory regulations and in any event are fully illustrated in the explanatory notes.
- The consolidated financial statements also disclose the amount of guarantees, commitments and risks.
- The consolidated financial statements closed with a profit of Euro 84,964 thousand and shareholders’ equity of Euro 1,642,606 thousand.

The shareholders' meeting must only take into account the consolidated financial statements and accompanying documents for disclosure purposes, since they are documents not subject to approval.
In our opinion, however, these financial statements are a true and accurate representation of the Group equity and financial position and income statement for the year ended 31 December 2009, in compliance with provisions which regulate the drawing up of the consolidated financial statements.

Bologna, 13 April 2010

The Board of Statutory Auditors

The Chairman of the Board of Statutory Auditors	Sergio Santi
Standing auditor	Antonio Venturini
Standing auditor	Fernando Lolli