2011 quarterly report as at 30th September

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Introduction

Hera's Mission

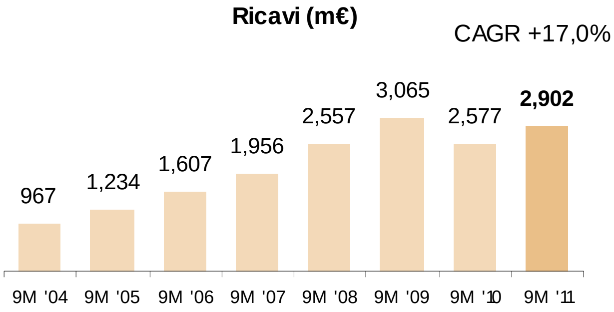
"Hera's goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment".

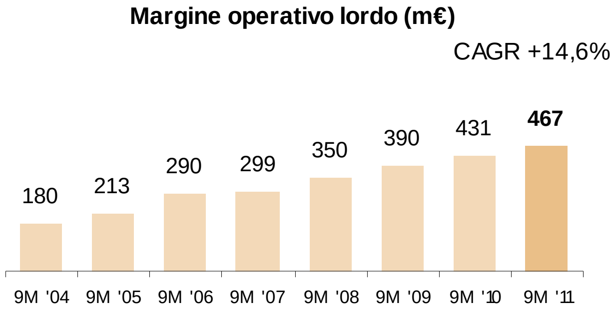
For Hera, being the best means inspiring the pride and trust of: customers, who receive, thanks to Hera's responsiveness to their needs, quality services that satisfy their expectations; the women and men who work at Hera, whose skills, engagement and passion are the foundation of the company's success; 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".

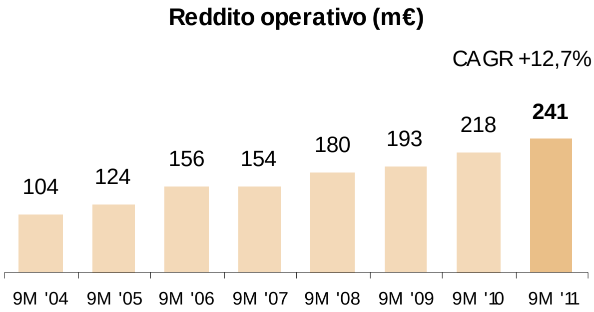
Administrative and control bodies

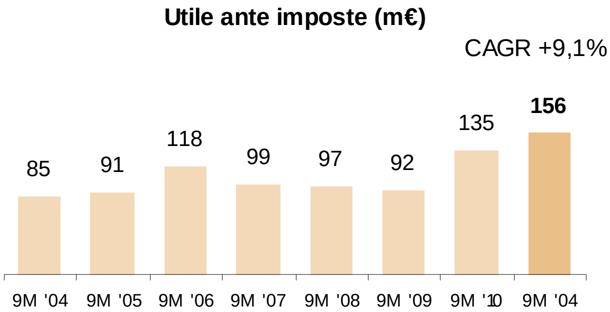
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
Chief Executive Officer	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Marco Cammelli
Director	Luigi Castagna
Director	Pier Giuseppe Dolcini
Director	Valeriano Fantini
Director	Enrico Giovannetti
Director	Fabio Giuliani
Director	Luca Mandrioli
Director	Nicodemo Montanari
Director	Mauro Roda
Director	Roberto Sacchetti
Director	Rossella Saoncella
Director	Bruno Tani
Director	Giancarlo Tonelli
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Antonio Venturini
Standing Auditor	Elis Dall'Olio
Internal Control Committee	
Chairman	Giorgio Razzoli
Member	Fabio Giuliani
Member	Luca Mandrioli
Member	Rossella Saoncella
Remuneration Committee	
Chairman	Giorgio Razzoli
Member	Marco Cammelli
Member	Nicodemo Montanari
Member	Bruno Tani
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice-Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Ethics Committee	
Chairman	Giorgio Razzoli
Member	Filippo Bocchi
Member	Mario Viviani
Independent auditing firm	
	PricewaterhouseCoopers

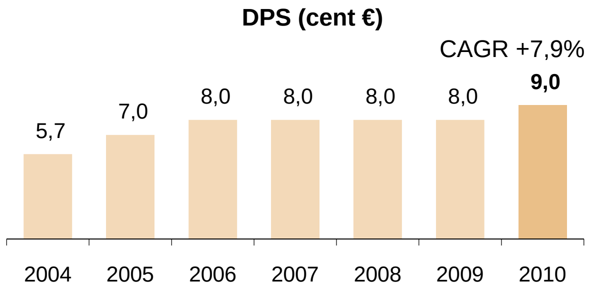
Summary data

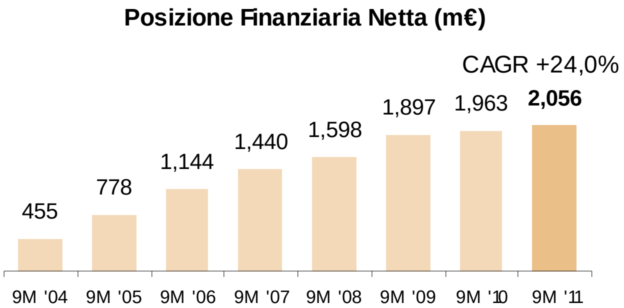












Introduction

Despite Italy's macroeconomic situation remaining blighted by the ongoing global crisis, Hera Group's ***operating results improved*** in the first nine months of 2011. The overall growth recorded in the first nine months of the year confirms the growth levels seen in the first half. The results were boosted by the contribution from newly commissioned plants, from the usual organic growth factors in deregulated and regulated activities, and from M&A operations.

The contribution from newly commissioned plants represented only part of their actual capacity. The Rimini WTE plant only started operating with the power generation turbine in March, while the solar-power facility built in record time at Interporto di Bologna began operating with only one of its three modules (the second and third modules, taking the total installed capacity to 3.2 MW, were launched in October 2011). The Enomondo (50-50 joint venture with an industrial partner) biomass thermoelectric plant, which contributes in terms of both power generation from renewable sources and waste processing, was consolidated into the Group's financial results from the start of 2011.

The improved methane supply contract for the 2010-2011 thermal year enabled Hera to capitalise on excess supply in the commodities market. This contributed significantly to the improved results in the period under review, more than offsetting a sharp fall in sales volumes as a result of the mild winter. These results highlight the positive contribution of ongoing strategies to maintain a diverse and flexible structure of procurement sources.

The strategy of expanding in deregulated markets is founded on a solid commercial structure, effective cross-selling and efficient customer support. This strategy successfully continued to support the growth in ***electricity sales*** (volumes up 30% and customer numbers up to around 470,000) during the first nine months of 2011, consolidating the Group's presence in free markets. In the ***gas*** sector, the number of customers acquired thanks to the strategy of expanding the customer base more than offset the number of customers who left. Combined with the consolidation of Sadori Gas on 1 July 2011, this increased the Group's customer base to more than 1.1 million.

The commissioning of new plants as part of the ***strategy to expand in waste disposal*** boosted results in the sector, offsetting the slight fall in volumes owing to the tough macroeconomic conditions. The general situation was characterised by enduring levels of low GDP growth, low production and reduced consumption. The improved results were down to an efficient management of waste flows, which enabled the Group to extract more value (energy and recycling of materials) from the volumes it treated and to preserve space at landfill sites.

The ***energy distribution, urban waste collection and integrated water service concessions*** also played a part in the improved results in the first nine months of the year, thanks mainly to the tariff adjustments prescribed by law and to new tariff agreements. In the gas distribution business, the new tariff system brought about an increase in invested capital (compared with the levels determined previously by parametric estimations), which in turn further boosted returns on invested capital.

The ***strategy of external growth*** also contributed to the improved results thanks to the aforementioned consolidation of Enomondo and Sadori Gas. External growth has always been an important part of Hera's development. The Group's current financial stability and the consolidated strategic structures it has put in place, combined with the far-reaching transformation that the sector is undergoing during the current macroeconomic crisis, mean this will continue to be the case.

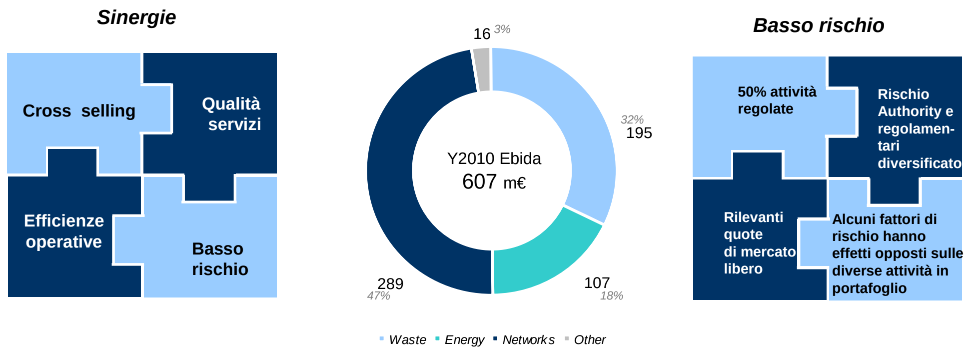
Year-on-year operating results improved during the first nine months of 2011, with contributions from all strategic business sectors of the Group (Waste Management, Energy and Networks) and all growth factors, both internal and external.

This has also boosted net profit, in spite of higher amortisation and depreciation as a result of investments made, the prudent provision policies pursued and the higher tax burden imposed by Decree Law 138/2011.

In terms of the management of financial operations, there has been a reduction in operating investments compared with previous years, an increase in operating cash flows (profits plus amortisation and depreciation and changes in provisions) and an increase in working capital, due mainly to an increase in inventories and less exposure to suppliers. Hera has a net financial position of Euro 2.06 billion, which represents an unchanged debt/EBITDA ratio compared with the first nine months of 2010. Despite cutting their ratings for Italy, the agencies Moody's and Standard & Poor's reconfirmed their ratings for Hera.

Strategic approach

Hera's strategy is focused on creating value through a ***multi-stakeholder*** approach and aims to achieve growth along all internal and external lines of development, benefiting both from economies of scale and from synergies as a result of mergers with ***multi-utility*** companies operating in the target markets.



Managing a diversified asset portfolio and implementing prudent energy commodity procurement strategies allows the Group to achieve cost and revenue operating efficiencies across all its businesses, as well as reduced exposure to external fluctuations and therefore reduced volatility of financial results.

Hera implements ***efficiency strategies*** by adopting an organisational model that groups together certain central functions while maintaining strong links with the areas in which the company operates. In 2010, the multi-business local operating companies were transformed into organisational units, increasing focus by segment to further cut operating costs while maintaining a local presence to safeguard the customer base.

The ***development of free markets*** has always been one of the Group's key strategies, even in times of economic and financial crisis. Particular emphasis has been placed on cross-selling services to customers. The aim of getting a bigger share of the deregulated energy and waste-treatment sectors is supported by the plant capacity development strategy, which has reached its final stage. Three waste-to-energy (WTE) plants and one CCGT cogeneration plant have been completed in the last 24 months.
A severe shortage of infrastructure has recently emerged in the free waste-treatment market in Italy, causing an emergency waste situation in some regions. As a result, the authorities have laid the foundations for a significant growth of the industry by initiating local calls for tender for the construction of new WTE plants. Against this background, Hera intends to selectively extend its presence in Italy by using its market leadership and the exclusive know-how it has gained from the recent construction of several plants (around 80% of the WTE plants built and put into operation in Italy in the last six years) that meet the current needs of the industry.

The company aims to strengthen its position in ***regulated activities*** in Italy by investing heavily in network expansion and increasing asset ownership. It will do this through acquisitions of gas and district-heating networks in order to streamline ownership structures, concentrate investments and reduce operating and maintenance costs. The strategy in regulated activities is to renew expiring concessions in the areas Hera serves and expand into several adjacent areas for some network services.

Hera also looks out for external growth opportunities through aggregations of multi-business companies, which operate in similar activities to Hera, and mono-business companies, which are integrated upstream in deregulated sectors. The ***multi-business*** growth strategy concentrates on companies operating in areas adjacent to those which Hera serves, which allows the group to extract additional economies of scale that can support management efficiency processes in the short-to-medium term. In 2009, Hera followed this growth strategy to acquire 25% of the share capital of Aimag, with a view to subsequent consolidation for growth supported by synergies. Negotiations regarding the integration of Aimag are currently under way. The strategic aim of the ***mono-business*** growth strategy is to strengthen both the waste treatment business, by capitalising on favourable opportunities in the market, and the energy business, which uses a balanced policy of upstream integration for the procurement of raw materials to accompany growth in sales.

Hera's strategic objectives are formulated in an annual business plan. The most recent version, which was presented to the market at the same time as the results at 30 September 2011, focuses on the 2011-2015 period. The future scenarios that form the basis of the new business plan involve further streamlining of the industry following intense growth over the last decade. Regulatory transformation is already under way for local monopoly services such as urban waste collection, integrated water service management and gas distribution activities, concessions for which will in future be awarded via calls for tender. In addition, many companies in the sector are committed to streamlining their portfolio of activities and rebalancing their financial structure in the wake of sustained expansion over the last decade.

The Group's continuous pursuit of growth in recent years has enabled it to consolidate ***certain competitive advantages*** founded on technologically advanced facilities, strong national market shares and efficient organisation in the various businesses. These structures have shown themselves to be effective in the form of improved operating results, even during the recent economic crisis, whilst also ensuring a solid financial structure. This solid structure will be the foundation for the Group's strategy over the next five years as it sets about pursuing more organic growth of its business and other external growth opportunities that may arise from changes in the industry.

The new ***business plan to 2015*** outlines strategies for growth both in deregulated activities in the upstream chain and through extending facilities for regulated activities, while ensuring that revenue and cost synergies remain at the core of future growth. The plan sets growth targets which, in the main, rely on factors that have already been established, such as organic growth (recently opened plants or plants in advanced stages of construction, future rates already agreed for regulated activities, and organisational and corporate streamlining operations). The improved financial results give rise to predictions of positive cash flow generation. This will be sufficient to finance an investment programme that is smaller than in the previous five years now that the ambitious plant development plan is complete. The plan to 2015 provides for more financial stability to ensure greater flexibility and support any additional development projects that may arise from current changes in the industry, while ensuring that dividends rise over the five years.

Hera’s strategy is aimed at sustainable business development through a multi-stakeholder approach. On 30 April 2010, the 2010 Sustainability Report, which was approved by the Board of Directors together with the 2010 financial statements, was presented to the Shareholders’ Meeting. The Sustainability Report showed an increase in added value for the seventh consecutive year, confirming the soundness of the Group’s sustainable approach to managing its activities.

Business Sectors

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

The effectiveness and low risk profile of this balanced multi-business approach are determining factors in the uninterrupted growth of consolidated EBITDA, even in a difficult year like 2011.

Hera is Italy's leading environmental services operator in terms of the quantities of waste collected and treated. Its urban waste collection activities are carried out on the basis of concessions, while waste disposal is a free-market business.

The number of plants has risen to 80 over the last seven years, which is perfect for covering the full range of waste treatment and processing services that the Group provides to a high standard across the country.

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 and 860,000 tonnes/year. The subsidiary Herambiente S.r.l. 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.

Hera Group is Italy's second-largest operator in complete water cycle management, which involves collecting waste water, purifying it and distributing drinking water. It performs these services in seven provinces in Emilia Romagna and in the north of Le Marche, based on exclusive long-term concession agreements (on average until 2022). The tariffs for the 2008-2012 period have already been agreed with the local authorities, which also establish the infrastructure investment programme. These agreements provide a clear picture up to the end of 2012 ahead of the introduction of a new regulatory system for the sector.

Together with the contribution from external growth, the major drivers of growth are more efficient management of more than 40,000 km of water networks, economies of scale in acquisitions and bringing the 2008-2012 tariffs into line with legal recommendations.

In the gas sector, Hera is the largest of the regional companies and the fourth-largest company on a national level. It boasts an almost complete coverage of the areas it serves. With approximately 1.1 million customers, Hera sells more than 2.8 billion m^3 of gas per year.

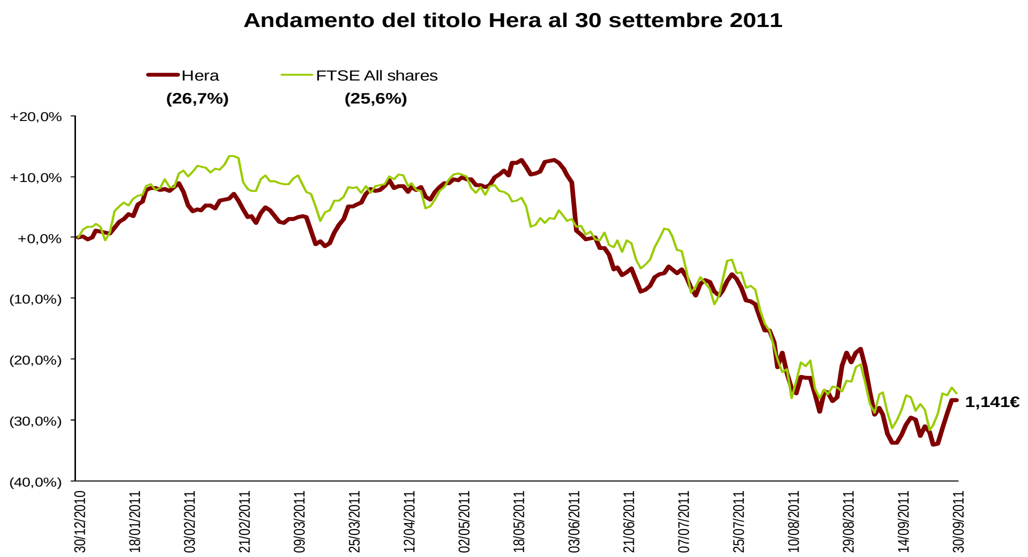
The Group maintains its market share by supplying some of its gas directly from foreign sources. It has direct transportation capacity of around 400 million cubic metres through the TAG pipeline. On top of this, the Galsi pipeline between Italy and Algeria will add an extra annual capacity of 1 billion cubic metres.
Hera has always pursued a 'dual fuel' commercial strategy, which allows the electricity business to grow rapidly, both through cross-selling to existing customers and through expansion into new markets. As well as being one of the top 10 Italian operators in this sector, Hera has been named by Platt's as one of the fastest-growing companies in the Europe, Middle East and Africa (EMEA) region.

The Hera Group relies on efficient sales and after-sales teams to ensure high levels of customer loyalty. By developing more-competitive offers than the biggest market operators, Hera boosted its share of the electricity market by winning contracts to supply electricity during the 2011-2013 period to default-provider service customers in Lombardy, Tuscany, Le Marche, Umbria and Puglia. The sales strategy is balanced between SME business customers and residential customers, ensuring a diversified customer base.

This sales strategy has been accompanied by increasing energy supply through joint ventures set up to buy stakes in combined-cycle plants, by developing power plants that operate on renewable or similar energy sources, and by commissioning cogeneration plants. The strategy has been conducted guaranteeing cover for only part of electricity sales, leaving space for the benefits that arise from current commodity market conditions.

Share performance

The FTSE Italia All-Share Index fell by 25.6% during the first nine months of 2011, while Hera's share price dropped by 26.7% to end the period on Euro 1.14.



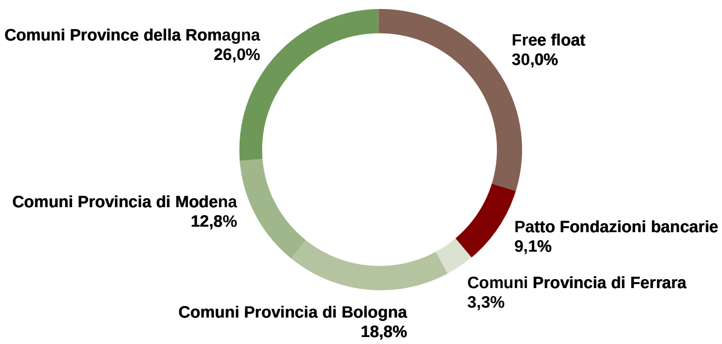
The stock performance appears to reflect the worsened macroeconomic conditions rather than the Group's fundamentals, which are characterised by improved financial results and greater financial stability. The graph shows a fall in Hera's stock price since the beginning of the year. The positive half-year results published at the end of August boosted the stock for only a few days. The stock levels reflect a market capitalisation below book equity and an EV/EBITDA 2010 multiple of more than five.

Hera has extensive coverage from 12 independent consultancy firms, half of which are international: Banca Akros, Banca IMI, Centrobanca, Banca Leonardo, Cheuvreux, Equita, Intermonte, Kepler, Mediobanca, UniCredit and Deutsche Bank. Exane (BNP Paribas group) began its coverage of Hera's stock at the start of 2011 with a 'buy' recommendation. Hera's stock has been included among the best picks of several firms, such as UniCredit, Equita, Centrobanca, Banca IMI and Banca Leonardo, and all analysts have issued 'buy' or 'outperform' recommendations.

The world's two largest credit-rating agencies look favourably on the Group's financial position: despite growing international concerns over Italian sovereign debt, Moody's confirmed Hera's A3 rating with a stable outlook for long-term debt on 30 July 2011, while Standard & Poor's confirmed the Group's BBB+ rating with a stable outlook on 30 September 2011.

Following the extraordinary transactions that have taken place over its lifetime, Hera's ***share capital*** comprises 1,115,013,754 ordinary shares, each with a nominal value of Euro 1. The unit dividend, distributed at the beginning of June, rose to Euro 0.09 (+12.5% on the previous year), with a dividend yield of 7.9% (in relation to the dividend distributed and the official share price on 30 September 2011).

Hera's ownership is unique in Italy. Its shareholder structure consists of more than 190 local public institutions, which have a combined stake of around 60.9% (of which 51% is bound by a shareholders' agreement), more than 400 Italian and foreign institutional investors and over 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 possible acquisitions of small companies and normalising any irregular fluctuations in share price compared with its main domestic competitors. The Shareholders' Meeting of 30 April 2010 renewed the plan to buy back treasury shares for a further 18 months, for a maximum total amount of Euro 60 million. Hera held around 9.6 million treasury shares in its portfolio on 30 September 2011.

The Group's corporate website (www.gruppohera.it) is undoubtedly its primary means of ***communication*** with the financial market. Thanks to its constant focus on transparency in sustainability issues, the site's Corporate Social Responsibility section came first in the *CSR Online Awards Italy 2010* league table and a close second in Hallvarsson & Halvarsson's *Webranking* online financial communication league table, which makes Hera's corporate site one of the best among Italian large-cap companies.

During the first nine months of 2011, Hera continued its policy of constant dialogue with Italian and foreign investors by presenting its 2010 annual results to the financial community at international road shows, allowing the Group to initiate and renew a growing number of contacts (258 contacts and meetings) in response to more demand for information in light of the turbulent period on the financial markets.

Directors' report

Hera Group performance

Consolidated summary results of the Hera Group:

(mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	% change
Revenues	**2,576.6**		**2,901.9**		**+12.6%**
EBITDA	**431.4**	**16.7%**	**466.7**	**16.1%**	**+8.2%**
EBIT	218.2	8.5%	240.5	8.3%	+10.2%
Net profit	**79.1**	**3.1%**	**84.0**	**2.9%**	**+6.2%**

1.01 Financial results

In the first nine months of 2011, as in the first half, the Hera Group's financial results continued to record growth compared with the same period in 2010. All the main business areas recorded increases and all economic indicators signalled a positive trend.

Although all the economic indicators showed a positive trend, some quantitative indicators fell. Lower volumes of gas and heat were sold and distributed as a result of higher average temperatures compared with the first nine months of 2010, although this was offset by an increase in volumes traded and a reduction in the volumes of waste sold. Conversely, higher volumes of electricity were sold, due in particular to the allocation of a default-provider service mandate for customers in the Lombardy, Tuscany, Lazio, Abruzzo, Molise and Puglia regions for the 2011-2013 three-year period. There was also an increase in the volumes of water managed.

The following events also occurred in the first nine months of 2011:

- Since February 2011, HERAmbiente Group has increased to 50% its stake in Enomondo, a company that manages a 13 MWe biomass plant in a joint venture with Caviro Distillerie S.r.l.
- In July 2011, Sadori Gas was incorporated into Hera Comm Marche via a merger. Sadori Gas currently has a customer portfolio of more than 34,000 contracts and is capable of selling more than 47 million cubic metres of gas per year, distributed throughout 42 municipalities in the provinces of Pesaro-Urbino, Ancona and L'Aquila.

As seen from the financial statements as at 31 December 2010, the consolidated income statement applies the interpretation of the IFRIC 12 accounting standard, "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 application of this standard, 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 98.1 million in the first nine months of 2011 and of Euro 92.7 million in 2010, a reduction in capitalised costs of Euro 24.2 million in 2011 and of Euro 24.5 million in 2010, and an increase in operating costs for services, materials and other operating expenses of Euro 73.9 million in 2011 and Euro 68.2 million in 2010.

In addition, the accounts for the first nine months of 2010 have been restated so that they provide a better representation of the plant construction and other works carried out by Group companies; specifically, service costs and capitalised costs have been increased by the same amount.

The table below gives the financial results for the first nine months of 2010 and of 2011:

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	2,576.6	0.0%	2,901.9	0.0%	+325.3	+12.6%
Other operating income	156.3	6.1%	137.8	4.7%	-18.5	-11.8%
Raw materials and consumables	(1,463.6)	-56.8%	(1,666.9)	-57.4%	+203.3	+13.9%
Service costs	(602.4)	-23.4%	(639.3)	-22.0%	+36.9	+6.1%
Other operating expense	(26.5)	-1.0%	(26.8)	-0.9%	+0.3	+1.1%
Personnel costs	(270.0)	-10.5%	(276.5)	-9.5%	+6.5	+2.4%
Capitalised costs	61.0	2.4%	36.5	1.3%	-24.5	-40.1%
EBITDA	**431.4**	**16.7%**	**466.7**	**16.1%**	**+35.3**	**+8.2%**
Depreciation, amortisation and provisions	(213.2)	-8.3%	(226.2)	-7.8%	+13.0	+6.1%
EBIT	**218.2**	**8.5%**	**240.5**	**8.3%**	**+22.3**	**+10.2%**
Financial operations	(82.8)	-3.2%	(84.3)	-2.9%	+1.5	+1.8%
Pre-tax profit	**135.4**	**5.3%**	**156.2**	**5.4%**	**+20.8**	**+15.4%**
Taxes	(56.3)	-2.2%	(72.2)	-2.5%	+15.9	+28.2%
Net profit for the period	**79.1**	**3.1%**	**84.0**	**2.9%**	**+4.9**	**+6.2%**

* Data at 30 September 2010 has been restated as described in the "Summary of restatements" section of the explanatory notes.

EBITDA rose from Euro 431.4 million in 2010 to Euro 466.7 million in 2011 (+8.2%), EBIT rose from Euro 218.2 million to Euro 240.5 million (+10.2%), pre-tax profit increased by 15.4%, from Euro 135.4 million to Euro 156.2 million, and net profit climbed from Euro 79.1 million in 2010 to Euro 84.0 million in the first nine months of 2011 (+6.2%).

Revenues increased by Euro 325.3 million (+12.6%), from Euro 2,576.6 million at 30 September 2010 to Euro 2,901.9 million at 30 September 2011. The main reasons for this are: (i) higher volumes of electricity sold (+30.9%) and distributed; (ii) increased revenues from gas distribution and sales, due in part to the increase in gas prices; (iii) increased revenues in the waste management area, due in particular to increased revenues from electricity generation; and (iv) higher revenues from water cycle management.

The increase in the cost of raw materials and other materials, equal to Euro 203.3 million compared with the previous year, is attributable to the higher volumes of electricity sold and the increase in the price of gas.

Other operating costs (service costs rose by Euro 36.9 million and other operating expenses rose by Euro 0.3 million) saw an overall increase of Euro 37.2 million (+5.6%), attributable almost entirely to an increase in electricity transport costs.

The increase in personnel costs, which rose from Euro 270.0 million at 30 September 2010 to Euro 276.5 million a year later (+2.4%), is due mainly to changes in contract dynamics.

The decrease in capitalised costs, which went from Euro 61.0 million to Euro 36.5 million, is mainly linked to the decrease in work on plants and other works by Group companies.

The Group's consolidated EBITDA for the first nine months of 2011 increased from Euro 431.4 million to Euro 466.7 million (+8.2%) due to the performance of all the Group's main business segments. The solid performance of the electricity business, which rose from 9.4% to 11.9% of total EBITDA, the increased margin generated by the waste management business for urban hygiene services and the improved result of the gas business are particularly noteworthy.

Depreciation, amortisation and provisions increased by 6.1%, from Euro 213.2 million in the first nine months of 2010 to Euro 226.2 million for the same period in 2011, due mainly to: (i) increased provisions for bad debts and for risks; (ii) the entry into operation of new plants, the depreciation of which offsets the impact of the adjustment made to certain depreciation rates in the 2010 financial statements.

EBIT totalled Euro 240.5 million in the first nine months of 2011, an increase of 10.2% compared with the corresponding period of 2010.

The result from financial operations totalled Euro 84.3 million at 30 September 2011, compared with Euro 82.8 million at 30 September 2010. The increase of Euro 1.5 million was due mainly to a reduction of Euro 0.9 million in profits from associates and to increased costs related to the application of IAS.

In light of the above, pre-tax profit rose from Euro 135.4 million in the first nine months of 2010 to Euro 156.2 million in the nine months to 30 September 2011, an increase of 15.4%, or Euro 20.8 million.

Taxes rose from Euro 56.3 million in 2010 to Euro 72.2 million in the first nine months of 2011. The tax rate was 46.2%. The increase in the tax rate was due largely to the recent legislative provisions adopted with regard to the Robin Hood tax - an increase of 4 percentage points in IRES (corporation tax) for companies operating in the energy sector, introduced by Decree Law 138/2011 - and IRAP (regional production tax) - an increase of 0.30% for concession-holding companies, introduced by Decree Law 98/2011.

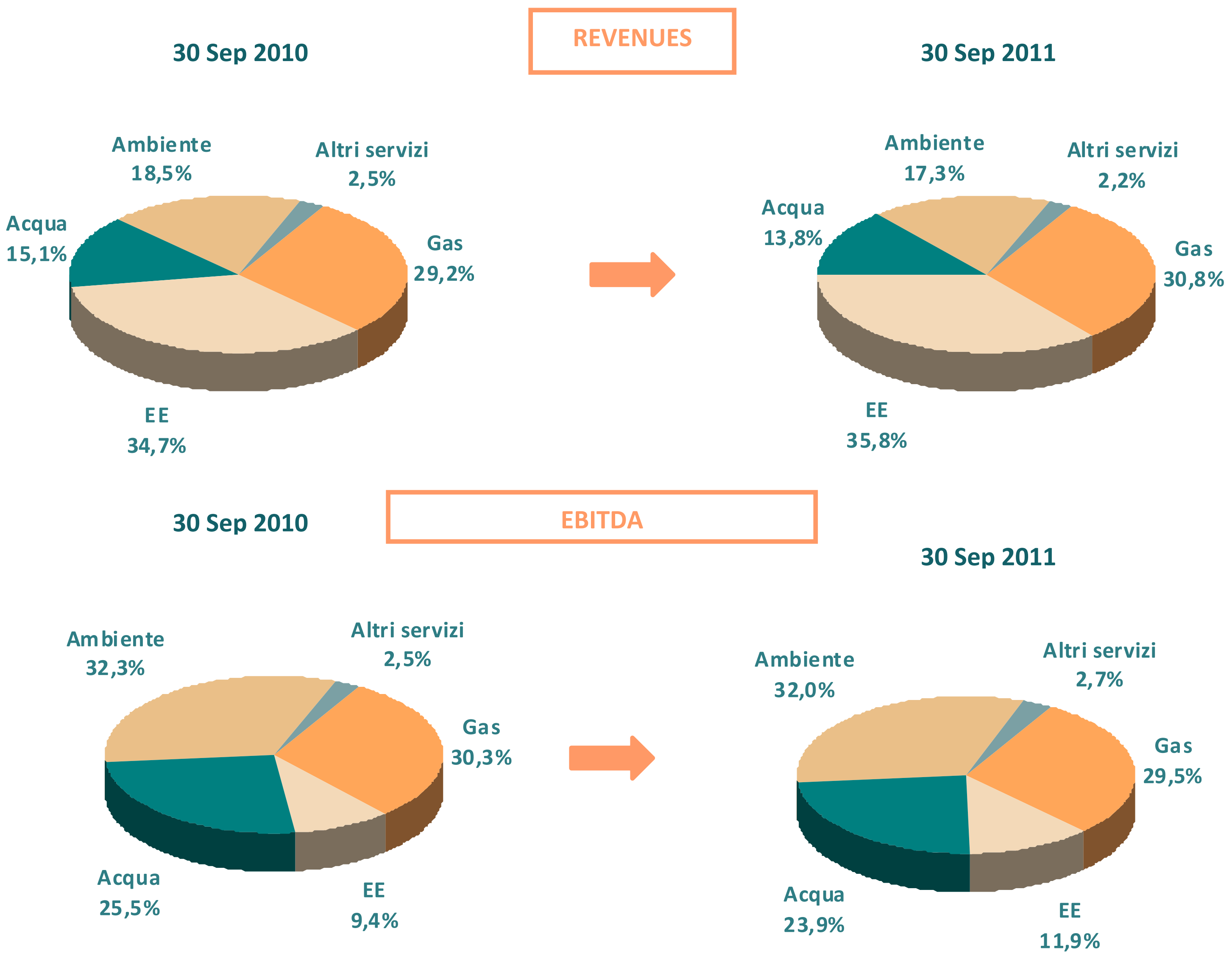
Net profit as at 30 September 2011 was Euro 84.0 million, up 6.2% compared with the Euro 79.1 million recorded for the same period in 2010.

1.02 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 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 light of the above, the following graphs show the breakdown of and changes in revenues and EBITDA over the year:

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 and inter-divisional transactions valued at current market prices.

The analysis by business segment takes into consideration the valuation of increased revenues and costs, without an impact on EBITDA, relating to the application of IFRIC 12, as shown in the Group's consolidated income statement. The business sectors affected by the application of the above standards are: methane distribution services, electricity distribution services, all integrated water cycle services and public-lighting services.

The accounting restatement for the nine months to 30 September 2010, which increases service costs and capitalised costs by the same amount, is also taken into consideration. This restatement, which has an impact on all business segments, was necessary in order to give a better representation of plant construction and other works carried out by Group companies.

1.02.01 Analysis of operations in the Gas segment

As at 30 September 2011, the Gas segment recorded growth compared with the same period of the previous year, although its percentage contribution to the Group's EBITDA fell:

(mln/€)	30-Sep-10	30-Sep-11	Change	% change
Segment EBITDA	**130.7**	**137.7**	**+7.0**	**+5.4%**
Group EBITDA	431.4	466.7	35.3	+8.2%
Percentage weighting	30.3%	29.5%	-0.8 p.p.	

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

Quantitative data	30-Sep-10	30-Sep-11	Change	% change
Gas volumes distributed (millions of m^3)	1,650.5	1,522.9	-127.6	-7.7%
Gas volumes sold (millions of m^3)	1,990.1	2,246.1	+256.0	+12.9%
- of which trading volumes	*524.1*	*900.5*	*+376.4*	*+71.8%*
Heat volumes supplied (GWht)	355.0	331.1	-23.9	-6.7%

The volumes of gas distributed, based on the same number of concessions managed, went from 1,650.5 million cubic metres in 2010 to 1,522.9 million cubic metres in 2011, a fall of 7.7%. This fall was sharper than the 6.9% drop in domestic demand for natural gas. This was due mainly to the weather, since average temperatures were higher than in the same period of the previous year.

The volumes of gas sold, on the other hand, went from 1,990.1 million cubic metres in the first nine months of 2010 to 2,246.1 million cubic metres in 2011, an increase of 12.9% as a result of the increase in volumes traded, in spite of the aforementioned impact of the weather. The incorporation of Sadori Gas into Hera Comm Marche contributed to the 1.5% increase in total volumes sold.

The volumes of heat supplied went from 355.0 GWht in 2010 to 311.1 GWht in the first nine months of 2011, a fall of 6.7%, which was also connected to the higher average temperatures recorded in the first nine months of 2011, resulting in lower heat consumption.

A summary of the financial results for the segment is given below:

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	840.3		977.2		+136.9	+16.3%
Operating costs	(684.3)	-81.4%	(798.8)	-81.7%	+114.5	+16.7%
Personnel costs	(46.1)	-5.5%	(50.1)	-5.1%	+4.0	+8.7%
Capitalised costs	20.8	2.5%	9.4	1.0%	-11.4	-54.9%
EBITDA	**130.7**	**15.6%**	**137.7**	**14.1%**	**+7.0**	**+5.4%**

Revenues increased by 16.3%, from Euro 840.3 million in the first nine months of 2010 to Euro 977.2 million in the corresponding period of 2011, as a result of increased sales revenues, linked to more-expensive raw materials, higher volumes traded and higher revenues from distribution.

Operating costs increased by 16.7 % due to the increase in the cost of natural gas and in volumes traded.

EBITDA for the Gas segment increased by Euro 7.0 million, from Euro 130.7 million to Euro 137.7 million, although the EBITDA margin fell from 15.6% in the first nine months of 2010 to 14.1% for the same period in 2011. This result is attributable to higher revenues from gas distribution and increased gas sales margins resulting from favourable contracts for purchasing raw materials, albeit to a lesser extent than in 2010. The results of the Gas segment include those of Sadori Gas, which has been incorporated into Hera Comm Marche and has a customer portfolio of over 34,000 contracts with 47 million cubic metres of gas sold in the provinces of Pesaro-Urbino, Ancona and L'Aquila.

1.02.02 Analysis of operations in the Electricity segment

At the end of the first nine months of 2011, the Electricity segment recorded growth compared with the same period in 2010, even in terms of its contribution to the Group's overall EBITDA margin, which rose from 9.4% to 11.9%, as shown in the table below:

(mln/€)	30-Sep-10	30-Sep-11	Change	% change
Segment EBITDA	**40.4**	**55.5**	**+15.1**	**+37.6%**
Group EBITDA	431.4	466.7	+35.3	+8.2%
Percentage weighting	9.4%	11.9%	+2.5 p.p.	

EBITDA rose from Euro 40.4 million as at 30 September 2010 to Euro 55.5 million as at 30 September 2011, an increase of 37.6%.

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

Quantitative data	30-Sep-10	30-Sep-11	Change	% change
Volumes sold (Gw/h)	5,712.8	7,480.4	+1,767.6	+30.9%
Volumes distributed (Gw/h)	1,657.1	1,723.0	+65.9	+4.0%

The 4.0% increase in volumes distributed shows a recovery in consumption, which in the area served in Imola and Modena was higher than both the average for Emilia-Romagna and Tuscany (+2.7%) and the national average (+1.7%), due mainly to flows in the Modena area.

The 30.9% increase in volumes sold was attributable to both the strong performance of sales activities and the acquisition of new default-provider service customers, with a total of more than 104,000 net new supply points. The sales company was assigned the task of managing electricity-supply default-provider service customers in Lombardy, Tuscany, Lazio, Abruzzo, Molise and Puglia for the 2011-2013 three-year period.

An analysis of the main segment results is given below:

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	999.2		1,136.3		+137.1	+13.7%
Operating costs	(952.1)	-95.3%	(1,069.3)	-94.1%	+117.2	+12.3%
Personnel costs	(17.1)	-1.7%	(20.4)	-1.8%	+3.3	+19.4%
Capitalised costs	10.3	1.0%	8.8	0.8%	-1.5	-14.6%
EBITDA	**40.4**	**4.0%**	**55.5**	**4.9%**	**+15.1**	**+37.6%**

Revenues rose from Euro 999.2 million in the first nine months of 2010 to Euro 1,136.3 million in the corresponding period of 2011, an increase of 13.7% due to higher sales volumes and greater revenues from distribution.
The increase in sales volumes resulted in an increase in operating costs in terms of the purchase of raw materials and higher electricity transport costs.
The EBITDA margin increased from 4.0% in the first nine months of 2010 to 4.9% in 2011 as a result of the aforementioned mix.

At the end of the first nine months of 2011, EBITDA rose from Euro 40.4 million in 2010 to Euro 55.5 million, an increase of 37.6%, thanks to the contribution from sales volumes and revenues from distribution. Lastly, operations undertaken in renewable energy sources and industrial cogeneration made a contribution to the overall result.

1.02.03 Analysis of operations in the Integrated Water Cycle segment

The Integrated Water Cycle segment, as at 30 September 2011, recorded growth compared with the same period in the previous year:

(mln/€)	30-Sep-10	30-Sep-11	Change	% change
Segment EBITDA	110.2	111.6	+1.4	+1.3%
Group EBITDA	431.4	466.7	+35.3	+8.2%
Percentage weighting	25.5%	23.9%	-1.6 p.p.	

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

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	433.2		439.2		+6.0	+1.4%
Operating costs	(253.7)	-58.6%	(253.8)	-57.8%	+0.1	+0.0%
Personnel costs	(79.0)	-18.2%	(79.3)	-18.1%	+0.3	+0.4%
Capitalised costs	9.8	2.3%	5.5	1.2%	-4.3	-44.1%
EBITDA	**110.2**	**25.4%**	**111.6**	**25.4%**	**+1.4**	**+1.3%**

Revenues, equal to Euro 439.2 million, increased by 1.4% compared with the first nine months of 2010, as a result of increased water management revenues and volumes to cover the services requested.

Operating costs remained unchanged from the same period of the previous year, testifying to Hera's continued attention to operating efficiency, as seen in the previous periods.

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

Quantitative data	30-Sep-10	30-Sep-11	Change	% change
Volumes sold (millions of m^3)				
Mains water	192.6	195.6	+3.0	+1.6%
Sewerage	168.3	167.9	-0.4	-0.2%
Purification	168.8	166.6	-2.2	-1.3%

The volumes of water supplied were higher than in the first nine months of 2010, while sewerage and purification volumes decreased in the Pesaro-Urbino area due to the implementation on 1 January 2011 of AATO resolution no. 14 of 13 September 2010, pursuant to which purification volumes do not include customers whose sewerage is not connected to a central purification plant.

EBITDA totalled Euro 111.6 million as at 30 September 2011, against Euro 110.2 million in the corresponding period of the previous year, an increase of 1.3% due to higher sales volumes and revenues to cover the services provided.

1.02.04 Analysis of operations in the Waste Management segment

The Waste Management segment shows an increase of 7.1% in EBITDA compared with the first nine months of 2010, as seen in the table below:

(mln/€)	30-Sep-10	30-Sep-11	Change	% change
Segment EBITDA	**139.3**	**149.2**	**+9.9**	**+7.1%**
Group EBITDA	431.4	466.7	+35.3	+8.2%
Percentage weighting	32.3%	32.0%	-0.3 p.p.	

Hera Group has adopted an integrated approach towards the entire waste cycle, with 80 urban waste and special waste treatment and disposal plants.
In the first nine months of 2010, Hera increased to 50% its stake in Enomondo S.r.l., which has a new 120,000-tonne biomass plant and a composting plant.

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

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	531.7		550.2		+18.5	+3.5%
Operating costs	(297.9)	-56.0%	(299.6)	-54.5%	+1.7	+0.6%
Personnel costs	(113.1)	-21.3%	(112.5)	-20.5%	-0.6	-0.5%
Capitalised costs	18.6	3.5%	11.1	2.0%	-7.5	-40.2%
EBITDA	**139.3**	**26.2%**	**149.2**	**27.1%**	**+9.9**	**+7.1%**

Revenues as at 30 September 2011 show an increase of 3.5% compared with the same period in the previous year, going from Euro 531.7 million to Euro 550.2 million thanks to greater revenues from electricity production and increased revenues from urban hygiene through rate adjustments to cover the increase in services requested.

Separated waste collection accounted for 49.2% of the total volumes collected at the end of the first nine months of 2011, compared with 46.6% for the same period in 2010, an increase of 2.6 percentage points. The percentage represented by separated waste collection for the whole of 2010 was not affected by the modification to Regional Government Decree 1620-01, which excludes the non-reusable fractions of multi-material collections from the calculation of separated waste collection. Based on a standardised comparison of the figures, the percentage represented by separated collection would increase in the first six months of 2011 by 2.9 percentage points.

Below is a breakdown of the volumes sold and treated by the Group in the first nine months of 2011, compared with the same period in 2010:

Quantitative data (thousands of tonnes)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Urban waste	1,406.7	32.7%	1,368.4	35.0%	-38.3	-2.7%
Market waste	1,202.4	28.0%	1,180.6	30.2%	-21.8	-1.8%
Waste sold	**2,609.2**	**60.7%**	**2,549.0**	**65.2%**	**-60.2**	**-2.3%**
Plant by-products	1,688.8	39.3%	1,362.2	34.8%	-326.6	-19.3%
Waste treated by type	**4,297.9**	**100.0%**	**3,911.2**	**100.0%**	**-386.7**	**-9.0%**
Landfills	1,082.2	25.2%	967.1	24.7%	-115.1	-10.6%
Waste-to-energy plants	605.5	14.1%	691.5	17.7%	+86.0	+14.2%
Selection plants	246.1	5.7%	224.5	5.7%	-21.6	-8.8%
Composting plants	341.3	7.9%	425.8	10.9%	+84.5	+24.8%
Stabilisation and physicochemical treatment plants	922.8	21.5%	648.4	16.6%	-274.4	-29.7%
Other	1,100.0	25.6%	953.8	24.4%	-146.2	-13.3%
Waste treated by plant	**4,297.9**	**100.0%**	**3,911.2**	**100.0%**	**-386.7**	**-9.0%**

The breakdown of the quantitative data shows a fall of 2.3% in waste sold due to the decrease in both urban waste (-2.7%) and market waste (-1.8%) as a result of the unfavourable economic climate. The decrease in by-products from plants, on the other hand, is related to the different weather conditions, especially the lower rainfall compared with the first nine months of 2010, which resulted in lower leachate generation.

The change in disposal flows should also be stressed, since, as a result of the availability of new waste-to-energy (WTE) plants and the further development of separated waste collection and recovery activities, Hera saw significant growth in volumes destined for WTE plants and composting plants, enabling it to reduce its use of landfills.

EBITDA in the Waste Management segment increased by Euro 9.9 million year on year, rising from Euro 139.3 million in the first nine months of 2010 to Euro 149.2 million in 2011, an increase of 7.1%. This result was generated by all the activities across the integrated cycle, and relates mainly to the aforementioned revenues from electricity generation and to collection and sweeping.

1.02.05 Analysis of operations in the Other Services segment

As at 30 September 2011, the Other Services segment showed growth compared with the same period in the previous year, with EBITDA rising by 16.1%, from Euro 10.9 million to Euro 12.7 million, as shown in the table below:

(mln/€)	30-Sep-10	30-Sep-11	Change	% change
Segment EBITDA	10.9	12.7	+1.8	+16.1%
Group EBITDA	431.4	466.7	+35.3	+8.2%
Percentage weighting	2.5%	2.7%	+0.2 p.p.	

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

Income statement (mln/€)	30-Sep-10	% weight	30-Sep-11	% weight	Change	% change
Revenues	72.6		71.4		-1.2	-1.7%
Operating costs	(48.6)	-66.9%	(46.3)	-64.8%	-2.3	-4.7%
Personnel costs	(14.7)	-20.3%	(14.1)	-19.8%	-0.6	-4.1%
Capitalised costs	1.6	2.2%	1.7	2.3%	+0.1	+6.4%
EBITDA	**10.9**	**15.0%**	**12.7**	**17.7%**	**+1.8**	**+16.1%**

The telecommunications business recorded an increase compared with the first nine months of 2010, while the public-lighting service showed negative growth.

The main operating indicators, which are listed in the table below, show a decrease in lighting points due to the expiry of the service concession in some municipalities, the main one being Bologna. This was partially offset, however, by concessions to provide public-lighting services in the city of San Donato Milanese and in other small municipalities.

Quantitative data	30-Sep-10	30-Sep-11	Change	% change
Public lighting				
Lighting points (thousands)	332.0	292.3	-39.7	-12.0%
Municipalities served	61.0	59.0	-2.0	-3.3%

1.03 Investments

The Group’s tangible and intangible investments totalled Euro 213.2 million, compared with Euro 244.6 million in the same period of the previous year.

The table below lists the investments before disposals, for the periods in question, by business sector:

Total investments (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Gas	33.3	34.3	+1.0	+3.0%
Electricity	31.4	20.2	-11.2	-35.7%
Integrated Water Cycle	67.3	69.4	+2.1	+3.1%
Waste Management	70.0	44.8	-25.2	-36.0%
Other Services	10.1	10.4	+0.3	+3.0%
Central Business Unit	32.5	34.0	+1.5	+4.6%
Total operating investments	**244.6**	**213.2**	**-31.4**	**-12.8%**
Total financial investments	2.5	0.0	-2.5	-100.0%
Total	**247.1**	**213.2**	**-33.9**	**-13.7%**

N.B.: The investments for 2010 were restated so as to give a better representation of plant construction and other works carried out by Group companies.

Investments in the **Gas** service were higher than in the same period of the previous year. Operations in the Gas service in the areas that Hera serves refer to network extensions, improvements and upgrading of networks and distribution systems. Investments in District Heating include network extension works in the areas of Bologna (Euro 1.8 million), Imola (Euro 3.8 million), Forlì Cesena (Euro 3.4 million including the completion of the Forlì plant), Ferrara (Euro 1.2 million) and Modena (Euro 0.6 million). Investments in Heat Management relate to structural operations on thermal plants operated by Group companies.

Gas (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Hera S.p.A. network	18.4	19.6	+1.2	+6.5%
Le Marche/Sardinia networks	1.2	3.4	+2.2	+183.3%
District Heating/Heat Management	13.7	11.2	-2.5	-18.2%
Other	0.1	0.1	+0.0	+0.0%
Total Gas	**33.3**	**34.3**	**+1.0**	**+3.0%**

Investments in the **Electricity** service were mainly aimed at the extension of the service, extraordinary maintenance on distribution networks and plants around Modena and Imola, and network support services. Regional investment was down compared with the same period of the previous year due to the completion of the new solar-power plant at Interporto di Bologna and the final phase of the commitment to replace all existing meters with smart meters in order to comply with the replacement plans authorised by the AEEG (Euro 2.3 million as at 30 September 2011). Investments in electricity and heat production (CCGT) plants refer to the completion of the Imola cogeneration plant, while industrial cogeneration activities relate to the creation of new plants for companies in the area.

Electricity (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Regional	21.6	15.1	-6.5	-30.1%
Imola CCGT	6.2	3.9	-2.3	-37.1%
Industrial cogeneration	3.7	1.2	-2.5	-67.6%
Total Electricity	**31.4**	**20.2**	**-11.2**	**-35.7%**

In the **Integrated Water Cycle** segment, there was an increase in operations on purification plants compared with the same period of 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 (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Mains water	36.0	35.3	-0.7	-1.9%
Purification	13.3	16.4	+3.1	+23.3%
Sewerage	18.0	17.7	-0.3	-1.7%
Total Integrated Water Cycle	**67.3**	**69.4**	**+2.1**	**+3.1%**

The **Waste Management** segment recorded a fall in maintenance and expansion activities for existing plants in the area compared with the previous year. Investments in WTE plants referred mainly to the construction of the Rimini plant.

Waste Management (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Existing plants	31.9	30.6	-1.3	-4.1%
New plants:				
WTE Modena	15.1	1.5	-13.6	-90.1%
WTE Forlì	0.7	0.0	-0.7	-100.0%
WTE Rimini	22.3	12.7	-9.6	-43.0%
Total Waste Management	**70.0**	**44.8**	**-25.2**	**-36.0%**

In the **Other Services** segment, in telecommunications, 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 the same period in 2010, while the Other item includes investments in cemetery services.

Other Services (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Telecommunications	8.3	7.8	-0.5	-6.0%
Public lighting and traffic lights	1.2	1.0	-0.2	-16.7%
Other	0.5	1.6	+1.1	+220.0%
Total Other Services	**10.1**	**10.4**	**+0.3**	**+3.0%**

Investments in the Central Business Unit increased overall compared with the previous year, due to the maintenance work carried out on the transport fleet and the development of IT systems. Other investments include work on the completion of laboratories and remote-monitoring units.

Central Business Unit (mln/€)	30-Sep-10	30-Sep-11	Change	% change
Property investments	17.4	16.1	-1.3	-7.5%
IT systems	9.0	10.9	+1.9	+21.1%
Fleet	3.9	5.0	+1.1	+28.2%
Other investments	2.3	1.9	-0.4	-17.4%
Total Central Business Unit	**32.5**	**34.0**	**+1.5**	**+4.6%**

1.04 Analysis of net financial position

	millions of euros	30-Sep-11	31-Dec-10
a	**Cash**	**263.7**	**538.2**
b	**Other current loans**	**48.6**	**44.3**
	Bank overdrafts	-7.8	-58.4
	Current portion of bank debt	-72.2	-71.1
	Other current financial liabilities	-10.9	-16.6
	Finance lease payables due within 12 months	-2.9	-4.6
c	**Current financial debt**	**-93.8**	**-150.7**
d=a+b+c	**Net current financial debt**	**218.5**	**431.8**
e	**Non-current loans**	**10.8**	**10.3**
	Non-current bank debt	-286.2	-345.8
	Bonds issued	-1,768.5	-1,787.3
	Other non-current financial liabilities	-223.2	-160.4
	Finance lease payables due beyond 12 months	-6.9	-8.8
f	**Non-current financial debt**	**-2,284.8**	**-2,302.3**
g=e+f	**Net non-current financial debt**	**-2,274.0**	**-2,292.0**
h=d+g	**Net financial debt**	**-2,055.5**	**-1,860.2**

The Group's net financial position went from Euro -1,860.2 million at 31 December 2010 to Euro -2,055.5 million at 30 September 2011, an increase of Euro 195.3 million.

This change was due mainly to the distribution of Euro 118.0 million in dividends in June and to the increase in gas stocks.

The Group's debt continues to consist mainly of medium and long-term borrowings. Hera S.p.A. has been given long-term ratings of A3 by Moody's and of BBB+ by Standard & Poor's, both with a stable outlook.

1.05 Human resources

As at 30 September 2011, the Hera Group has 6,506 employees (consolidated companies), with the following breakdown by role: managers (128), middle managers (346), employees (3,358) and workers (2,674). This workforce was the result of the following changes: new recruits (106), leavers (94), change in scope* (3).

	31-Dec-10	30-Sep-11	Change
Senior management	125	128	3
Middle management	342	346	4
Clerical staff	3,297	3,358	61
Skilled workers	2,727	2,674	-53
Total	**6,491**	**6,506**	**15**

Details of these changes are given below:

	31-Mar-11
Workforce at the end of 2010	**6,491**
Joined	106
Left	-94
Net intake	**12**
Changes in scope	3
Workforce at the end of the period	**6,506**

The staff intake during the period was due mainly to:

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

- This includes: +1 Enomondo, +8 Sadori, -6 Hera Luce (Bologna area tender process)

Consolidated financial statements

2.01 Consolidated accounts

2.01.01 Income statement

thousands of Euro	30 Sept 2011 (9 months)	30 Sept 2010 (9 months) Restated	3rd Quarter 2011 (3 months)	3rd Quarter 2010 (3 months)
Revenues	2.901.863	2.576.619	1.094.902	769.658
Other operating income	137.798	156.250	36.040	54.492
Use of raw materials and consumables	-1.666.928	-1.463.573	-630.481	-427.126
Service costs	-639.289	-602.396	-233.652	-196.759
Personnel costs	-276.457	-270.035	-91.876	-85.454
Amortisation, depreciation and provisions	-226.152	-213.176	-87.489	-74.513
Other operating costs	-26.757	-26.494	-7.936	-7.673
Capitalised costs	36.469	61.044	-13.810	10.765
Operating profit	**240.547**	**218.239**	**65.698**	**43.390**
Portion of profits (losses) pertaining to associated companies	4.676	5.590	339	1.253
Financial income	71.819	58.893	16.483	3.557
Financial charges	-160.807	-147.325	-46.359	-32.877
Total financial operations	**-84.312**	**-82.842**	**-29.537**	**-28.067**
Pre-tax profit	**156.235**	**135.397**	**36.161**	**15.323**
Taxes for the period	-72.189	-56.295	-21.278	-5.384
Net profit for the period	**84.046**	**79.102**	**14.883**	**9.939**
Attributable to:				
Shareholders of Parent Company	67.653	68.355	5.080	5.782
Minority shareholders	16.393	10.747	9.803	4.157

2.01.02 Aggregate income statement

thousands of Euro	*30 september 2011 (9 months)*	*30 september 2010 (9 months)*
Net profit/(loss) for the period	**84.046**	**79.102**
Change in cash flow hedge reserve	4.683	419
Tax effects of other components of comprehensive income	-1.260	49
Share of "other components of income" attributable to investments valued at equity	751	-455
Total profit/(loss) for the period	**88.220**	**79.115**
Attributable to:		
Shareholders of Parent Company	72.068	68.766
Minority shareholders	16.152	10.349

2.01.03 Earnings per share

The profit (loss) per share determined according to the methods set forth in IAS 33 is indicated in the table below:

	Financial year 2011 30 September 2011	Financial year 2010 30 September 2010
Group profit (loss) for the period (A) (amounts in thousands of Euro):	67.653	68.355
Weighted average number of outstanding shares		
for the purpose of calculating the profit (loss) per share:		
- base (B)	1.108.289.363	1.111.453.204
- diluted (C)	1.184.625.241	1.111.453.204
Profit (loss) per share (in Euro)		
- base (A/B)	0,061	0,062
- diluted (A/C)	0,059	0,062

2.01.04 Statement of financial position

thousands of Euro	*30-set-2011*	*31-Dec-2010*
ASSETS		
Non-current assets		
Tangible fixed assets	1.877.078	1.840.232
Intangible fixed assets	1.764.804	1.728.498
Goodwill	383.238	377.579
Equity investments and securities	132.812	135.344
Financial assets	10.911	10.912
Deferred tax assets	90.964	84.290
Financial instruments - derivatives	77.002	40.071
Total non-current assets	**4.336.809**	**4.216.926**
Current assets		
Inventories	97.743	53.880
Trade receivables	1.049.783	1.134.496
Contract work in progress	20.581	17.228
Financial assets	39.532	46.084
Financial instruments - derivatives	17.772	12.796
Other current assets	274.638	181.607
Cash and cash equivalents	263.776	538.226
Total current assets	**1.763.825**	**1.984.317**
Total assets	**6.100.634**	**6.201.243**

thousands of Euro	*30-set-2011*	*31-Dec-2010*
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1.115.014	1.115.014
-Reserve for own shares at par value	-9.640	-5.940
Reserves	537.775	514.662
-Reserve for own shares exceeding par value	-4.006	-3.105
Reserves for derivative instruments valued at fair value	-8.743	-12.407
Retained earnings (losses)	2.061	2.061
Profit (loss) for the period	67.653	117.218
Group shareholders' equity	**1.700.114**	**1.727.503**
Minority interest share	140.364	142.720
Total shareholders' equity	**1.840.478**	**1.870.223**
Non-current liabilities		
Loans - maturing beyond the next year	2.354.050	2.313.722
Employee leaving indemnity and other benefits	93.423	95.643
Provisions for risks and charges	227.693	210.968
Deferred tax liabilities	78.056	76.143
Financial leasing payables – maturing beyond the next year	6.895	8.882
Financial instruments - derivatives	13.671	44.082
Total non-current liabilities	**2.773.788**	**2.749.440**
Current liabilities		
Banks and other borrowings – maturing within the next year	93.929	147.837
Financial leasing payables – maturing within the next year	2.929	4.599
Trade payables	951.364	1.061.003
Income tax liabilities	165.408	124.502
Other current liabilities	255.308	230.050
Financial instruments - derivatives	17.430	13.589
Totale current liabilities	**1.486.368**	**1.581.580**
Total liabilities	**4.260.156**	**4.331.020**
Total shareholders' equity and liabilities	**6.100.634**	**6.201.243**

2.01.05 Cash flow statement

Consolidated Cash Flow Statement - thousands of Euro	30-set-11			30-set-10		
Operating activities						
Cash flow						
Net profit pertaining to Group and minority shareholders	84.046			79.102		
Depreciation, amortisation and writedowns of tangible assets	93.397			93.497		
Depreciation, amortisation and writedowns of intangible assets	76.601			79.400		
Total cash flow	**254.044**			**251.999**		
Profit (loss) of equity investments measured at equity	(2.297)			(3.619)		
(Gains) Losses on disposal of fixed assets	437			(4.225)		
Changes in prepaid and deferred taxation	(4.758)			(15.918)		
Employee leaving indemnities and other benefits:						
Provisions/ (uses)	(2.220)			(1.356)		
Provisions for risks and charges:						
Provisions/ (uses)	14.264			9.311		
Total cash flow before changes in net working capital	**259.470**			**236.192**		
Working Capital						
Change in trade receivables	97.483			166.765		
Change in inventories	(47.216)			(22.184)		
Change in other current assets	(92.189)			(42.339)		
Change in trade payables	(117.135)			(180.027)		
Change in tax liabilities	39.815			88.337		
Change in other current liabilities	23.627			13.917		
Change in financial instruments - derivatives	(6.504)			(1.602)		
Change in working capital	**(102.119)**			**22.867**		
Change in financial instruments - non-current derivatives	**(12.902)**			**(7.356)**		
Liquidity generated by operations		**144.449 a)**			**251.703 a)**	
Investment activities						
Disposal/(investment) in tangible assets,						
net of net investments/disinvestments		(100.375)			(96.725)	
Disposal/(investment) in intangible assets,						
net of net investments/disinvestments		(111.602)			(122.212)	
Goodwill						
Investments in equity investments net of disposals		(7.114)			(4.509)	
(Increase)/decrease in other investments		4.503			(11.193)	
Liquidity generated/(absorbed) by investment activities		**(214.588) b)**			**(234.639) b)**	
Financing activities						
Medium/long-term loans		(16.022)			(20.429)	
Change in shareholders' equity accounts		(5.817)			(783)	
Change in short-term bank indebtedness		(61.365)			14.235	
Dividends paid out		(118.026)			(96.814)	
Change in financial leasing payables		(3.657)			(2.285)	
Liquidity generated/(absorbed) by financing activities		**(204.887) c)**			**(106.076) c)**	
			(275.026) (a+b+c)			**(89.012) (a+b+c)**
Change in net financial position						
Cash and cash equivalents at the beginning of the period	538.226			350.332		
Contribution of cash from changes in perimeter	576			1.055		
Cash and cash equivalents at the end of the period	263.776			262.375		
	(275.026)			**(89.012)**		

2.01.06 Statement of changes in shareholders' equity

	Share Capital	Reserves	Reserves for derivative instruments valued at fair value	Profit	Equity	Minority interest share	Total
Balance as at 31 December 2009	**1.112.121**	**472.428**	**-12.995**	**71.052**	**1.642.606**	**58.125**	**1.700.731**
Profit for the period				68.355	**68.355**	10.747	**79.102**
Other elements of comprehensive income as at 30 September 2010:							
change in the fair value of derivatives for the period			866		**866**	-398	**468**
change in the fair value of derivatives for the period for companies measured at equity		-455			**-455**		**-455**
Total comprehensive profit for the period		**-455**	**866**	**68.355**	**68.766**	**10.349**	**79.115**
treasury shares in portfolio	-1.541	-722			**-2.263**		**-2.263**
change in scope of consolidation		-870			**-870**	870	**0**
other movements		8.380	-6.346		**2.034**	-100	**1.934**
Appropriation of profits for 2009:							
- dividends paid out		-39.410		-49.524	**-88.934**	-7.880	**-96.814**
- allocation of retained earnings to reserves		18.640		-18.640	**0**		**0**
- allocation to other reserves		2.888		-2.888	**0**		**0**
Balance as at 30 September 2010	**1.110.580**	**460.879**	**-18.475**	**68.355**	**1.621.339**	**61.364**	**1.682.703**
Balance as 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				67.653	**67.653**	16.393	**84.046**
Other elements of comprehensive income as at 30 September 2011:							
change in the fair value of derivatives for the period			3.664		**3.664**	-241	**3.423**
change in the fair value of derivatives for the period for companies measured at equity		751			**751**		**751**
Total comprehensive profit for the period		**751**	**3.664**	**67.653**	**72.068**	**16.152**	**88.220**
treasury shares in portfolio	-3.700	-901			**-4.601**		**-4.601**
Reclassification of convertible bond equity component		4.894			**4.894**		**4.894**
change in scope of consolidation		26			**26**	332	**358**
other movements		103			**103**	-693	**-590**
Appropriation of profits for 2010:							
- dividends paid out				-99.879	**-99.879**	-18.147	**-118.026**
- allocation of retained earnings to reserves		-6.839		6.839	**0**		**0**
- allocation to other reserves		24.178		-24.178	**0**		**0**
Balance as at 30 September 2011	**1.105.374**	**535.830**	**-8.743**	**67.653**	**1.700.114**	**140.364**	**1.840.478**

2.02 Consolidated explanatory notes

2.02.01 Explanatory notes

Accounting standards and measurement criteria

The consolidated interim report for the three months to 30 September 2011, interim report on operations, was prepared in accordance with Article 154-ter of Legislative Decree 58/1998 and Article 82 of the Consob Issuers' Regulation. This report has not been audited.

This interim report on operations 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, which can be referred to for further information.

Preparation of this interim report on operations 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 fully 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 expected weighted average rate for the entire financial year.

The figures given in this report can be compared with those for the previous financial periods. Specifically, the figures contained in the income statement for the first nine months of 2010 have been restated to reflect plant construction and other works carried out by Group companies.

When comparing the individual items in the income statement and the statement of financial position, 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 is “stepped”, with individual items analysed by type. 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 income and expenses arising from transactions with "non-shareholders” separately. All the changes in question (in our case, the value of the effective portion of gains and losses on cash flow hedges) are 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 quarterly report are all expressed in thousands of euros.

Scope of consolidation

This consolidated quarterly report includes the financial statements of the parent company, Hera S.p.A. and its subsidiaries. It also includes the financial statements of companies that the Group controls jointly. 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.

Small-scale subsidiaries, and those where the voting rights are subject to serious and long-term restrictions, are excluded from line-by-line consolidation and measured at cost. Non-current equity investments in large-scale associates 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 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.

Listed below are the changes in the scope of consolidation in the first nine months of 2011 compared with the consolidated financial statements at 31 December 2010.

Subsidiaries

Consolidated companies	Deconsolidated companies	Notes
	SIS Società Intercomunale di Servizi Spa	Company liquidation approved

On 27 June 2011, the shareholders' meeting resolved to liquidate SIS Società Intercomunale di Servizi S.p.A., in which Marche Multiservizi S.p.A. held a stake. The company was subsequently valued at cost.

Jointly controlled companies

Consolidated companies	Deconsolidated companies	Notes
Enomondo Srl		Consolidated using the proportional method

On 16 February 2011, Herambiente S.p.A. acquired from Caviro, a farming cooperative, another 10% of the share capital of Enomondo S.r.l., taking its total interest to 50%. The company, which was valued at equity until 31 December 2010, is now consolidated proportionally.

Associates

New equity-accounted companies	Companies no longer equity-accounted	Notes
	Enomondo Srl	Consolidated using the proportional method
	Dyna Green Srl	In liquidation

The shareholders' meeting of Dyna Green resolved to liquidate the company on 20 April 2011.

The companies included in the scope of consolidation are listed at the end of these explanatory notes.

Change in the scope of consolidation

On 27 April 2011, the Group acquired 50% of the share capital of Sadori Gas S.r.l., which operates in the natural-gas sales sector in the provinces of Pesaro-Urbino, Ancona and l'Aquila. On 1 July 2010. Sadori Gas S.r.l. was merged by incorporation into Hera Comm Marche S.r.l. The merger resulted in an Euro 519,000 increase in the share capital of Hera Comm Marche S.r.l., which was subscribed in equal proportion by the shareholders Walther Sadori S.r.l. and Hera Comm S.r.l. The share capital of Hera Comm Marche consequently increased from Euro 1,458,332 to Euro 1,977,332. The Group's overall stake fell from 76.26% at 31 December 2010 to 69.37%.

Other information

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

This consolidated quarterly report at 30 September 2011 was submitted for the approval of the Board of Directors on 10 November 2011.

Summary of restatements

The table below shows the impact on the income statement at 30 September 2010 of the representation of plant construction and other works carried out by Group companies.

thousands of euros	30-Sep-10	2010 Group company plants built	30-Sep-2010 Pubblished
INCOME STATEMENT			
Revenues			
Change in inventories of finished products and work in progress	2,161	-4,851	7,012
	2,161	**-4,851**	**7,012**
Costs			
Service costs	-602,396	-25,371	-577,025
Capitalised costs	61,044	30,222	30,822
	-541,352	**4,851**	**-546,203**
Total	**-539,191**	**0**	**-539,191**

2.03 Net financial debt

2.03.01 Consolidated net financial debt

millions of euros		30-set-11	31-dic-10
a	**Cash**	**263,7**	**538,2**
b	**Other current loans**	**48,6**	**44,3**
	Bank overdrafts	-7,8	-58,4
	Current portion of bank debt	-72,2	-71,1
	Other current financial liabilities	-10,9	-16,6
	Finance lease payables due within 12 months	-2,9	-4,6
c	**Current financial debt**	**-93,8**	**-150,7**
d=a+b+c	**Net current financial debt**	**218,5**	**431,8**
e	**Non-current loans**	**10,8**	**10,3**
	Non-current bank debt	-286,2	-345,8
	Bonds issued	-1.768,5	-1.787,3
	Other non-current financial liabilities	-223,2	-160,4
	Finance lease payables due beyond 12 months	-6,9	-8,8
f	**Non-current financial debt**	**-2.284,8**	**-2.302,3**
g=e+f	**Net non-current financial debt**	**-2.274,0**	**-2.292,0**
h=d+g	**Net financial debt**	**-2.055,5**	**-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 S.p.A.	**Bologna**	**1.115.013.754**			
Acantho S.p.A.	Imola (Bo)	22.500.000	79,94%		79,94%
Acque S.r.l.	Pesaro	102.700		40,64%	40,64%
Akron S.p.A.	Imola (Bo)	1.152.940		43,13%	43,13%
ASA S.C.p.A.	Castelmaggiore (Bo)	1.820.000		38,25%	38,25%
Consorzio Akhea Fondo Consortile	Bologna	200.000		59,38%	59,38%
Eris S.C.r.l.	Ravenna	300.000		51,00%	51,00%
Famula On-line S.p.A.	Bologna	4.364.030	100,00%		100,00%
Frullo Energia Ambiente S.r.l.	Bologna	17.139.100		38,25%	38,25%
Gal.A. S.p.A.	Bologna	300.000		45,00%	45,00%
HeraAmbiente S.p.A.	Bologna	271.148.000	75,00%		75,00%
Hera Comm S.r.l.	Imola (Bo)	53.136.987	100,00%		100,00%
Hera Comm Marche S.r.l.	Urbino (Pu)	1.977.332		69,37%	69,37%
Hera Comm Mediterranea S.r.l.	Carinaro (Ce)	250.000		50,01%	50,01%
Hera Energie S.r.l.	Bologna	926.000		51,00%	51,00%
Hera Energie Rinnovabili S.p.A.	Bologna	1.832.000	100,00%		100,00%
Hera Luce S.r.l.	San Mauro Pascoli (Fc)	1.000.000	89,58%		89,58%
Hera Servizi Funerari S.r.l.	Bologna	10.000	100,00%		100,00%
Herasocrem S.r.l.	Bologna	100.000	51,00%		51,00%
Hera Trading S.r.l.	Imola (Bo)	22.600.000	100,00%		100,00%
Marche Multiservizi S.p.A.	Pesaro	13.450.012	40,64%		40,64%
Medea S.p.A.	Sassari	4.500.000	100,00%		100,00%
MMS Ecologica S.r.l.	Pesaro	95.000		40,64%	40,64%
Naturambiente S.r.l.	Pesaro	50.000		40,64%	40,64%
Nuova Geovis S.p.A.	Sant'Agata Bolognese (Bo)	2.205.000		38,25%	38,25%
Romagna Compost S.r.l.	Cesena (Fc)	3.560.002		45,00%	45,00%
Sinergia S.r.l.	Forlì (Ce)	579.600		59,00%	59,00%
Sotris S.p.A.	Ravenna	2.340.000	5,00%	52,50%	57,50%
Uniflotte S.r.l.	Bologna	2.254.177	97,00%		97,00%

Jointly controlled companies

Name	Registered office		Share capital	Percentage held		Total interest
				direct	indirect	
Enomondo S.r.l.	Faenza (Ra)		14.000.000		37,50%	37,50%
FlameEnergy Trading GmbH	Vienna		3.000.000		50,00%	50,00%

Associates

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

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

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