press release
Bologna, 10 November 2011

Hera Group, Board of Directors approves Quarterly Report and Business Plan

Operating profit and net profit up thanks to contribution from all business areas.
Business plan targeting organic growth, with a strong focus on sustainability.

Financial results at 30/09/2011

- **Revenues: 2,901.9 million (+12.6%)**
- **EBITDA: 466.7 million (+8.2%)**
- **Net profit: 84.0 million (+6.2%)**

Business plan

- **EBITDA at 2015: 800 million (+32%)**
- **Focus on organic growth: market penetration, gas tender opportunities, quality of service and optimisation of all services**
- **Strong focus on sustainability (energy production from renewable sources +89.9%)**

Consolidate Hera Group as a growing, efficient Company that serves reference territories with an increasing focus on sustainability and on developing opportunities from renewable energy sources. These are the objectives underpinning the new Business Plan to 2015, unanimously approved by the Board of Directors, together with the positive financial results at 30 September 2011.

Consolidated financial results at 30 September 2011

Revenues, EBITDA and net profit

Revenues rose to 2,901.9 million (+12.6% compared with 30/09/2010) thanks to the contribution of all services provided.
EBITDA also increased, reaching 466.7 million (+8.2%).
EBIT stands at Euro 240.5 million (+10.2%), whilst pre-tax profit increased to Euro 156.2 million (+15.4%). Net profit stands at 84.0 million (+6.2%), albeit reflecting the effects of the tax measures introduced by the Government.

Waste management

EBITDA in the Waste management area, which includes the collection, treatment and disposal of waste, increased to 149.2 million (+7.1%). This growth is linked to the containment of costs, the increased volumes of energy produced and, to a lesser extent, to increased urban waste collection revenues resulting from tariff adjustments made to cover the increased services requested. This has more than offset the fall in declining market volumes (-2.3%), as a consequence of the adverse economic situation. Waste management business accounts for 32.0% of Group EBITDA.

Gas
The Gas area EBITDA, which includes the distribution and sale of methane gas and LPG, district heating and heat management, rose to 137.7 million (+5.4%). This is the result of the efficient procurement of raw material, to increased gas distribution revenues linked to the regulatory aspects of the business and to expansion of the customer base (more than 1.1 million customers). These factors have more than offset the negative effect of reduced consumption, resulting from the mild weather in the first part of the year. Gas business accounts for 29.5% of Group EBITDA.

Electricity
The Electricity area EBITDA, which includes the production, distribution and sale of electricity, increased to 55.5 million (+37.6%) as a result of the increased volumes sold (7.5 TWh; +30.9%) and the improved trading and business margins, with the acquisition of new customers in the "salvaguardia" market in Lombardia, Toscana, Lazio, Abruzzo, Molise and Puglia also making an impact. Electricity business accounts for 11.9% of Group EBITDA.

Integrated Water Cycle
The Water business EBITDA, which includes mains water, purification and sewerage services, stands at 111.6 million (+1.3%). With no change in operating costs (attesting to the constant focus on operating efficiency), this increase is due to the increased volumes sold and to enhanced tariffs. Water business accounts for 23.9% of Group EBITDA.

Other Services
The Other Services area, which accounts for 2.7% of Group EBITDA and mainly includes public lighting and telecommunication services, has an EBITDA of Euro 12.7 million.

Results by sector
Within the scope of the Business Plan, Hera's activities are grouped under Waste management (regulated collection activities and deregulated treatment and disposal activities), Energy (production and sale of electricity; trading and sale of gas) and Networks (distribution of energy and water cycle). EBITDA performance at 30/09/2011 is listed below, based on this classification.
The most important contribution in terms of growth (+30.9% of EBITDA) came from Energy business, which achieved an EBITDA of 95.8 million against the 73.2 million recorded in the same period in 2010.
The Waste management sector recorded a 7.9% increase in its EBITDA, which increased from 139.3 to 149.2 million, thanks to the favourable trend in regulated activities that contributed to the growth.
The Network sector EBITDA stands at 209 million compared with the 208 million recorded in the same period in 2010. The improvement compared with the same period in the previous year would have been Euro 4.3 million net of the result for Districting Heating, which suffered from a decrease in heat volumes distributed as a consequence of the mild winter season.
EBIDTA for regulated activities stands at 51% of the Group total.

Net financial position
The net financial position (NFP) at 30 September 2011 stands at 2,055.5 million, compared with the 1,860.2 million recorded at 31/12/2010. The NFP to EBITDA ratio shows a slight improvement compared with the figures recorded in the same period of the previous financial year.

Business Plan

Economic macro-objectives and sustainability commitment

The approved document forecasts a 2015 EBITDA of 800 million (+32% compared with 2010), an ROI (Return on Investments) of 10.5% (8.5% in 2010) and a NFP to EBITDA ratio of around 2.7 times (3.1 in 2010), thanks to improved equilibrium in financial flows.

All managed services will continue to make a positive contribution to growth: energy, water and waste management.

The strong focus on organic growth will account for around half of the forecast growth (104 out of 193 million). Business performance in the Energy sector and the possibility of future concession tenders will take on particular importance in this area. Full recognition of the performance of regulated services will also make an important contribution to organic growth.

In any case, the Plan does not overlook those opportunities that have already presented themselves or those which may be created by expanding the scope of the sector or integrating other activities.

The growth forecast in the Plan has a strong, transverse matrix in all managed sectors (Waste management, Networks and Energy), within the scope of sustainability: environmental, social and economic.

As far as environmental sustainability is concerned, as well as the proven commitment to managing those aspects relating to company activities and their effect on the environment, the importance of the energy production from renewable sources sector should be highlighted. This will reach 581.9 GWh in 2015, thanks to the development of various initiatives and dedicated resources in the reference territory. As a result, by the end of the Plan, 80% of electricity production in the area and 64% of heat production will come from renewable sources or high efficiency cogeneration (with a low environmental impact). In this context, the commitment to developing infrastructures and the energy offering for electric mobility envisaged through the Plan is also significant.

Waste management

This area is responsible for the collection, recovery and disposal of waste (Hera Group is the country leader) and will account for 50% of EBITDA growth.

Overall, the Waste management EBITDA will increase from 195 million in 2010 to 293 million in 2015, with a considerable growth in third party waste, expected to increase from 3.5 to 4.8 million tonnes.

The numerous plant facilities will make it possible to provide an effective and environmental friendly response to the needs of the territory and to take advantage of market opportunities.

Completion of the plant expansion programme, with specific commitment to dedicated waste sorting plants for separated waste (forecast, under the Plan, to increase sorted collection by an average of 60%) is expected to make an important contribution, as is the construction of additional anaerobic digestion plants for exploiting biomass energy and the organic component of urban waste.

This falls under the Group’s far-ranging commitment to optimise the recovery and recycling of waste and will continue at the same pace under the latest drive towards treatment and development in order to place the recovered materials on the market.

The Group will also be committed to the selective development of the know-how gained in the construction and management of waste-to-energy plants, putting itself forward as a provider of cutting-edge solutions for private customers and public bodies in new territories.

Networks

Distribution services (electricity, gas, district heating and water) will account for 42% of the overall increase in EBITDA. The EBITDA for the Network area will increase from 289 million in 2010 to 370 million in 2015, with a total managed network of 77,649 km (+9.1%).

As far as gas distribution is concerned, investment in skills and technology acquired by the Group over the years will be a key success factor in tenders for the management of the gas networks in future years. The Group aims to consolidate its operations in reference territories and also plans to seize any opportunities to expand into other fields, in neighbouring areas.
As far as the integrated water cycle is concerned, alongside commitment to continue improving efficiency and quality of service, management policies will target maintaining a sustainable balance, in compliance with the expected guidelines of the new water service Agency that is being established.
As regards Group electricity distribution in Modena and Imola, benefits are expected from the optimisation of the forecast tariff returns envisaged for the development of smart grids and network modernisation initiatives.

Energy
The Energy area, which covers gas and electricity sales, will account for 6.2% of the EBITDA increase. The Energy EBITDA will increase from 107 million in 2010 to 119 million in 2015.
The Plan envisages maintaining a flexible position in the procurement of energy commodities, balancing trading and proprietary assets and allowing the different market positions to be exploited with sufficient flexibility to respond swiftly to any sudden changes in price. As far as commercial policies are concerned, the customer base is expected to continue to increase, reaching approximately 2 million customers. This is courtesy of the further development of cross-selling policies and penetration of new targets and new areas. Specifically, as far as gas is concerned, the group expects to exceed 1.2 million points of delivery, and to sell more than 2.3 billion cubic metres of gas. As regards electricity, the goal is to exceed 700 thousand customers and sell approximately 10 TWh of electricity.

Investments and cash flow
Investments in the period, striking a balance with amortisation and depreciation, should reach approximately 340-350 million per year on average with more than 60% involving regulated activities (water cycle, waste management and urban hygiene).
The Plan forecasts a Group net financial position (NFP) in 2015 of under 2.1 billion, so that the NFP/EBITDA ratio in 2015 can reach around 2.7 times and a positive cash flow after the distribution of dividends can be achieved.

Statement from CEO Chiarini
"The results for the first nine months highlight further significant growth in margins compared with both the previous year and forecasts, despite the particularly difficult economic-financial background. All business areas have contributed to these results giving a perfect balance between regulated activities and liberalised activities. Services in the area have been maintained with increasing professionalism and efficiency alongside investments that are in line with Group agreements and policies".

Statement from Group President Tommasi di Vignano
"Under this updated Business Plan, which is set against a background of continuing economic difficulties for the country, there are elements of continuity in terms of the growth achieved to date, and there are significant opportunities for development in deregulated areas and for possible future development of outside lines".

*Pursuant to Article 154-*bis*, paragraph 2 of the Italian Consolidated Finance Act, the Financial Reporting Officer, Luca Moroni, declares that the information contained in this press release corresponds to the entries made in the accounting documents, ledgers and records.*

The quarterly report on operations and related documents are available to the public at Borsa Italiana S.p.A. and on the www.gruppohera.it website from 10 November 2011.

The accounting statements, taken from the quarterly report on operations at 30 September 2011, are attached.

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Profit & Loss *(mln €)*	**30/09/2011**	*Inc. %*	**30/09/2010**	*Inc. %*	***Ch.***	***Ch. %***
Sales	**2,901.9**	*100.0%*	**2,576.6**	*100.0%*	***+325.3***	***+12.6%***
Other operating revenues	137.8	*4.7%*	156.3	*6.1%*	*(18.5)*	*(11.8%)*
Raw material	(1,666.9)	*(57.4%)*	(1,463.6)	*(56.8%)*	*+203.3*	*+13.9%*
Services costs	(639.3)	*(22.0%)*	(602.4)	*(23.4%)*	*+36.9*	*+6.1%*
Other operating expenses	(26.8)	*(0.9%)*	(26.5)	*(1.0%)*	*+0.3*	*+1.1%*
Personnel costs	(276.5)	*(9.5%)*	(270.0)	*(10.5%)*	*+6.5*	*+2.4%*
Capitalisations	36.5	*1.3%*	61.0	*2.4%*	*(24.5)*	*(40.1%)*
Ebitda	**466.7**	*16.1%*	**431.4**	*16.7%*	***+35.3***	***+8.2%***
Depreciation and provisions	(226.2)	*(7.8%)*	(213.2)	*(8.3%)*	*+13.0*	*+6.1%*
Ebit	**240.5**	*8.3%*	**218.2**	*8.5%*	***+22.3***	***+10.2%***
Financial inc./(exp.)	(84.3)	*(2.9%)*	(82.8)	*(3.2%)*	*+1.5*	*+1.8%*
Pre tax profit	**156.2**	*5.4%*	**135.4**	*5.3%*	***+20.8***	***+15.4%***
Tax	(72.2)	*(2.5%)*	(56.3)	*(2.2%)*	*+15.9*	*+28.2%*
Net profit	**84.0**	*2.9%*	**79.1**	*3.1%*	***+4.9***	***+6.2%***
Attributable to:						
Shareholders of the Parent Company	*67.7*	*2.3%*	*68.4*	*2.7%*	*(0.7)*	*(1.0%)*
Minority shareholders	*16.4*	*0.6%*	*10.7*	*0.4%*	*+5.6*	*+52.5%*

Net financial position *(mln €)*	**30/09/2011**	*Inc. %*	**31/12/2010**	*Inc. %*	***Ch.***	***Ch. %***
Cash on hand	263.7		538.2		*(274.5)*	*(51.0%)*
Other current loans	48.6		44.3		*+4.3*	*+9.7%*
Current financial indebtedness	(93.8)		(150.7)		*+56.9*	*+37.8%*
Current net financial indebtedness	**218.5**	*(10.6%)*	**431.8**	*(23.2%)*	***(213.3)***	***(49.4%)***
Non current loans	10.8		10.3		*+0.5*	*+4.9%*
Non current financial indebtedness	(2,284.8)		(2,302.3)		*+17.5*	*+0.8%*
Non current net financial indebtedness	**(2,274.0)**	*110.6%*	**(2,292.0)**	*123.2%*	***+18.0***	***+0.8%***
Net financial indebtedness	**(2,055.5)**	*100.0%*	**(1,860.2)**	*100.0%*	***(195.3)***	***(10.5%)***