2011 quarterly report as at 31th March

GRUPPO HERA

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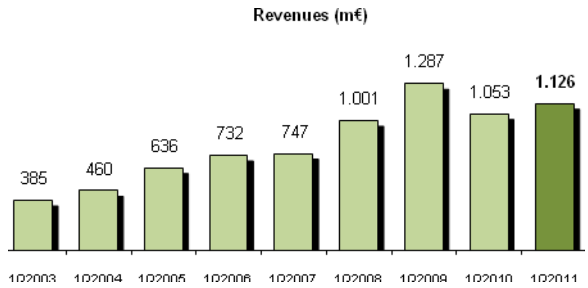
introduction

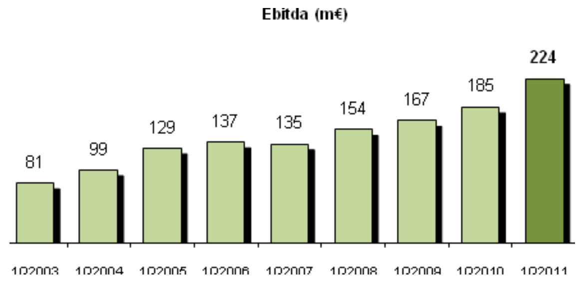
Hera's Mission

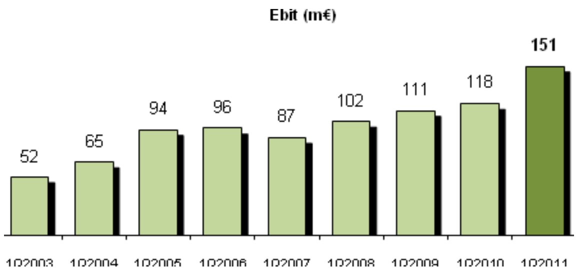
"Hera’s goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment”.

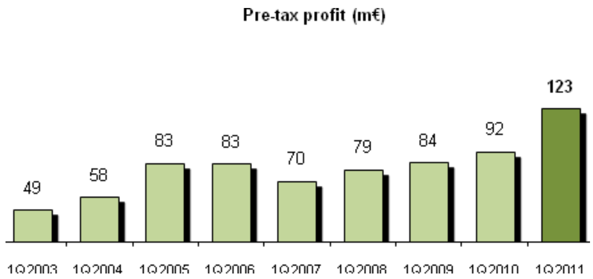
For Hera, being the best means inspiring the pride and trust of: customers, who receive, thanks to Hera’s responsiveness to their needs, quality services that satisfy their expectations; the women and men who work at Hera, whose skills, engagement and passion are the foundation of the company’s success;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

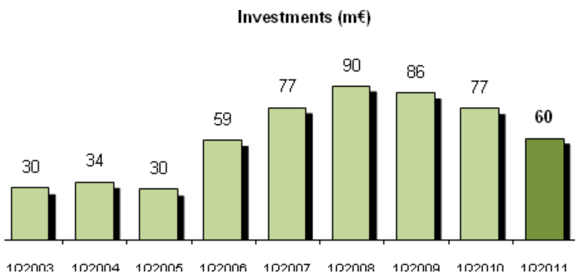
Key financial information

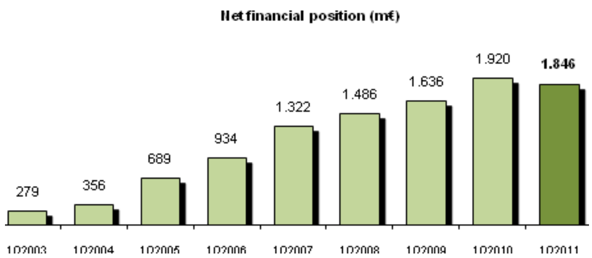












Introduction

In the first quarter of 2011, the Hera Group achieved ***positive growth in all results through to net profit*** in spite of the country's macroeconomic situation remaining affected by the slow recovery from the global economic crisis. The results achieved in the quarter can be better appreciated taking into account that EBITDA showed the biggest increase (Euro 39 million) since the company was established in 2002.

The contribution from the new plants was only a partial expression of their potential, given that the Rimini waste to energy plant only started producing electricity in February; the new 80 MW Imola cogeneration plant was mainly used for heat production and suffered from the unfavourable weather during the winter, whilst electricity generation remained low owing to lean prices on the energy market.

The expansion strategy in deregulated markets, backed by a solid commercial structure, effective cross-selling and an efficient customer service structure, continued in the first quarter to support the growth of ***sales in the electricity sector,*** increasing the customer base by more than 50,000 units. An increase in ***gas*** service customers was also recorded, with an increase in ***industrial waste*** volumes that was higher than the growth dynamics for the sector in Italy.

In addition ***concessions for energy distribution, urban waste collection and integrated water supply*** contributed to the improvement in results in the first quarter, mainly due to adjustments made in line with the returns guaranteed by domestic laws and the new tariff systems. Specifically, in gas distribution, the domestic authorities concluded several inspection procedures during 2009 and set permanent tariffs for the current financial year based on a re-evaluation of assets due to the switch to an accurate evaluation system of capital invested in place of the "parametric" system, widely used in the past.

The ***development strategy for external lines*** also made a contribution to the improved results, although to a lesser extent compared with the contribution of organic growth, achieved through the market expansion and efficiency drive.

Progress was recorded in operating results this quarter, compared with the same period in the previous year, with contributions from all strategic sectors of the Group (Waste Management, Energy and Networks) and all growth factors, both internal and external. These developments bolstered growth, even in the Group's consolidated net profit, which rose by more than 40%.

Cash flow improved this quarter due to an increase in cash flows from operations. This cash generation financed investments during the period, basically in line with the same quarter in the previous year, as well as the seasonal increase in net working capital (linked to the billing of gas sold during the winter months). The first quarter is further proof of the sound financial structure and effectiveness of investments, helping to boost the return on capital employed and leading to greater satisfaction among investors who, pursuant to the resolutions of the Shareholder's Meeting on 29 April, will receive a dividend of Euro 0.09 per share.

Strategic approach

Hera's strategy is focused on the creation of value through a *multi-stakeholder* approach, and is aimed at achieving growth along all lines of development, both internal and external, benefiting from both economies of scale and potential synergy from mergers with multi-utility companies operating in the target markets.

Hera pursues ***efficiency strategies*** which leverage an innovative organisational model based on centralising several general functions and maintaining a strong local presence in the areas served.

The ***development of markets with free competition*** has always been one of the Group's key strategies and yielded important results in the first quarter of 2011, despite the economic crisis. Particular emphasis has been placed on *cross selling* of services to customers. The increase in market share in the energy and waste treatment free markets is supported by the development strategy for plant capacity, which has reached its final execution stage; at the end of 2010, all new plants which were part of the multi-year expansion programme were completed. As far as regulated activities are concerned, the goal is still to consolidate our geographical footprint, increase asset ownership and take part in tenders in target regions and the surrounding areas.

Hera also took advantage of the opportunities for developing external lines, both through *multi-business* combinations in nearby areas, and through companies integrated upstream in deregulated markets. The ***multi-business*** development line concentrates on businesses operating in areas adjacent to the target region, allowed improved economies of scale to develop for management efficiency processes. These are the criteria which led Hera to acquire a 25% stake in Aimag. The strategic goal of the ***mono-business*** operations is to strengthen both waste treatment activities, taking advantage of the favourable market conditions, and energy sector activities, to develop sales through a balanced integration policy upstream of electricity generation. This is the background of the transactions which have taken place recently, such as the formation of a joint venture with an industrial partner which has allowed the construction of a biomass thermoelectric plant, currently fully operational and included pro rata in the quarterly results. In April, an agreement was signed for the purchase of a commercial company in Le Marche; this company serves approximately 34,000 customers and will contribute to the Group's results from the second quarter of this year.

Hera sets out its strategic goals in a business plan which is updated every year; the last update was the 2010-2014 business plan, put forward in October 2010, which proposed the continuation of the strategies described and, building on the solid foundations laid down, plans to improve the economic-financial results achieved to date. The forecasts depend on the efficiency processes already implemented, the plants in operation and the continuation of expansion strategies in deregulated markets. The cash generation of these "organic" growth initiatives will make it possible to support further plant development, improve financial soundness and maintain a policy of increased dividends during the lifetime of the plan.

Expansion strategies for external lines remain a priority according to the usual growth plans in the multi-business sectors in surrounding areas and with mono-business initiatives for free market activities at a national level. In support of these lines of development, in 2010 Hera increased the Group's financial flexibility through the placement of a convertible bond worth Euro 140 million and the sale of 25% of Herambiente's share capital to a financial partner which allowed Euro 125 million to be raised in cash.

Business sectors

Hera maintains a balance between the development of regulated activities (integrated water supply, collection and disposal of urban waste, distribution of methane gas and electricity, district heating) and deregulated activities (sale of methane gas and electricity, disposal of special waste and public lighting services) in terms of contribution to EBITDA.

The effectiveness and low risk profile, associated with this balanced multi-business approach, are particularly obvious if one notes the continued and uninterrupted growth in consolidated EBITDA over the years, even in a difficult year like 2010.

Hera is the leading domestic operator in the ***waste management sector*** through the quantity of waste collected and treated: urban waste collection activities are regulated according to a concession which expires in 2012, while waste disposal is a free market business. Tariffs in 2008-2012 were to a large extent already agreed with local authorities.

Plant facilities, which have been upgraded over the last seven years, include 80 plants capable of covering the entire range of possible waste treatments, and is one of the Group's national strengths.

Hera is also one of the key Italian players in the recovery of electricity from waste and is the only company in recent years to manage to build and commission five new WTE plants in Italy, taking installed capacity to over 100 MW, or approximately 1 million tonnes/year. Herambiente SpA, a company set up in July 2009, is a special purpose vehicle created to boost market presence and take advantage of the exclusive know-how acquired in the operation of these plants.

In the light of the shortage of infrastructure in the waste treatment sector in Italy, which culminated in the waste emergency, first in Campania, and then in Sicily, invitations to tender were put out for the construction of new WTE plants in several Italian regions. Herambiente is already active in bidding for some of these to capture market share in a rapidly developing market.

The Hera Group is the second biggest operator in Italy in the management of the ***complete water cycle***, i.e. from the collection and purification of waste water to the distribution of drinking water. Hera is the only operator to carry out this service in seven provinces in Emilia Romagna and in the north of Le Marche in accordance with long-term concession agreements (on average until 2022). The tariffs for the 2008-2012 period have already been agreed with the local authorities.

The streamlined management of over 27,000 km of water networks, the economies of scale in purchasing and the adjustment of 2008-2012 tariffs to comply with regulations, are the main drivers for growth, together with the contribution from growth of external lines.

Hera covers virtually the entire target region in the ***gas sector*****,** is the largest "local" operator and is ranked fourth in Italy in terms of volumes distributed. With over 1.1 million customers, Hera sells more than 2.8 billion m^3 of gas per year.

The Group has a direct transport capacity from abroad of approximately 500 million m^3 of gas via the TAG pipeline. This is in addition to the 1 billion m^3 per year to be added via the Galsi pipeline, yet to be constructed, between Italy and Algeria.

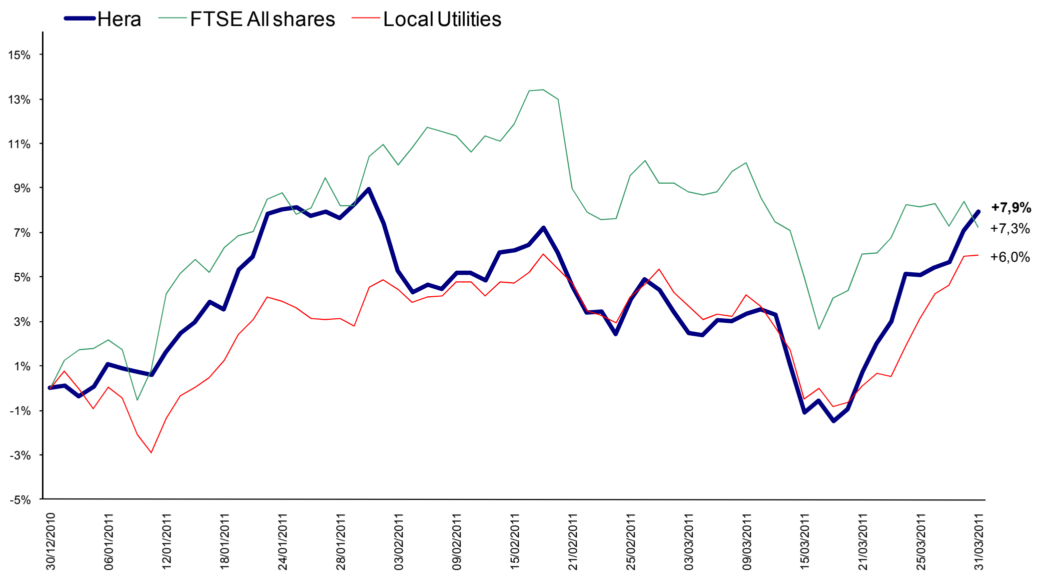
Since its inception, Hera has pursued a “dual fuel” commercial strategy which allows the ***electricity*** market to be developed at steady growth rates through cross-selling to existing customers and expansion into new markets. Hera is one of the top 10 domestic operators in this sector, and is also one of the fastest growing companies.

This commercial development has been accompanied by the simultaneous development of energy supply by setting up joint ventures for buying stakes in combined cycle plants, the development of power plants operating on renewable or similar energy sources, and the commissioning of cogeneration plants.

As far as energy activities are concerned, Hera is distinguished by its prudent and flexible commodity procurement policy. This policy has proved to be particularly effective following the overhaul of the Italian markets due to the recent economic crisis, as well as the sharp growth in the availability of resources.

Stock performance

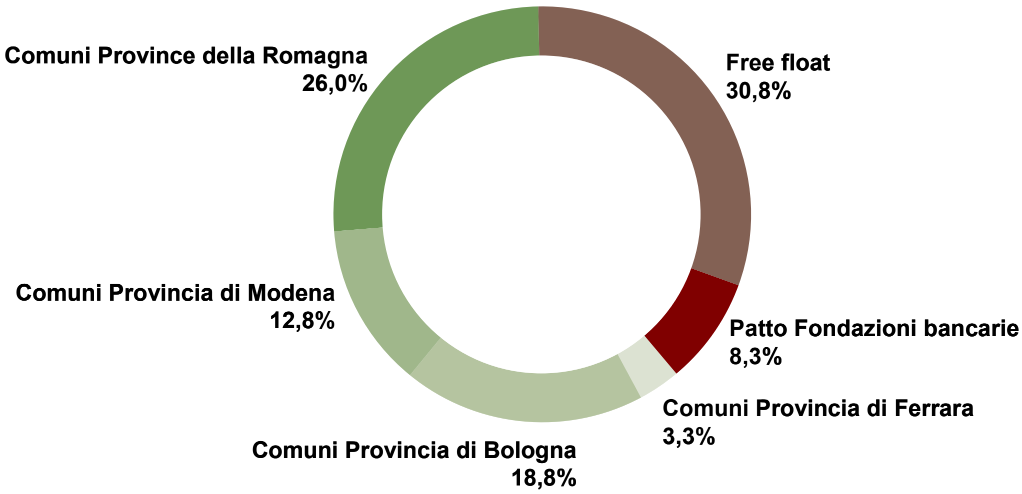
The FTSE Italia All Share index closed the first quarter of 2011 up 7.3%, the Italian *Local Utilities* index closed up 6.0%, while Hera's stock performance was up 7.9% since the beginning of the year, with an official price of Euro 1.682, continuing the positive trend that started in December 2010.



Hera has extensive ***coverage*** made up of 13 independent consultancy firms, half of which are international: Axia, Banca Akros, Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Deutsche Bank, Equita, Intermonte, Kepler, Mediobanca, Merrill Lynch and Unicredit. In 2010, Hera stock was included several times as one of the best picks – or best investment opportunities – by various consultancy firms including Banca Leonardo, Banca IMI, Deutsche Bank, Kepler and Unicredit

The Group's financial profile is assessed by the two most important international credit rating agencies: Standard & Poor's and Moody's. On 22 July 2010, Standard & Poor's changed the rating awarded to Hera as a result of long-term borrowings, reducing it from A2 with a stable outlook to BBB+ with a stable outlook, while Moody's changed Hera's credit rating to A3 (from A2) with a stable outlook (from negative). These rating changes did not take the results of the last 4 quarters into consideration or the Euro 125 million in cash from the sale of 25% of Herambiente's shares. These events actually led to a significant improvement in the Group's financial position (2010 Debt/EBITDA from 3.3x to 3.0x and Debt/Equity below 1x).

Following a series of mergers by integration, the ***share capital*** consists of 1,115,013,754 ordinary shares with a par value of one euro each.
Hera's company structure represents a "one-off" in the Italian sector with share ownership spread over more than 190 public shareholders in the target region who hold a total stake equal to 62% (of which 51% is tied into a shareholders' agreement), more than 400 Italian and foreign professional investors and more than 21,000 private shareholders.



Since 2006 Hera has adopted a ***plan to buy back treasury shares*** with a maximum limit of 15 million shares for a total amount of up to Euro 60 million aimed at financing a possible opportunity for integrating small companies and normalising any irregular fluctuations in listings in relation to those of the main domestic competitors. The Shareholders' Meeting on 29 April 2011 renewed the plan for the purchase of treasury shares for a further 18 months, for up to a maximum total amount of Euro 60 million.

The main ***communication*** tool has undoubtedly been the Group's website (www.gruppohera.it). In 2010, Hera was ranked second in the Hallvarsson & Halvarsson 2010 *Webranking* for websites of the top 150 Italian listed companies, and took first place in Europe for companies in the Electricity sector. In the first few months of 2011, more than 140 meetings were held with Italian and international investors following the presentation of the 2010 annual results to the financial community.

Directors' Report

1.01 Hera Group performance as at 31 March 2011

Consolidated summary results of the Hera Group:

(millions of €)	31-Mar-10	Inc.%	31-Mar-11	Inc.%	Change %
Revenue	**1,053.2**		**1,126.2**		**+6.9%**
EBITDA	**185.1**	**17.6%**	**224.3**	**19.9%**	**+21.2%**
EBIT	117.6	11.2%	151.3	13.4%	+28.6%
Net Profit	**52.6**	**5.0%**	**74.5**	**6.6%**	**+41.6%**

1.01.01 Financial results

In the first quarter of 2011, the Hera Group's economic results showed growth compared with the same period in 2010; all the main business areas recorded an increase and all economic indicators signalled a positive trend.

The excellent performance of the economic indicators appears even more significant given the fall in several quantitative indicators compared with the first quarter of 2010. The following should be noted: (i) lower volumes of gas and heat sold and distributed, as a result of the higher average temperatures compared with the first three months of 2010, (ii) lower volumes of water managed and urban waste collected and disposed of, and (iii) greater volumes of electricity sold and distributed.

The main events that took place in the first three months of 2011, compared with the same period in the previous year, are detailed below:

- The trading company Hera Comm was assigned the task of managing customer energy protection services for electricity supply in Lombardy, Tuscany, Lazio, Abruzzo, Molise and Puglia, for the three-year period 2011-2013.
- Since February 2011, HERAmbiente has consolidated its stake in Enomondo to 50%, a company that manages a 13 MWe biomass plant in a joint venture with Caviro Distillerie S.r.l.
- Since the second half of 2010, the Marche Multiservizi Group has consolidated its stake in Naturambiente, which manages the landfill operations for the Municipality of Cagli (PU).

As seen from the financial statements as at 31 December 2010, the Consolidated Income Statement applies the interpretation of the IFRIC 12 accounting principle "Service Concession Arrangements", which has changed the way in which transactions are accounted for by businesses operating in industries regulated by specific concessions. At an accounting level, the impact of the application of this principle, whilst not changing the results, has meant that investments in assets under concession (network services) are reported in the income statement. Therefore, the income statement shows an increase in other operating income of Euro 26.7 million for the first quarter of 2011 and Euro 26.4 million for 2010, lower capitalised costs of Euro 8.3 million in 2011 and Euro 7.5 million in 2010, and increased operating costs for services, materials and other operating costs of Euro 18.3 million in 2011 and Euro 18.9 million in 2010.

In addition, the accounts for the first quarter of 2010 have been reclassified so that they provide a better representation of the plants and other works of the companies operating within the Group; specifically, the costs of services and capitalised costs have been increased by the same amount.

The table below gives the economic results for the first quarter of 2010 and 2011:

Income Statement (m/€)	31-Mar-10	Inc.%	31-Mar-11	Inc%	Absolute change	% change
Revenue	1,053.2		1,126.2		+73.0	+6.9%
Chg+ in fin. prod. inv. and work in progress	3.7	0.4%	0.6	0.1%	-3.1	-83.9%
Other operating income	41.7	4.0%	41.6	3.7%	-0.1	-0.2%
Raw materials and consumables	(643.9)	-61.1%	(656.0)	-58.2%	+12.1	+1.9%
Service costs	(192.6)	-18.3%	(198.4)	-17.6%	+5.8	+3.0%
Other operating costs	(9.2)	-0.9%	(7.5)	-0.7%	-1.7	-18.5%
Personnel costs	(92.1)	-8.7%	(94.0)	-8.3%	+1.9	+2.1%
Capitalised costs	24.3	2.3%	11.7	1.0%	-12.6	-51.9%
EBITDA	**185.1**	**17.6%**	**224.3**	**19.9%**	**+39.2**	**+21.2%**
Depreciation and provisions	(67.4)	-6.4%	(73.0)	-6.5%	+5.6	+8.3%
Operating profit (EBIT)	**117.6**	**11.2%**	**151.3**	**13.4%**	**+33.7**	**+28.6%**
Financial operations	(26.0)	-2.5%	(28.2)	-2.5%	+2.2	+8.4%
Pre-tax profit	**91.6**	**8.7%**	**123.1**	**10.9%**	**+31.5**	**+34.4%**
Tax	(39.0)	-3.7%	(48.6)	-4.3%	+9.6	+24.6%
Net profit for the period	**52.6**	**5.0%**	**74.5**	**6.6%**	**+21.9**	**+41.6%**

The 2010 figures have been reclassified for the application of the IFRIC 12 principles

EBITDA rose from Euro 185.1 million in 2010 to Euro 224.3 million in 2011 (+21.2%), EBIT rose from Euro 117.6 million to Euro 151.3 million (+28.6%), pre-tax profit increased by 34.4% from Euro 91.6 million to Euro 123.1 million, and net profit jumped from Euro 52.6 million in 2010 to Euro 74.5 million in the first three months of 2011 (+41.6%).

Income increased by Euro 73.0 million (+6.9%), from Euro 1053.2 million at 31 March 2010 to Euro 1126.2 million at 31 March 2011. The main reasons for this are: (i) higher volumes of electricity sold (+36.5%) and distributed, (ii) increased revenues from gas distribution and sales, and (iii) increased revenues in the waste management segment, especially higher volumes sold and more electricity produced.

Other operating income, equal to Euro 41.6 million, is in line with the same period in the previous year; changes in inventories, on the other hand, have decreased, connected in particular to the reclassifications linked to the construction of plants and works within the Group.

The increase in the costs of raw materials and materials, equal to Euro 12.1 million compared with the previous year, is affected by the increased volumes of electricity sold and the increases in the price of natural gas, but it is less than proportional compared with revenues.

Other operating costs (Service costs up by Euro 5.8 million and Other operating expenses down by Euro 1.7 million) saw a net increase of Euro 4.1 million (+2.0%).

The increase in Personnel costs, which went from Euro 92.1 million in the first quarter of 2010 to Euro 94.0 million in 2011 (+2.1%), is mainly related to the development of contract dynamics.

The decrease in Capitalised costs, which went from Euro 24.3 million to Euro 11.7 million, is mainly connected to the decrease in work on plants and works by Group companies, particularly waste to energy plants.

The Group's consolidated EBITDA for the first quarter of 2011 increased, from Euro 185.1 million at 31 March 2010 to Euro 224.3 million (+21.2%), due to the performance of all the main business segments of the Group. Specifically, energy segments recorded a solid performance, benefiting from an improved EBITDA achieved thanks to effective procurement policies and intense business development, and in the waste management segment, thanks to HERAmbiente's plant improvements and resulting increased electricity production.

Depreciation and Provisions increased by 8.3%, from Euro 67.4 million in the first three months of 2010 to Euro 73.0 million for the same period in 2011. This increase is mainly due to (i) increased provisions made for the provision for bad debts and the provision for risks, (ii) the entry into operation of new plants that compensate for the effect of the reduction in depreciation rates; for more details about the dynamics of the depreciations, please see the explanatory notes to the 2010 financial statement.

The first three months of 2011 showed an EBIT of Euro 151.3 million, up 28.6% compared with the first quarter of 2010.

The Financial Management result, as at 31 March 2011, stood at Euro 28.2 million compared with Euro 26.0 million as at 31 March 2010. The increase is mainly due to lower profits from associate companies, which were particularly positive in the first quarter of 2010 thanks to the results of the associate company Set S.p.A.

In the light of the above, Pre-Tax Profit rose from Euro 91.6 million for the first quarter of 2010 to Euro 123.1 million for the first quarter of 2011, an increase of 31.5%, or Euro 34.4 million.

Tax went from Euro 39.0 million to Euro 48.6 million. The final tax rate was 39.5%.

Net Profit as at 31 March 2011 was Euro 74.5 million, up 41.6% compared with Euro 52.6 million for the same period in 2010.

1.02 Investments

The Group's tangible and intangible investments totalled Euro 59.8 million, compared to Euro 77.0 million in the same period of the previous year.

The table below lists the investments before disposals, for the reference period, by business sector:

Total Investments (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Gas segment	10.6	10.0	-0.6	-5.7%
Electricity segment	9.8	8.0	-1.8	-18.4%
Integrated water cycle segment	19.2	18.4	-0.8	-4.2%
Waste management segment	25.3	13.6	-11.7	-46.2%
Other services segment	1.6	3.1	+1.5	+93.8%
Central structure	9.5	6.7	-2.8	-29.5%
Total Operating Investments	**75.9**	**59.8**	**-16.1**	**-21.2%**
Total financial investments	1.0	0.0	-1.0	-100.0%
Total	**77.0**	**59.8**	**-17.2**	**-22.3%**

NB: The investments for 2010 were reclassified so that they gave a better representation of the implementation of plants and other works for companies operating within the Group.

Investments in the **Gas** service were in line, overall, with the same period of the previous year. Operations in the Gas service in the reference area refer to network extensions, improvements and upgrading of networks and distribution systems. There was less investment in District Heating for the completion of new plants; the service includes extension works in the areas of Bologna (Euro 0.4 million), Imola (Euro 1.4 million), Forlì Cesena (Euro 1.1 million) and Ferrara (Euro 0.3 million), whilst investments in Heat Management are directed at structural operations on thermal plants operated by Group companies.

Gas (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Hera SpA network	4.7	6.1	+1.4	+29.8%
Marche/Sardinia networks	0.3	0.4	+0.1	+33.3%
District Heating/Heat Management	5.5	3.5	-2.0	-36.4%
Other	0.1	0.1	+0.0	+0.0%
Total Gas	**10.6**	**10.0**	**-0.6**	**-5.7%**

Investments in the **Electricity** service were mainly aimed at the extension of the service, extraordinary maintenance of distribution networks and plants around Modena and Imola, and network support services. Conversely, the project for the mass replacement of current meters with electronic meters in order to comply with the replacement plans of the AEEG (Italian Authority for Electricity and Gas) is nearing completion (Euro 0.7 million). Investments in electricity and heat production plants (CCGT) refer to the completion of the Imola CHP plant, while cogeneration activities are aimed at creating new plants at companies in the area.

Electricity (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area	4.4	3.9	-0.5	-11.4%
Imola CCGT	4.3	3.2	-1.1	-25.6%
Industrial cogeneration	1.1	1.0	-0.1	-9.1%
Total Electricity	**9.8**	**8.0**	**-1.8**	**-18.4%**

As far as the **Integrated Water Cycle** is concerned, there is a considerable alignment of the work compared with the same period in the previous year. The investments mainly regard the extension, improvement and upgrading of networks and plants, in addition to regulatory compliance, particularly for purification and sewerage systems.

Integrated Water Cycle (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Mains water	9.8	9.5	-0.3	-3.1%
Purification	4.3	4.2	-0.1	-2.3%
Sewerage	5.1	4.7	-0.4	-7.8%
Total Integrated Water Cycle	**19.2**	**18.4**	**-0.8**	**-4.2%**

The **Waste Management** segment recorded growth compared with the previous year in maintenance and expansion activities for existing plants in the area. As far as investments in waste to energy (WTE) are concerned, operations are aimed at the completion and extension of the Modena plant and the construction of the Rimini plant, as both the Ferrara and Forlì waste to energy plants are already finished and operational.

Waste Management (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Existing plants	5.8	6.4	+0.6	+10.3%
New plants:				
Modena WTE	6.2	0.2	-6.0	-96.8%
Forlì WTE	0.7	0.0	-0.7	-100.0%
Rimini WTE	12.5	6.9	-5.6	-44.8%
Total Waste Management	**25.3**	**13.6**	**-11.7**	**-46.2%**

In **Other Services**, IRU linked to the exit of Infracom (Euro 1.3 million) was acquired with a corresponding disposal of assets purchased in previous years (Euro 2.8 million). Public Lighting services show a decrease in investments compared with 2010; the Other item includes investments in cemetery services.

Other Services (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Telecoms	1.0	2.8	+1.8	+180.0%
Public Lighting and Traffic lights	0.5	0.2	-0.3	-60.0%
Other	0.1	0.1	+0.0	+0.0%
Total Other Services	**1.6**	**3.1**	**+1.5**	**+93.8%**

Investments in the Central Business Unit decreased overall compared with the previous year, due to the decline in property transactions. Growth was recorded in other investments, including work on the completion of the Remote Monitoring laboratories and units.

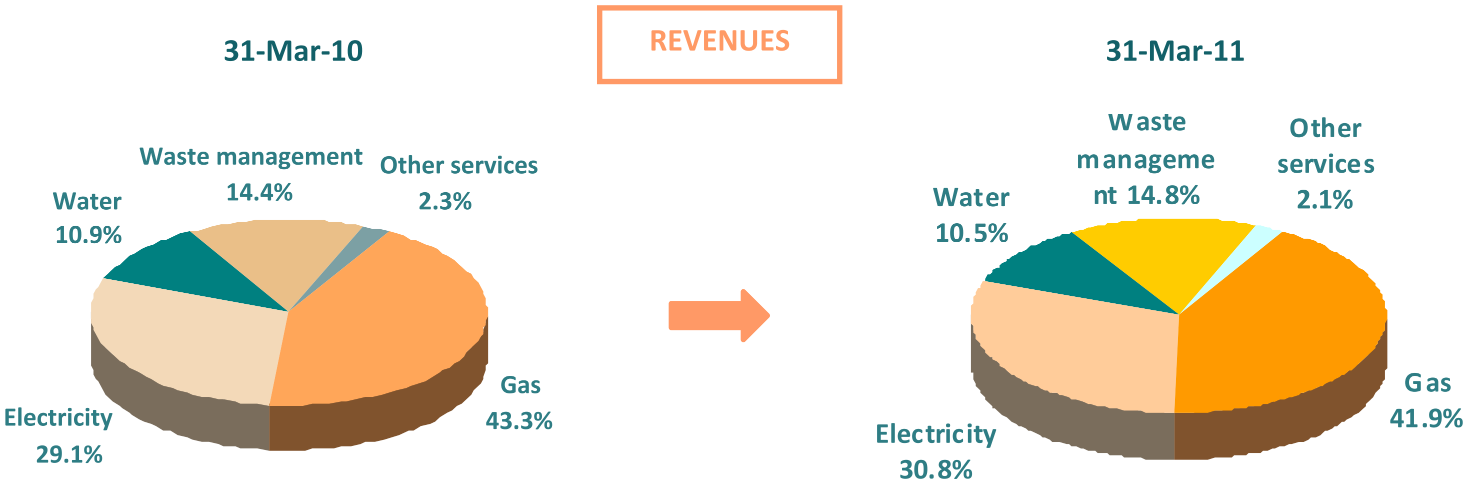
Central Structure (m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Property	6.7	3.5	-3.2	-47.8%
Information systems	1.7	1.7	+0.0	+0.0%
Fleets	0.8	0.8	+0.0	+0.0%
Other investments	0.3	0.7	+0.4	+133.3%
Total Central Structure	**9.5**	**6.7**	**-2.8**	**-29.5%**

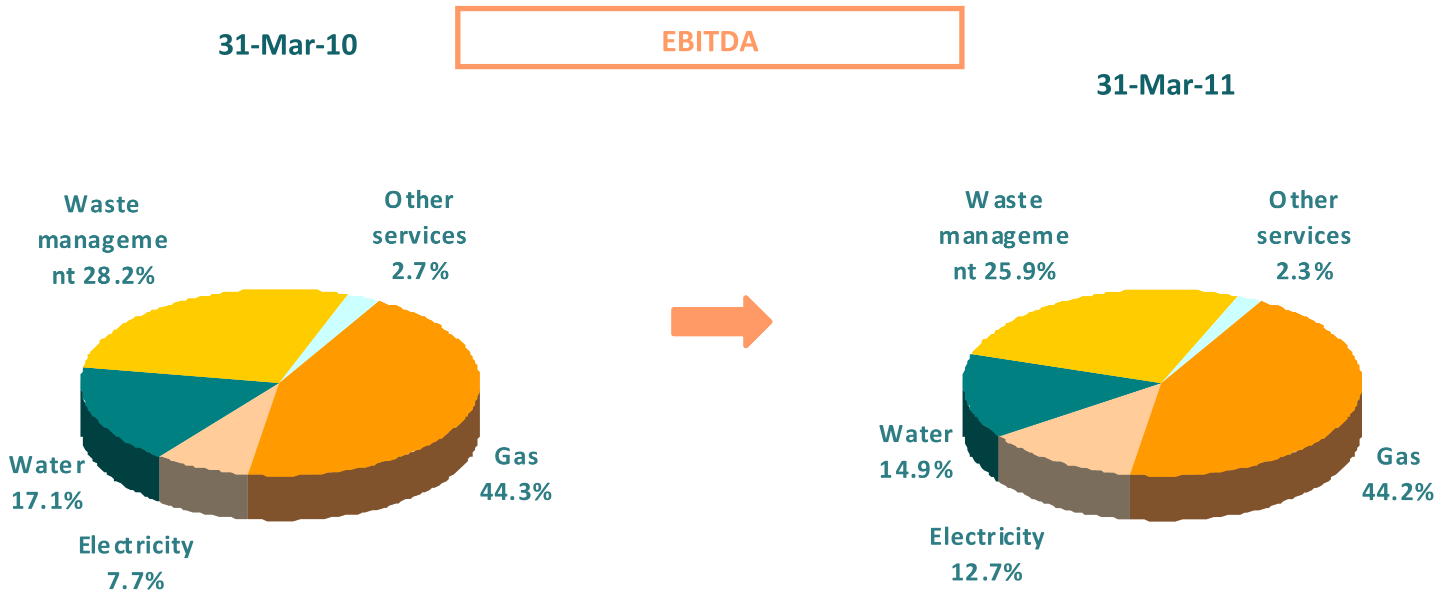
1.03 Analysis by business segment

An analysis of the operating results achieved in the business segments in which the Group operates is given below: (i) the Gas sector, which includes methane gas and LPG distribution and sales services, district heating and heat management, (ii) the Electricity sector, which includes electricity production, distribution and sales services, (iii) the Integrated Water Cycle sector, which includes Mains Water, Purification and Sewerage services, (iv) the Waste Management sector, which includes Waste Collection, Treatment and Disposal services, (v) the Other Services sector, which includes Public Lighting, Telecommunications and other minor services.

In the light of the above, the composition and development of Revenues and EBITDA over the years is shown in the graphs below:

Breakdown of the business portfolio





The following sections give an analysis of the operating results by business segment. The income statements by business segment include structural costs, including inter-divisional transactions valued at current market prices.

The analysis by business segment takes into consideration the value of the increased revenues and increased costs, without an impact on EBITDA, relating to the application of IFRIC 12, as explained in the Group's Consolidated Income Statement. The business sectors affected by the application of the above principle are: Methane distribution services, Electricity distribution services, all Integrated Water Cycle services and public lighting services.

The accounting reclassification for both 2010 and 2011, which increases the costs of services and capitalised costs by the same amount, is also taken into consideration. This reclassification, which has an impact on all business segments, was necessary in order to give a better representation of the construction of plants and other works of companies operating within the Group.

1.03.01 Analysis of operations in the Gas Segment

As at 31 March 2011, the Gas segment recorded growth on the same period in the previous year, with the percentage contribution to the Group's EBITDA remaining in line:

(m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area EBITDA	**81.9**	**99.1**	**+17.2**	**+21.0%**
Group EBITDA	185.1	224.3	39.2	+21.2%
Percentage weighting	44.3%	44.2%	-0.1 p.p.	

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

Quantitative data	31-Mar-10	31-Mar-11	Absolute change	% change
Gas volumes distributed (millions of m³)	1,186.4	1,115.8	-70.6	-6.0%
Gas volumes sold (millions of m³)	1,293.0	1,219.5	-73.5	-5.7%
- of which trading volumes	*218.5*	*242.5*	*+24.0*	*+11.0%*
Heat volumes supplied (GWht)	260.7	253.1	-7.6	-2.9%

Volumes of gas distributed, for the same number of concessions granted, went from 1,186.4 million m³ in 2010 to 1,115.8 million m³ in 2011, representing a decrease of 6.0%; this fall is basically in line with that of approximately 6% recorded nationally; this effect is mainly linked to the weather conditions where the average temperatures recorded were higher than the same period in the previous year.

The volumes of gas sold, on the other hand, went from 1,293.0 million m³ for the first quarter of 2010 to 1,219.5 million m³ in 2011, a fall of 5.7% compared with the first quarter of 2010, due to the climate factor mentioned earlier, in spite of the slight increase in intermediate volumes.

The volumes of heat supplied went from 260.7 GWht in 2010 to 253.1 GWht in the first three months of 2011, with a 2.9% decrease also connected to the higher average temperatures in the first quarter of 2011, which resulted in lower heat consumption.

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

Income Statement (m/€)	31-Mar-10	Inc.%	31-Mar-11	Inc%	Absolute change	% change
Revenue	499.4		510.8		+11.4	+2.3%
Operating costs	(407.7)	-81.6%	(395.0)	-77.3%	-12.7	-3.1%
Personnel costs	(18.3)	-3.7%	(20.5)	-4.0%	+2.2	+12.0%
Capitalised costs	8.5	1.7%	3.7	0.7%	-4.8	-56.5%
EBITDA	**81.9**	**16.4%**	**99.1**	**19.4%**	**+17.2**	**+21.0%**

Revenues increased by 2.3%, from Euro 499.4 million in the first quarter of 2010 to Euro 510.8 million in 2011, as a result of increased sales revenue, in spite of the lower volumes sold, linked to the increase in the cost of raw materials, greater intermediate volumes and higher revenues from distribution.

The decrease in operating costs, down 3.1%, is significant, due partly to the decrease in volumes sold and partly to the Group's effective procurement policies.

EBITDA for the Gas segment increased by Euro 17.2 million, from Euro 81.9 million to Euro 99.1 million, with a significant increase in percentage EBITDA from 16.4% in the first three months of 2010 to 19.4% in 2011. This result is attributable to the increased gas sales margins mentioned earlier and the better performance in trading activities and increased revenues from gas distribution.

1.03.01 Analysis of operations in the Electricity Segment

At the end of the first quarter of 2011, the Electricity segment recorded considerable growth compared with the same period in 2010, particularly in terms of the contribution to the Group's overall EBITDA, which rose from 7.7% to 12.7%, as seen in the table below:

(m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area EBITDA	**14.3**	**28.5**	**+14.2**	**+99.4%**
Group EBITDA	185.1	224.3	+39.2	+21.2%
Percentage weighting	7.7%	12.7%	+5.0 p.p.	

EBITDA rose from Euro 14.3 million at 31 March 2010 to Euro 28.5 million at 31 March 2011, a percentage increase of almost 100%.

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

Quantitative data	31-Mar-10	31-Mar-11	Absolute change	% change
Volumes sold (GW/h)	1,863.5	2,542.9	+679.4	+36.5%
Volumes distributed (GW/h)	550.5	583.2	+32.7	+5.9%

The increase in volumes distributed, equal to +5.9%, shows a recovery in consumption, which in the area served by Imola and Modena was higher than both the average for Emilia Romagna and Tuscany (+0.9%) and the national average (+1.1%), mainly due to flows in the Modena area.

The +36.5% increase in volumes sold was also caused both by the solid performance of sales activities and the acquisition of new energy protection service customers, with a total of more than 90,000 new supply points. The trading company was assigned the task of managing energy protection service customers for the supply of electricity in Lombardy, Tuscany, Lazio, Abruzzo, Molise and Puglia for the three-year period 2011-2013.

An analysis of the main segment results is given below:

Income Statement (m/€)	31-Mar-10	Inc.%	31-Mar-11	Inc%	Absolute change	% change
Revenue	335.8		375.1		+39.3	+11.7%
Operating costs	(319.3)	-95.1%	(342.7)	-91.4%	+23.4	+7.3%
Personnel costs	(5.9)	-1.8%	(6.8)	-1.8%	+0.9	+15.3%
Capitalised costs	3.7	1.1%	2.9	0.8%	-0.8	-21.7%
EBITDA	**14.3**	**4.3%**	**28.5**	**7.6%**	**+14.2**	**+99.4%**

Revenues climbed from Euro 335.8 million for the first quarter of 2010 to Euro 375.1 million in 2011, an increase of 11.7% due to the higher sales volumes mentioned earlier.
The increase in sales volumes had a proportional impact on the increase in operating costs for the purchase of raw materials.

The percentage EBITDA therefore increased from 4.3% in the first three months of 2010 to 7.6% in 2011 due to the abovementioned mix.

At the end of the first three months of 2011, EBITDA jumped from Euro 14.3 million in 2010 to Euro 28.5 million, a near-100% increase due to the contribution of the increased sales volumes and improved EBITDA in trading activities and asset management. Lastly, operations undertaken in renewable sources and industrial cogeneration made a contribution to the overall result.

1.03.03 Analysis of operations in the Integrated Water Cycle segment

The Integrated Water Cycle segment, as at 31 March 2011, also recorded growth compared with the same period in the previous year:

(m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area EBITDA	31.7	33.4	+1.7	+5.4%
Group EBITDA	185.1	224.3	+39.2	+21.2%
Percentage weighting	17.1%	14.9%	-2.2 p.p.	

An analysis of the operating results in the segment is given below:

Income Statement (m/€)	**31-Mar-10**	**Inc.%**	**31-Mar-11**	**Inc%**	**Absolute change**	**% change**
Revenue	125.8		127.5		+1.7	+1.4%
Operating costs	(72.4)	-57.6%	(70.5)	-55.4%	-1.9	-2.6%
Personnel costs	(25.1)	-20.0%	(24.6)	-19.3%	-0.5	-2.0%
Capitalised costs	3.4	2.7%	1.2	0.9%	-2.2	-64.8%
EBITDA	**31.7**	**25.2%**	**33.4**	**26.2%**	**+1.7**	**+5.4%**

Revenues, equal to Euro 127.5 million, increased by 1.4% compared with the first quarter of 2010, as a result of the combined effect of increased revenues from water management to cover the services requested, in spite of lower sales volumes.
The decrease in operating costs, equal to -2.6%, is linked to the constant attention to operational efficiency.

The following table reproduces the main quantitative indicators in the segment.

Quantitative data	**31-Mar-10**	**31-Mar-11**	**Absolute change**	**% change**
Volumes sold (millions of m³)				
Mains water	58.8	56.4	-2.4	-4.1%
Sewerage	51.3	48.8	-2.5	-4.9%
Purification	51.4	48.9	-2.5	-4.9%

Volumes of water supplied, like those for sewerage and purification, show a decrease compared with the first three months of 2010, linked to lower consumption by end users.

EBITDA at the end of the first quarter of 2011 increased by Euro 1.7 million, from Euro 31.7 million in 2010 to Euro 33.4 million for the current year (+5.4%).

1.03.04 Analysis of operations in the Waste Management Segment

The Waste Management segment shows an increase in EBITDA compared with the first quarter of 2010, as seen in the table below:

(m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area EBITDA	**52.2**	**58.0**	**+5.8**	**+11.1%**
Group EBITDA	185.1	224.3	+39.2	+21.2%
Percentage weighting	28.2%	25.9%	-2.3 p.p.	

The Hera Group has adopted an integrated approach towards the entire waste cycle, with 80 urban waste and special waste treatment and disposal plants; compared with the first three months of the previous year, 50% of the Enomondo S.r.l. company was consolidated, which provides a new 120,000 tonne biomass plant and a composting plant.

In addition, in December 2010, the scope of the business was extended through the consolidation of the Naturambiente S.r.l. company, which operates in the Urban Hygiene and Waste Disposal sectors of the Marche Multiservizi Group.

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

Income Statement (m/€)	31-Mar-10	Inc.%	31-Mar-11	Inc%	Absolute change	% change
Revenue	165.6		180.1		+14.5	+8.8%
Operating costs	(84.0)	-50.7%	(88.3)	-49.0%	+4.3	+5.1%
Personnel costs	(37.4)	-22.6%	(37.4)	-20.7%	+0.0	+0.0%
Capitalised costs	7.9	4.8%	3.5	1.9%	-4.4	-55.5%
EBITDA	**52.2**	**31.5%**	**58.0**	**32.2%**	**+5.8**	**+11.1%**

Revenues as at 31 March 2011 show an increase of 8.8% compared with the same period in the previous year, from Euro 165.6 million to Euro 180.1 million, linked to the increased volumes sold, greater revenues from electricity production and, to a lesser extent, increased revenues from urban hygiene through rate adjustments to cover the increase in services requested.

The separated waste collection, in terms of percentages of the total volumes collected, reached 49.3% at the end of the first quarter 2011, compared with 46.6% for the same period in 2010, an increase of 2.7 percentage points. The % of separated waste collection in the first quarter of 2010 was not yet affected by the amendment to DGR 1620-01, which excludes the non-reusable fractions of multimaterial collections from the calculation of the separate waste collection. Comparing like-for-like data, the percentage of separated collection increased in the first three months of 2011 by 3.1 percentage points.

The table below illustrates the growth in the quantities of waste sold, with an increase of 1.9% compared with 31 March 2010:

Quantitative Data (thousands of tonnes)	31-Mar-10	Inc.%	31-Mar-11	Inc%	Absolute change	% change
Urban waste	421.0	29.4%	413.6	30.5%	-7.4	-1.8%
Market waste	381.8	26.7%	404.6	29.9%	+22.8	+6.0%
Marketed waste	**802.7**	**56.0%**	**818.2**	**60.4%**	**+15.5**	**+1.9%**
Plant by-products	629.7	44.0%	535.8	39.6%	-93.9	-14.9%
Waste treated by type	**1,432.4**	**100.0%**	**1,354.0**	**100.0%**	**-78.4**	**-5.5%**
Landfills	333.4	23.3%	287.6	21.2%	-45.8	-13.7%
Waste to energy plants	200.4	14.0%	249.4	18.4%	+49.0	+24.5%
Selection plants	73.8	5.2%	74.0	5.5%	+0.2	+0.3%
Composting plants	102.3	7.1%	111.6	8.2%	+9.3	+9.1%
Stabilisation and physico-chemical treatment plants	354.3	24.7%	277.3	20.5%	-77.0	-21.7%
Other	368.2	25.7%	354.2	26.2%	-14.0	-3.8%
Waste treated by plant	**1,432.4**	**100.0%**	**1,354.0**	**100.0%**	**-78.4**	**-5.5%**

The analysis of the quantitative figures shows a fall in urban waste together with an increase in market waste, the latter due, on the one hand, to an increased disposal capacity and, on the other, to more intensive commercial activity in the areas concerned. Conversely, the decrease in by-products from plants is due to the change in weather, especially the lower rainfall compared with the first three months of 2010, which resulted in lower leachate generation.

The growth in disposal flows should also be highlighted, which as a combined result of the availability of new WTE plants and the further development of separated recovery and collection activities, saw significant growth in volumes destined for WTE plants and selection and composting plants following a decrease in the use of landfill sites.

EBITDA in the Waste Management segment increased by Euro 5.8 million compared with the previous year, from Euro 52.2 million in the first quarter of 2010 to Euro 58.0 million in 2011, an increase of 11.1%. This result is due to the increase in volumes sold by the market, despite the rise in competition, greater revenues from electricity production, and higher rates covering greater separated collection services.

1.03.05 Analysis of operations in the Other Services segment

As at 31 March 2011, the results for the Other Services segment showed a slight increase compared with the same period in the previous year, with a +3.7% rise in EBITDA from Euro 5.0 million to Euro 5.2 million, as shown in the table below:

(m/€)	31-Mar-10	31-Mar-11	Absolute change	% change
Area EBITDA	5.0	5.2	+0.2	+3.7%
Group EBITDA	185.1	224.3	+39.2	+21.2%
Percentage weighting	2.7%	2.3%	-0.4 p.p.	

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

Income Statement(m/€)	31-Mar-10	Inc.%	31-Mar-11	Inc.%	Absolute change	% change
Revenue	26.1		25.6		-0.5	-1.9%
Operating costs	(16.4)	-63.0%	(16.0)	-62.6%	-0.4	-2.4%
Personnel costs	(5.4)	-20.6%	(4.7)	-18.5%	-0.7	-13.0%
Capitalised costs	0.8	2.9%	0.4	1.5%	-0.4	-52.3%
EBITDA	**5.0**	**19.3%**	5.2	**20.4%**	**+0.2**	**+3.7%**

The Telecommunications Business is in line with the first three months of 2010, as is the Public Lighting service.
The main operating indicators, reported in the table below, show an increase in lighting services, largely due to the recent acquisition of the service in the town of San Donato Milanese, which has made it possible to compensate for the losses of several minor municipalities:

Quantative data	31-Mar-10	31-Mar-11	Absolute change	% change
Public lighting				
Lighting points (thousands)	331.5	335.2	+3.7	+1.1%
Municipalities served	61.0	58.0	-3.0	-4.9%

1.04 Analysis of net financial position

The breakdown and changes in net financial debt are analysed in the following table:

millions of euros		31-Mar-11	31-Dec-10
a	**Cash**	**537.0**	**538.2**
b	**Other current loans**	**36.9**	**44.3**
	Bank overdrafts	-42.2	-58.4
	Current portion of bank debt	-62.1	-71.1
	Other current financial liabilities	-12.4	-16.6
	Finance lease payables due within 12 months	-5.1	-4.6
c	**Current financial debt**	**-121.8**	**-150.7**
d=a+b+c	**Net current financial debt**	**452.1**	**431.8**
e	**Non-current loans**	**10.5**	**10.3**
	Non-current bank debt	-300.3	-345.8
	Bonds issued	-1,785.0	-1,787.3
	Other non-current financial liabilities	-216.8	-160.4
	Finance lease payables due after 12 months	-6.9	-8.8
f	**Non-current financial debt**	**-2,309.0**	**-2,302.3**
g=e+f	**Net non-current financial debt**	**-2,298.5**	**-2,292.0**
h=d+g	**Net financial debt**	**-1,846.4**	**-1,860.2**

Net financial position went from Euro 1,860.2 million as at 31 December 2010 to Euro 1,846.4 million as at 31 March 2011, a reduction of Euro 13.8 million due mainly to a positive operating cash flow. Again the debt mainly consists of medium/long-term borrowings. Hera S.p.A. enjoys a long-term rating of A3 by Moody's and BBB+ by Standard & Poor's, both with a stable outlook.

1.05 Human resources

As at 31 March 2011, the Hera Group has 6,519 employees (consolidated companies) with the following breakdown by role: executives (128), middle management (337), clerical staff (3,342) and skilled workers (2,712). This workforce was the result of the following changes: new hires (64), departures (36).

	31-Dec-10	31-Mar-11	Change
Senior management	125	128	3
Middle management	342	337	-5
Clerical staff	3297	3342	45
Skilled workers	2727	2712	-15
Total	**6,491**	**6,519**	**28**

Details of these changes are given below:

	31-Mar-11
Workforce at the end of 2010	**6,491**
Joined	64
Left	-36
Net intake	**28**
Changes in scope	0
Workforce at the end of the period	**6,519**

The staff intake during the period was mainly due to:

- switch from temporary to permanent contracts
- addition of professional roles not previously present within the Group

Consolidated Quarterly Financial Statements

2.01 Consolidated accounts

2.01.01 Income statement

thousands of euros	*31 03 2011 (3 months)*	*31 03 2010 (3 months) restated*	*31 12 2010 (12 months)*
Revenue	1.126.207	1.053.188	3.668.563
Change in inventories of finished products and work in progress	648	3.695	-1.665
Other operating income	41.588	41.741	210.431
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	-655.972	-643.860	-2.140.470
Service costs	-198.362	-192.640	-810.742
Personnel costs	-93.956	-92.122	-361.931
Depreciation, amortisation and provisions	-72.989	-67.446	-291.886
Other operating costs	-7.530	-9.188	-38.821
Capitalised costs	11.687	24.282	81.903
Operating profit (EBIT)	**151.321**	**117.650**	**315.382**
Share of profit (loss) pertaining to associated companies	1.505	4.336	5.868
Financial income	38.063	6.695	91.021
Financial expenses	-67.751	-37.072	-206.642
Total financial management	**-28.183**	**-26.041**	**-109.753**
Other non-operating costs	0	0	0
Pre-tax profit	**123.138**	**91.609**	**205.629**
Tax for the period	-48.608	-39.025	-63.575
of which non-recurring			*25.061*
Net profit for the period	**74.530**	**52.584**	**142.054**
Attributable to:			
Parent company shareholders	66.828	47.686	117.218
Minority shareholders	7.702	4.898	24.836

2.01.02 Aggregate income statement

thousands of euros	31/03/2011 (3 months)	31/03/2010 (3 months)	31/12/2010 (12 months)
Net profit/(loss) for the period	**74.530**	**52.584**	**142.054**
- change in cash flow hedge reserve (after tax)	5.476	-1.415	5.179
- change in cash flow hedge reserve of equity-accounted companies (after tax)	751	913	163
Total profit/(loss) for the period	**80.757**	**52.082**	**147.396**
Attributable to:			
Parent company shareholders	72.048	47.397	122.737
Minority shareholders	8.709	4.685	24.659

2.01.03 Earnings per share

	2011 QI	2010 QI
Group profit (loss) for the period (in thousands of euros):	66.828	47.686
Weighted average number of shares outstanding for the purposes of calculating earnings per share:		
- basic	1.110.474.417	1.112.236.570
- diluted	1.186.810.295	1.112.236.570
Earnings per share (in euros)		
- basic	0,060	0,043
- diluted	0,057	0,043

2.01.04 Statement of financial position

thousands of €	*31-mar-2011*	*31-dic-2010*
ASSETS		
Non-current assets		
Tangible assets	1.867.428	1.840.232
Intangible assets	1.731.271	1.728.498
Goodwill and consolidation difference	377.579	377.579
Equity investments and securities	131.948	135.344
Financial assets	10.995	10.912
Deferred tax assets	88.372	84.290
Financial instruments – derivatives	19.490	40.071
	4.227.083	**4.216.926**
Total non current assets		
Inventories	33.550	53.880
Trade receivables	1.253.198	1.134.496
Contract work in progress	17.938	17.228
Financial assets	37.956	46.084
Financial instruments – derivatives	32.570	12.796
Other current assets	206.523	181.607
Cash and cash equivalents	536.975	538.226
	2.118.710	**1.984.317**
TOTAL ASSETS	**6.345.793**	**6.201.243**

thousands of €	notes	31-mar-2011	31-dic-2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1.115.014	1.115.014
- Reserve for treasury shares at par value		-4.539	-5.940
Riserves		513.458	514.662
Reserve for treasury shares exceeding par value		-2.385	-3.105
Reserve for derivative instruments valued at fair value		-7.938	-12.407
Retained earnings (losses)		126.118	2.061
Profit (loss) for the period		66.828	117.218
Group shareholders' equity		**1.806.556**	**1.727.503**
Minority interest		150.857	142.720
Total shareholders' equity		**1.957.413**	**1.870.223**
Non-current liabilities			
Loans - maturing beyond the next year		2.292.325	2.313.722
Employee leaving indemnity and other benefits		94.725	95.643
Provisions for risks and charges		216.446	210.968
Deferred tax liabilities		78.255	76.143
Financial leasing payables - maturing beyond the next year		6.870	8.882
Financial instruments – derivatives		44.914	44.082
		2.733.535	**2.749.440**
Current liabilities			
Banks and other borrowings - maturing within the next year		117.761	147.837
Financial leasing payables - maturing within the next year		5.091	4.599
Trade payables		976.109	1.061.003
Income tax liabilities		269.752	124.502
Other current liabilities		265.244	230.050
Financial instruments – derivatives		20.888	13.589
		1.654.845	**1.581.580**
TOTAL LIABILITIES		**4.388.380**	**4.331.020**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**6.345.793**	**6.201.243**

2.01.05 Cash flow statement

thousands of euros	31/03/2011		31/03/2010	
Operating activities				
Cash flow				
Net profit attributable to group and third parties	74.530		52.584	
Depreciation and amortisation of tangible fixed assets and intangible assets	55.225		55.596	
Total cash flow	**129.755**		**108.180**	
Net income from equity-accounted investments	(1.405)		(5.249)	
Change in prepaid and deferred taxes	(2.215)		(7.308)	
Employee severance pay and other benefits: Provisions / (utilisation)	(918)		(793)	
Provisions for risks and charges: Provisions / (utilisation)	5.478		(1.016)	
Total cash flow before changes in net working capital	**130.695**		**93.814**	
Working capital				
Change in trade receivables	(118.696)		(126.180)	
Change in inventories	19.620		(1.974)	
Change in other current assets	(24.915)		(18.794)	
Change in trade payables	(84.909)		(91.095)	
Change in tax liabilities	145.250		152.200	
Change in other current liabilities	35.164		38.161	
Change in derivative financial instruments	(12.812)		(2.703)	
Change in working capital	**(41.298)**		**(50.385)**	
Change in non-current derivative financial instruments	**27.226**		**(2.169)**	
Cash flow generated by operating activities		**116.623** a)		**41.260** a)
Investing activities				
Net divestments/(investments) in tangible fixed assets and intangible assets		(57.239)		(64.434)
Goodwill		0		1.452
Equity investments net of divestments		(1.440)		(3.146)
(Increase) / decrease in other investing activities		5.995		(6.533)
Change in derivative financial instruments				
Cash flow generated/(absorbed) by investing activities		**(52.684)** b)		**(72.661)** b)
Financing activities				
Medium/long-term borrowings		(31.589)		(250)
Change in shareholders' equity		2.102		3.232
Change in short-term bank borrowings		(33.895)		1.434
Dividends paid		(563)		(1.090)
Change in finance lease payables		(1.520)		(1.651)
Cash flow generated/(absorbed) by financing activities		**(65.465)** c)		**1.675** c)
		(1.526) (a+b+c)		**(29.726)** (a+b+c)
Change in net financial position				
Cash and cash equivalents at the beginning of the period	538.226		350.332	
Additional cash from business combinations	275		187	
Cash and cash equivalents at the end of the period	536.975		320.793	
	(1.526)		**(29.726)**	

2.01.06 Statement of changes in shareholders' equity

Total comprehensive income for the period		**-484**	**195**	**47.686**	**47.397**	**4.685**	**52.082**
change in treasury shares in portfolio	116	74			**190**		**190**
change in consolidation area		-759			**-759**	759	**0**
other changes		2.114			**2.114**	15	**2.129**
Allocation of 2009 profit:							
- dividends paid					**0**	-1.090	**-1.090**
- allocation to retained earnings		18.640		-18.640	**0**		**0**
- allocation to other reserves		52.412		-52.412	**0**		**0**
Balance at 31 March 2010	**1.112.237**	**544.425**	**-12.800**	**47.686**	**1.691.548**	**62.494**	**1.754.042**

	Share capital	Reserves	Reserve for derivative instruments at fair value	Profit for the period	Shareholders' equity	Minority interests	Total
Balance at 31 December 2010	**1.109.074**	**513.618**	**-12.407**	**117.218**	**1.727.503**	**142.720**	**1.870.223**
Profit for the period				66.828	**66.828**	7.702	**74.530**
Other components of comprehensive income at 31 March 2011:							
change in fair value derivatives during the period			4.469		**4.469**	1.007	**5.476**
change in fair value derivatives during the period, companies evaluated using the equity method		751			**751**		**751**
Total comprehensive income for the period		**751**	**4.469**	**66.828**	**72.048**	**8.709**	**80.757**
change in treasury shares in portfolio	1.400	720			**2.120**		**2.120**
convertible bond equity component		4.894			**4.894**		**4.894**
other changes		-9			**-9**	-9	**-18**
Allocation of 2010 profit:							
- dividends paid					**0**	-563	**-563**
- allocation to retained earnings		-6.839		6.839	**0**		**0**
- allocation to other reserves		124.057		-124.057	**0**		**0**
Balance at 31 March 2011	**1.110.474**	**637.192**	**-7.938**	**66.828**	**1.806.556**	**150.857**	**1.957.413**

2.02 Explanatory notes

2.02.01 Consolidated explanatory notes

The consolidated interim report for the three months to 31 March 2011 was prepared in accordance with Article 154-*ter* of Legislative Decree no. 58/1998 and Article 82 of the Consob Issuers' Regulation. This report has not been audited.

This interim report was not prepared in accordance with IAS 34 on Interim Financial Reporting. However, the accounting standards adopted for this report are the same as those used to prepare the consolidated financial statements at 31 December 2010, to which we refer for further information.

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

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

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

The disclosures contained in this interim report are comparable with those for prior periods. Specifically, the figures contained in the income statement for the first three months of 2011 have been restated to reflect:

- the application of IFRIC Interpretation 12,
- the representation of the work carried out by Group companies on installations and other infrastructures.

These restatements were also applied to the income statement for the first three months of 2010, to which we refer for further information.

When comparing the individual items in the income statement, changes in the scope of consolidation described in that section must be taken into account.

Financial statements

The financial statements used are the same as those used for the consolidated financial statements at 31 December 2010. Specifically, the format used for the income statement must be “stepped”, with the individual items analysed by nature. This presentation, also used by the company's major competitors, is consistent with international practice and is the one that best represents the company's performance.

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

The statement of comprehensive income reports separately income and expenses arising from transactions with "non-shareholders”. All changes in question (in our case, the value of the effective portion of gains and losses on cash flow hedges) are reported separately. These changes must also be reported separately in the consolidated statement of changes in equity.

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

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

Scope of consolidation

This quarterly report includes the financial statements of the parent company Hera S.p.A. and its subsidiaries. Control is obtained when the parent company has the power to determine the financial and operating policies of a company in such a way as to benefit from its activities.

Subsidiary companies which are not significant in size and those in which voting rights are subject to severe long-term restrictions are excluded from the scope of line-by-line consolidation and are carried at cost. Equity interests representing long-term investments in associates which are not significant in size are carried at equity.

Companies held exclusively for subsequent disposal are excluded from consolidation and measured at the lower of cost and fair value. These investments are recorded as separate items.

Joint ventures in which the Hera Group exercises joint control with other companies are proportionally consolidated, with line-by-line reporting of assets, liabilities, income and expenditure in proportion to the Group's share.

Changes in the scope of consolidation in the first three months of 2011, compared with the situation at 31 December 2010, are shown below.

<u>Jointly controlled companies:</u>

On 16 February 2011, Herambiente S.p.A. acquired a further 10% of the share capital of Enomondo S.r.l. from Caviro Società Cooperativa Agricola, increasing its percentage of equity from 40% to 50%. The company, carried at equity to 31 December 2010, was proportionally consolidated in recognition of joint control by shareholders.

Other information

In the first three months of 2011, no atypical or unusual transactions were performed, as defined in Consob Communication No. 6064293 of 28 July 2006.

This consolidated quarterly report at 31 March 2011 was submitted for the approval of the Board of Directors on 12 May 2011.

Summary of restatements

Below is an illustration of the impact on the income statement for the first three months of 2010 resulting from:

- the application of IFRIC Interpretation 12,
- the representation of the work carried out between Group companies on installations and other infrastructures.

thousands of euros	2010-מרץ-31	2010 IFRIC 12 variations	2010 Group company plants built	31-March-2010 Pubblished
INCOME STATEMENT				
Revenues				
Variation of inventories of finished products and work in progress	3,695		-13,190	16,885
Other operating revenues	41,741	26,395		15,346
	45,436	**26,395**	**-13,190**	**32,231**
Costs				
Consumption of raw materials and consumables (net of variation in inventories of raw materials and stocks)	-643,860	-578		-643,282
Service costs	-192,640	-18,263	-3,328	-171,049
Other operating costs	-9,188	-77		-9,111
Capitalised costs	24,282	-7,477	16,518	15,241
	-821,406	**-26,395**	**13,190**	**-808,201**
Total	**-775,970**	**0**	**0**	**-775,970**

2.03 Net financial debt

2.03.01 Consolidated net financial debt

millions of euros		31/03/2011	31/12/2010
a	**Cash**	**537,0**	**538,2**
b	**Other current loans**	**36,9**	**44,3**
	Bank overdrafts	-42,2	-58,4
	Current portion of bank debt	-62,1	-71,1
	Other current financial liabilities	-12,4	-16,6
	Finance lease payables due within 12 months	-5,1	-4,6
c	**Current financial debt**	**-121,8**	**-150,7**
d=a+b+c	**Net current financial debt**	**452,1**	**431,8**
e	**Non-current loans**	**10,5**	**10,3**
	Non-current bank debt	-300,3	-345,8
	Bonds issued	-1.785,0	-1.787,3
	Other non-current financial liabilities	-216,8	-160,4
	Finance lease payables due after 12 months	-6,9	-8,8
f	**Non-current financial debt**	**-2.309,0**	**-2.302,3**
g=e+f	**Net non-current financial debt**	**-2.298,5**	**-2.292,0**
h=d+g	**Net financial debt**	**-1.846,4**	**-1.860,2**

2.04 Equity investments

2.04.01 List of consolidated companies

Subsidiaries

Name	Registered office	Share capital	Percentage held		Total interest
			direct	indirect	
Parent company: Hera Spa	**Bologna**	**1.115.013.754**			
Acantho Spa	Imola (Bo)	22.500.000	79,94%		79,94%
Acque Srl	Pesaro	102.700		40,64%	40,64%
Akron Spa	Imola (Bo)	1.152.940		43,13%	43,13%
ASA Scpa	Castelmaggiore (Bo)	1.820.000		38,25%	38,25%
Consorzio Akhea Fondo Consortile	Bologna	200.000		59,38%	59,38%
Eris Scrl	Ravenna	300.000		51,00%	51,00%
Famula On-line Spa	Bologna	4.364.030	100,00%		100,00%
Frullo Energia Ambiente Srl	Bologna	17.139.100		38,25%	38,25%
Gal.A. Spa	Bologna	300.000		45,00%	45,00%
HeraAmbiente Spa	Bologna	271.148.000	75,00%		75,00%
Hera Comm Srl	Imola (Bo)	53.136.987	100,00%		100,00%
Hera Comm Marche Srl	Urbino (Pu)	1.458.332		76,26%	76,26%
Hera Comm Mediterranea Srl	Carinaro (Ce)	250.000		50,01%	50,01%
Hera Energie Srl	Bologna	926.000		51,00%	51,00%
Hera Energie Rinnovabili Spa	Bologna	1.832.000	100,00%		100,00%
Hera Luce Srl	San Mauro Pascoli (Fc)	1.000.000	89,58%		89,58%
Hera Servizi Funerari Srl	Bologna	10.000	100,00%		100,00%
Herasocrem Spa	Bologna	2.218.368	51,00%		51,00%
Hera Trading Srl	Imola (Bo)	22.600.000	100,00%		100,00%
Marche Multiservizi Spa	Pesaro	13.450.012	40,64%		40,64%
Medea Spa	Sassari	4.500.000	100,00%		100,00%
MMS Ecologica Srl	Pesaro	95.000		40,64%	40,64%
Naturambiente Srl	Pesaro	50.000		40,64%	40,64%
Nuova Geovis Spa	Sant'Agata Bolognese (Bo)	2.205.000		38,25%	38,25%
Romagna Compost Srl	Cesena (Fc)	3.560.002		45,00%	45,00%
Sinergia Srl	Forlì (Ce)	579.600		59,00%	59,00%
SIS Società Intercomunale di Servizi Spa	Pesaro	103.300		16,97%	16,97%
Sotris Spa	Ravenna	2.340.000	5,00%	52,50%	57,50%
Uniflotte Srl	Bologna	2.254.177	97,00%		97,00%

Jointly controlled companies

Name	Registered office	Share capital	Percentage held direct	Percentage held indirect	Total interest
Enomondo Srl	Faenza (Ra)	14.000.000		37,50%	37,50%
FlameEnergy Trading Gmbh	Vienna	3.000.000		50,00%	50,00%

Associate companies

Name	Registered office	Share capital	Percentage held direct	Percentage held indirect	Total interest
Adriatica Acque Srl	Rimini	89.033		25,44%	25,44%
Aimag Spa*	Mirandola (Mo)	* 78.027.681	25,00%		25,00%
Dyna Green Srl	Milan	30.000		33,00%	33,00%
Estense Global Service Soc.Cons.arl	Ferrara	10.000		23,00%	23,00%
Feronia Srl	Finale Emilia (Mo)	2.430.000		30,00%	30,00%
Ghirlandina Solare Srl	Concordia Sulla Secchia (Mo)	60.000		33,00%	33,00%
Modena Network Spa	Modena	3.000.000	14,00%	23,98%	37,98%
Oikothen Scarl	Syracuse	1.101.730	46,10%		46,10%
Refri Srl	Reggio Emilia	6.800.000		15,00%	15,00%
Service Imola Srl	Borgo Tossignano (Bo)	10.000	40,00%		40,00%
Set Spa	Milan	120.000	39,00%		39,00%
So.Sel Spa	Modena	240.240		26,00%	26,00%
Sgr Servizi Spa	Rimini	5.982.262		29,61%	29,61%
Tamarete Energia Srl	Ortona (Ch)	3.600.000	32,00%		32,00%

* the company's share capital consists of €67,577,681 in ordinary shares and €10,450,000 in performance shares

HERA S.p.A.
Holding Energia Risorse Ambiente
Sede legale: *Viale Carlo Berti Pichat 2/4 40127 Bologna*
tel. 051.287.111 fax 051.287.525
www.gruppohera.it
C.F./Partita IVA Registro Imprese BO 04245520376
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