



Quarterly report on Hera Group
as at 31th March '09

Content

Mission
Administrative and auditing boards

Quarterly report on Hera Group as at 31 march 2009

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Hera's Mission

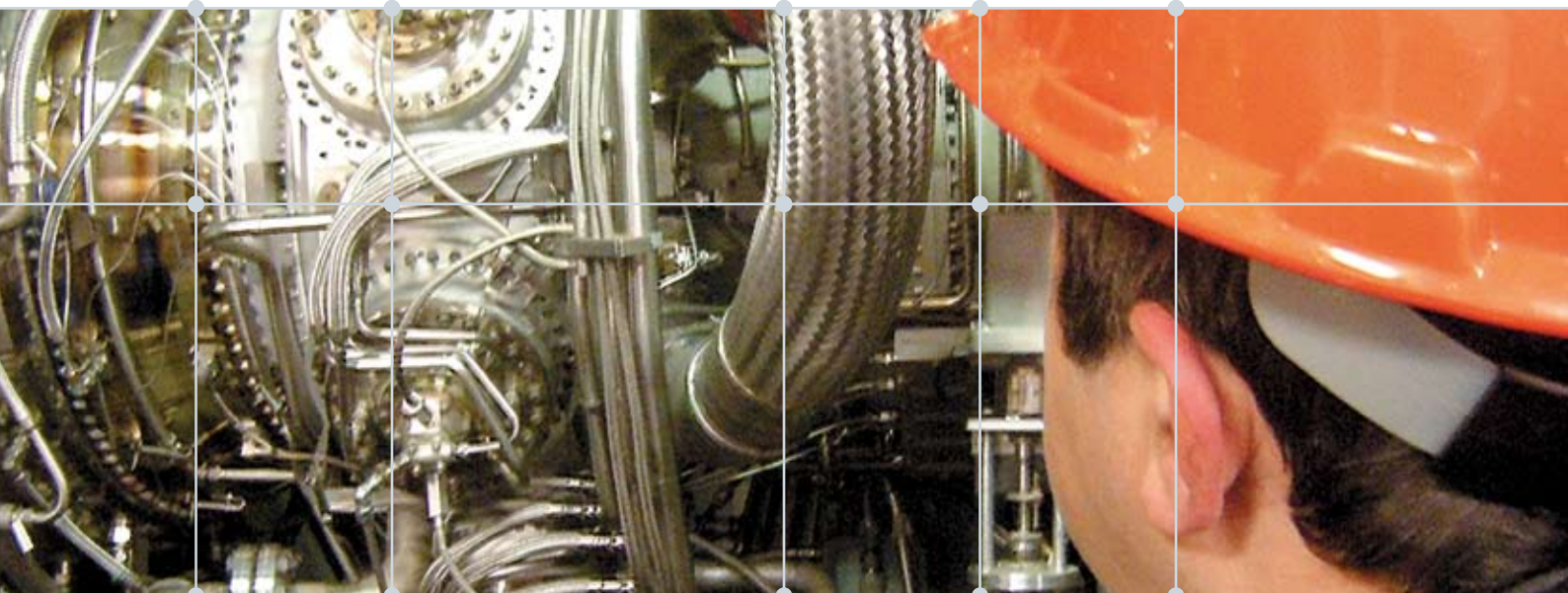
“Hera’s goal is to be the best multi-utility in Italy for its customers, workforce and shareholders. It aims to achieve this through further development of an original corporate model capable of innovation and of forging strong links with the areas in which it operates by respecting the local environment.”

*“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

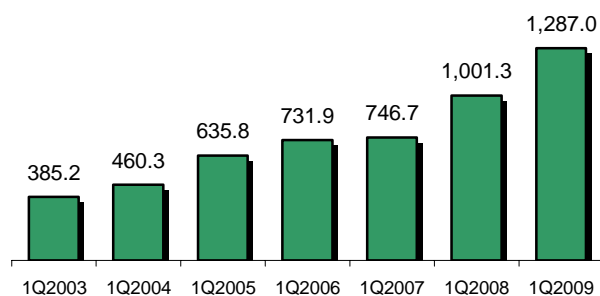
Board of Directors	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Managing Director	Maurizio Chiarini
Director	Mara Bernardini
Director	Filippo Brandolini
Director	Luigi Castagna
Director	Mauro Cavallini
Director	Piero Collina
Director	Piergiuseppe Dolcini
Director	Ferruccio Giovanelli
Director	Lanfranco Maggioli
Director	Alberto Marri
Director	Nicodemo Montanari
Director	Roberto Sacchetti
Director	Luciano Sita
Director	Francesco Sutti
Director	Bruno Tani
Director	Stefano Zolea
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Fernando Lolli
Standing Auditor	Antonio Venturini
Alternate Auditor	Roberto Picone
Alternate Auditor	Stefano Ceccacci
Internal Audit Committee	
Chairman	Giorgio Razzoli
Member	Luigi Castagna
Member	Stefano Zolea
Member	Lanfranco Maggioli
Remuneration Committee	
Chairman	Giorgio Razzoli
Member	Francesco Sutti
Member	Piero Collina
Member	Nicodemo Montanari
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice Chairman	Giorgio Razzoli
Member	Maurizio Chiarini
Ethics Committee	
Chairman	Giorgio Razzoli
Member	Luciano Sita
Member	Filippo Bocchi
Independent Auditors	
PricewaterhouseCoopers	
Executive appointed as per art 154 bis of Italian Legislative Decree No. 58/98 – Italian Law 262/05	
Giovanni Barberis	



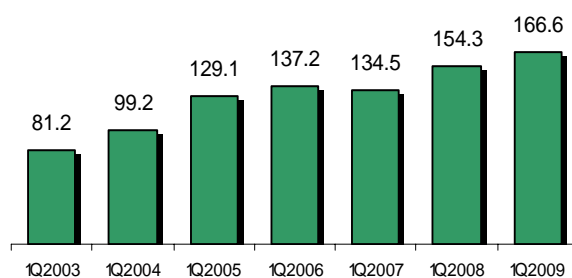
DIRECTORS' REPORT

1.01 Highlights

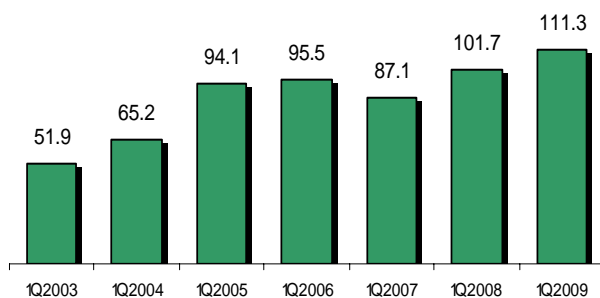
Revenues (m€) CAGR +22.3%



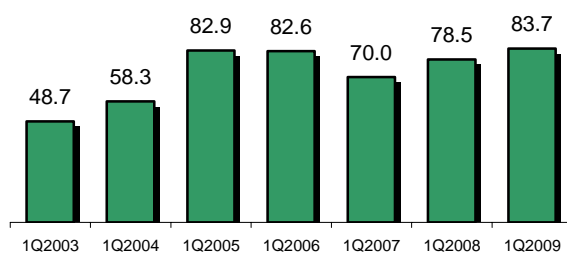
Ebitda (m€) CAGR +12.7%



Ebit (m€) CAGR +13.6%



Pre-tax Profit (m€) CAGR +9.5%



1.02 Introduction

Hera registered double figure growth of its financial results in the 2008 financial year, which are particularly significant also in light of the global crisis presently in progress. These results reflect the completion of some significant strategic projects from incorporation and consolidation of the Group's main strong points, which have allowed the effects of the macro-economic crisis, that are still shown to be limited in Hera's business, to be offset.

Hera's regulated activities, managed on the basis of tariff systems that tendentially sterilize the overall revenues from fluctuations in the volumes, significantly contribute to the make up of the Group's results and protect them from the impacts of the crisis suffered by the clientele.

Furthermore, the activity of electricity generation from renewable and similar sources, which represents an important part of the Group's results, does not suffer from the slowdown of the economy as the dispatching priority of the production through the transmission network is guaranteed by the law and the incentives, established by law, de facto determine the economic result (the amounts of the incentives are established by law for each type of applied technology and the price of the green certificates is de facto guaranteed at a minimum threshold, as an effect of interventions of the authorities on the market).

The energy sales and disposal of the special waste activities are managed in free competition and, therefore, do not have mechanisms of protection from fluctuations in demand.

Hera has nevertheless continued strategies of electricity sales expansion through cross-selling, with results that are still growing strongly and more than offsetting the reduction in the consumption of existing customers as an effect of the crisis. Performance in line with the past was recorded in the sales of gas, thanks also to the much lower temperatures recorded compared to last winter that compensated, in the quarter considered, for the effects of the lower consumption, mainly by industrial customers, as an effect of the crisis.

The only business area that recorded negative growth over the first quarter of 2009 was industrial waste disposal as a consequence of the contraction of the national production sector as an effect of the crisis, as well as the lower number of days of effective productivity (mainly connected to the delay in restarting production plants following the Christmas holidays) compared with the same period last year, which significantly impacted on disposals to dumps.

The WTE activities instead recorded an increase in volumes, also benefitting from the functioning of the new plant in Forlì (commissioned in the middle of 2008). The aforesaid reduction in volumes recorded nevertheless showed an improvement in the last month of the quarter, thanks to Hera's active commercial expansion, and permitted to view the possibility of reducing the effects of the reduction of the volumes of waste disposal recorded to date with cautious optimism over the next few months. The success of the commercial action commenced from the end of the quarter, above all on waste producers, is supported by the lack of sufficient disposal capacity in Italy, the Group's leadership position and its capacity to offer a complete and integrated range of disposal services for industrial waste.

The coming on stream of the new plants constructed in 2008, continuous works to improve the efficiency of the operations (also consequent to the recent merger of companies such as SAT and Megas) and the tariff adjustments of the regulated services, already agreed with the local authorities for water and environmental services, are the principal factors that permitted achievement of a positive growth in the results in the first quarter of 2009 and allow looking at the future with cautious optimism, despite a macroeconomic framework that remains difficult to read.

1.03 Strategy

Hera's strategic approach, focused on the creation of value, is aimed at the achievement of size levels such as to counter the competition of the leading companies of the multi-utility sector.

Hera has constantly pursued strategies of improving the efficiency of operations by using the lever of an innovative organisational model based on the centralisation of some general functions, which has allowed economies of scale benefits achieved with the Group's formation through the merger and integration of 11 multi-utility companies operating in contiguous territories by the end of 2002.

The development of the freely competitive markets has also constituted a significant point for attention to a strategy of cross-selling services to the vast customer base already supplied with gas, water and environmental services. Electricity sales were therefore developed with a commercial dual fuel offer and a complete and integrated service of special waste processing together with development of the generation and waste processing plant capacity necessary to support the growth.

Hera has also pursued development opportunities for external lines both through multi-business joint ventures in contiguous territories and integrated companies upstream in the chain of deregulated activities (sale of energy and waste processing products).

The **multi-business** development line has involved five companies operating in adjacent areas to the reference territory (Geat in Riccione, Agea in Ferrara, Meta in Modena, Sat in Sassuolo and Aspes in Pesaro that integrated with Megas in Urbino in 2008) and permitted continuing to fuel the efficiency improvement process thanks to the greater economies of scale.

Furthermore, operations with **single-business** companies were achieved with the strategic objective of exclusively reinforcing the waste processing and energy activities.

Expansion of the gas sales and distribution activities took place through the acquisition of some small to medium companies operating in the reference market, such as Megas Trade (acquired in 2008). In the electricity sector, Hera acquired 32% of Tamarete Energia, a company based in Ortona (Chieti) in 2008. This company has a 5.5 megawatt capacity and within the next bi-annual period will complete the construction of a combined cycle plant of 100 megawatts.

Hera has a **multi-stakeholder** strategic approach inherited from the public companies that joined the Group from 2002. This inheritance has moulded the manner of organizing and managing Hera's operations and was formalised in a code of ethics shared with all the Group's main stakeholders.

The Board of Directors meeting of 26 March 2009, in the same session for approval of the 2008 financial statements, approved the sustainability report 2008, confirming Hera's sustainable approach in the management of its business as also set out in the Group's mission statement.

From the time of its listing, Hera has formalised its strategic objectives in business plans that are revised annually, both to consider the Group's past expansion and update them in view of the evolution of the reference macro-scenarios. The business plans have always been consistent with the policy of transparency and information sharing followed by the Group that offers visibility not only on the strategic decisions made and the economic and financial results achieved, but also on the future strategies and economic/financial expectations.

The 2011 business plan is aimed at pursuing a further increase of the Group's dimensions by expanding the market share in the deregulated activities, including in the upstream chain, re-confirming the attention to the extraction of cost and revenue synergies, development of new electricity generation plants from renewable sources (to consolidate presence in the alternative technologies, such as waste to energy, solar, bio-mass and vegetable oils) and pursuing creation of value for the shareholders and the main stakeholders.

These strategies are aimed at achieving results growth, although without considering the contribution of the potential expansion for external lines that was a method of creation of value carried out from incorporation. The future objectives rest mainly on already consolidated factors (new plants commissioned and future tariffs agreed for the regulated water and waste businesses) and take into account the reflections shown to date from the negative macro-economic framework that nevertheless still makes the prospects difficult to read. The plan is supported by a three-year investment programme for about euro 1 billion, totally financed by the cash flows, that are positive commencing from the current financial year and capable of sustaining a growing dividends policy and maintaining a solid financial structure until 2011.

1.04 Business sectors

Hera has achieved balanced development of all businesses by maintaining the balance between regulated activities (integrated water, collection and disposal of municipal waste service, distribution of methane gas, electricity and remote heating) and deregulated business (sales of methane gas and electricity, special and industrial waste disposal and public lighting) in terms of contribution to the EBITDA.

The effectiveness of this multi-business approach focused on the maintenance of positive operational results was particularly evident in 2006 and 2007 when, following an extraordinarily mild winter season, the negative results trend of the gas and remote heating businesses were more than compensated by the positive results achieved in all the other business areas; furthermore the nature of Hera's "primary" services, characterised by an anti-cyclical demand, did not show significant negative reflections in 2008 and early 2009 due to the economic recession (thanks also to the wide diversification of the reference clientele, prevalently constituting domestic customers and small medium businesses, and the organic growth achieved).

Waste management

Hera is the principal domestic operator in the waste management sector by quantity of waste collected and processed: collection and disposal of municipal waste is regulated on the basis of a franchise expiring in 2012, while the disposal of special waste is an open market business. The 2008-2012 tariffs were agreed with the local authorities.

Hera has excellent plant equipment, strengthened during the last six years, with over 70 plants capable of covering the entire range of the possible waste processing and valorisations.

Hera is also amongst the leading Italian concerns in the recovery of electricity from waste, thanks to a capacity installed in the WTE plants of about 90 megawatts, capable of producing up to 500 Gwh per annum, which was expanded over the years thanks to the capacity of disposing of about 800 thousand tonnes of waste per annum.

Plant	Treatment capacity (ton)	Installed capacity (MW)
Forlì WTE*	120.000	12
Ravenna WTE	53.000	6
Rimini WTE	60.000	10
Modena WTE*	180.000	20
Ferrara WTE*	130.000	14
FEA WTE	220.000	22
Ecologia-Ambiente WTE	33.000	4
Total	796.000	88

* New plants commissioned and in the phase of coming into full production

The remote control project of all the Group's plants, which guarantees management homogeneity, best use of the information and sharing of best practices and plant homogenisation, was made operative in 2008.

Integrated water cycle

The Hera Group is the second Italian operator in the management of the complete water cycle, or rather from the collection to purification of waste water up to distribution of drinking water. Hera conducts these exclusive services in seven provinces in Emilia Romagna and in the North of Marche based on long-term concessions (on average up to 2022). The 2008-2012 tariffs were agreed with the local authorities.

The increased efficiency in the management of over 25 thousand kilometres of water networks and economies of scale in the acquisition and updating of the 2008-2012 tariffs to the legal directives concluded with the local authorities in 2008, were the main drivers of business growth combined with the contribution from growth in the external lines.

Further improvements in terms of operational efficiency are achievable thanks to the coming on stream of the remote control centre, inaugurated in Forlì in 2008, which permits remote control of all the Group's networks (50 thousand kilometres of water, gas and remote heating networks in the provinces where Hera operates), offer assistance and supervision to all the Group's plants and ensures the continuity and security of the service.

Energy

Hera has reinforced its position in the gas market over the last five years, up to reaching almost complete coverage of the reference territory, maintaining its leadership with respect to “local” companies and has the third position nationally.

With over one million customers, Hera's sales exceed 2.5 billion of cubic metres of gas per annum confirming its dominant position in its own market thanks to the strength of its commercial offer even in a deregulated market.

The upstream development for the search for a greater gas transport capacity abroad has today reached 400 million cubic metres through the TAG gas pipeline to which is added a capacity of one billion cubic metres per annum through the Galsi gas pipeline between Italy and Algeria, presently in the construction phase.

With the complete deregulation of the energy products sales in Italy, Hera continued with marked development in the electricity sector in 2008 also.

The development of the sales volumes was accompanied by a simultaneous balanced development of energy availability through the formation of joint ventures dedicated to the purchase of shares in combined cycle plants in addition to through the development on the company's own of generation plants from renewable sources and cogeneration plants such as that recently commissioned in Imola.

Other Businesses

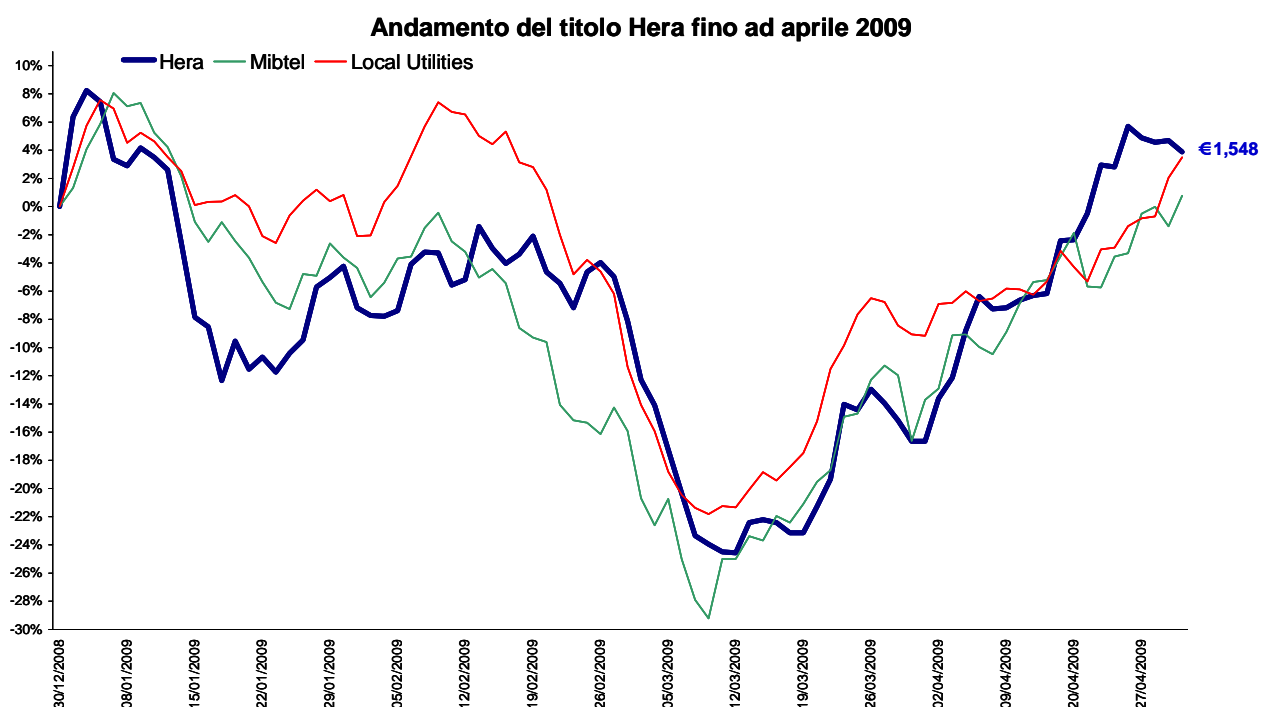
Following a profound corporate and business rationalisation of the Hera Group the “other business”, complementary to the core business, were reorganised and included in an integrated operation.

Hera is an important operator in the remote heating sector in Italy and occupies the second position nationally in the public lighting sector.

The growth in these businesses was prevalently sustained by internal development policies: rationalisation of the non-strategic businesses, costs reduction and search for operational efficiency.

1.05 Hera on the Stock Exchange

In the current serious crisis of the global economic and financial system all the world stock exchanges have recorded under-performance both in 2008 and in the first few months of 2009: the Hera share has recorded a trend penalized by the performance of the markets ending the first quarter of 2009 with an official price of Euro 1.242, equal to -16.6%, under-performing the Mibtel index in line with the Italian "local utilities" sector.



The share prices have reached levels close to the historical lows, despite the fact that Hera has (i) in the same years more than tripled the revenues and the Group's profits exceed the five-year objectives by 20% of the anticipated EBITDA in the business plan presented to the investors before the listing (26 June 2003), (ii) a business plan to 2011 that envisages results with organic growth to which the new plants that have already mainly come on stream in the 2008 financial year and the tariff updates already agreed with the competent authorities will prevalently contribute, (iii) shareholders' equity book value (about Euro 1.6 billion as at 31 March 2009) slightly exceeding the market capitalisation as at 30 April 2009, (iv) a solid financial structure, with an estimate of positive cash generation after covering investments (free cash flow) commencing from the current financial year; (v) "Hera is the only Italian local utility without governance problems".

The share trend regained an improved performance compared to the Mibtel and "local Italian utilities" indices in April, in conjunction with the road show on the annual results and business plan to 2011, ending at Euro 1.548 per share (+24.6% in the month of April).

* Source: Banca Leonardo study dated 30 March 2009

Indices and baskets

The growing levels of liquidity and share price of the Hera share from 2003 led to its inclusion in the Dow Jones Stoxx 600 index, constituting 600 companies of 18 European countries with higher capitalisation, commencing from 25 March 2008.

During the course of 2008 the Hera share formed part of the ECPI Ethical Index Euro, an index constituting 150 European listed companies, quoted on EMU (European economic and monetary union market) considered as ethical investments consistent with the "ECPI SRI" methodology.

Share coverage

The Hera Group has a coverage amongst the widest of the sector in Italy constituting 14 independent study offices of which half are international: Banca Akros, Banca Leonardo, Centrobanca, Cheuvreux, Citigroup, Dresdner, Equita, Intermonte, Intesa-Sanpaolo, Kepler, Mediobanca, Merrill Lynch, Santander and Unicredit. The Hera share was recorded amongst the best picks, or rather amongst the best investment opportunities in the month of February by Unicredit, which commenced coverage on the Hera share in the month of January 2009, and also in April by Equita.

Hera was positively judged by the analysts with 12 Buy/Outperform/Undervalued, 1 Neutral and only 1 Reduce; the average target price over 12-18 months expressed by the valuations of the analysts is Euro 2.4 per share (which implies a potential increase in the value of the Hera share over 12-18 months of +85% compared to the market price at the year-end).

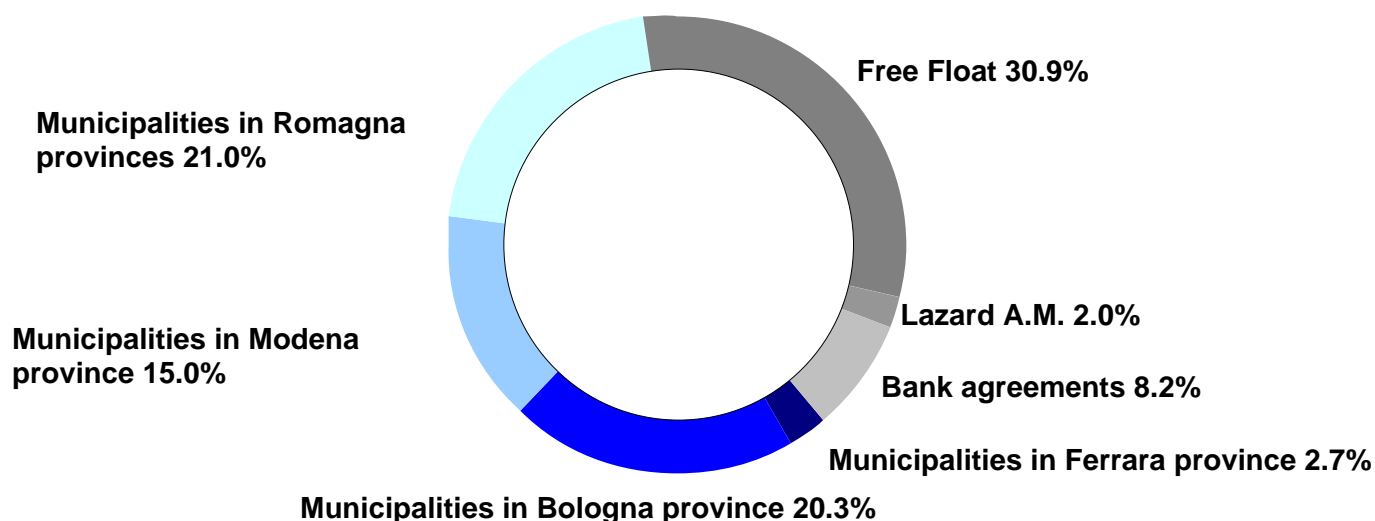
Rating

The financial indebtedness is almost fully assured from the risks of interest rate changes, the average maturities are long-term (the portion maturing in the next few years is fully covered by available credit facilities of Euro 350 million) and is not burdened by commitments (Covenants). The business portfolio is balanced between regulated and deregulated activities, the excellent levels of the services supplied to the customers, solidity of the shareholding structure and financial liquidity including prospective are amongst the main reasons for the obtainment of the positive ratings from Moody's (A1 with a stable outlook for long-term debt and Standard & Poor's (A-2 for short-term debt and A- for long-term debt with a negative outlook).

Shareholding Structure

Following the mergers and with the incorporation of Sat (Sassuolo) in 2008, the shareholding structure has reached 1,032,737,702 ordinary shares with a par value of Euro 1 each.

Hera's shareholding structure represents an "unicum" in the Italian sector with a shareholding widespread between 189 Municipalities of the reference territory that hold over 59% overall (51% of which bound by a shareholder agreement), over 400 professional investors in Italy abroad and about 21,000 private shareholders.



Hera adopted a treasury share purchase plan from 2006 that envisages a cap of 15 million shares for an overall amount of Euro 60 million directed at financing a possible opportunity for the integration of small companies and to normalise any anomalous swings of the share prices compared to those of the main domestic competitors.

The Shareholders' Meeting held on 28 April 2009 renewed the treasury shares purchase plan for a further 18 months and an overall amount of Euro 60 million.

As at 31 March 2009 Hera held 2,927,543 treasury shares.

Relations with the financial market

The main communication tool is undoubtedly the Group's institutional site (www.gruppohera.it), to which all the stakeholders can easily access, which permits spreading information in real time. In the section dedicated to the shareholders/financial intermediaries ("Investor Relations" section) it was sought during the course of 2008, and also on the occasion of publication of the 2008 financial statements in March 2009, to continue the process of continuous improvement of the Group's on-line financial communication through:

- 1 a complete review of the graphic layout and reorganisation of significant information published;*
- 2 constant updating in real time of important information;*
- 3 publication of the 2008 financial statements in HTML format, surfable and downloadable in Excel in both Italian and English as of the date of their approval by the Board of Directors;*
- 4 publication of the Group's quarterly and half-yearly financial statements for 2008, together with the 2007 financial statements made available in interactive format on the same day as their approval by the Board of Directors or rather in a format that permits comparability of the historical economic, equity and operations data;*
- 5 quarterly publication of a Newsletter for private investors (summarised and easy to read) to illustrate the Group's results;*
- 6 a description of the Group's strategies and management policies to understand Hera's future prospects.*

The Investor Relations section of the site was structured by organising all the information in specific areas dedicated to the various intermediaries for the purpose of assisting research and comprehension of the significant information.

Hera consolidated the sixth position (for the second consecutive year) in the Webranking 2008 classes drawn up by Hallvarsson & Halvarsson with the collaboration of the Corriere della Sera on the institutional sites, placing Hera, in terms of on-line financial communication, amongst the main listed companies with large capitalisation nationally and in the European utility sector.

365 contacts (telephone, video calls and meetings) with Italian and foreign investors were also made in 2008 on the occasion the Group's results presentation, though respecting a black out period maintained for the full period of the merger negotiations with Iride and Enià.

On the occasion of the publication and presentation of the 2008 financial statements in the month of April 2009, over 100 meetings were held with Italian and foreign investors.

1.06 Financial and Economic Results

Consolidated summary results of the Group

(millions of €)	31-Mar-08	Inc.%	31-Mar-09	Inc.%	Change%
Revenues	1,001.3		1,287.0		+28.5%
EBITDA	154.3	15.4%	166.6	12.9%	+8.0%
EBIT	101.7	10.2%	111.3	8.6%	+9.4%
Net profit	45.7	4.6%	48.8	3.8%	+6.8%

Financial and Economic Results

The first quarter of 2009 was marked by a generally recessive economic trend that also made an impact on Group results. What is particularly pointed out is that weather conditions being equal, gas and electricity volumes sold and distributed and water volumes supplies dropped by about 4% than the first quarter of 2008. Another effect attributable to the recession is the heavy decrease of real estate activities in the territory where the Group operates, which brought about a significant fall of demand for new connections and work for customers.

Also distinguishing the first quarter of 2009 is a modification introduced to the gas distribution regulations. AEEG resolution 158/08 changed the effective date of the thermal year for applying service rates to make it coincide with the solar year, whereas previously it was from 1 October to 30 September of the following year, therefore resulting in anticipating the fixed prices to the first quarter, as compared to the previous system when they were instead stated in the last solar quarter of the year.

With reference to the recovery of state aid associated with the so-called "fiscal moratorium" mentioned several times in the preceding report, on 30 April 2009 the revenue agency sent Hera S.p.A. notices of assessment regarding recovery of the aid that the former Meta Modena benefitted from in 1998 and 1999 for the total amount of Euro 4.8 million, of which Euro 2.7 million concern taxes and Euro 2.1 million pertain to interest payable. The effects of this extraordinary event were considered in their entirety in the values shown hereunder. Their detailed information is found in the relevant paragraph.

The following statements were prepared in full application of IAS standards, as established by the law for listed companies.

In spite of what is described above, the results of the first quarter of 2009 are characterised by the growth of all the indicators compared with the corresponding period of 2008, as reported in the table below which summarises the main results of the group.

Income statement (millions of €)	31-mar-08	Inc. %	31-mar-09	Inc %	Abs. Ch.	Ch. %
Revenues	1.001,3		1.287,0		+285,7	+28,5%
Ch. in inv. fin. prod. and work in prog.	2,1	0,2%	0,9	0,1%	-1,2	-57,1%
Other operating revenues	13,0	1,3%	14,4	1,1%	+1,4	+10,8%
Raw materials and consumables	(636,2)	-63,5%	(909,9)	-70,7%	+273,7	+43,0%
Service costs	(180,7)	-18,0%	(177,4)	-13,8%	-3,3	-1,8%
Other operating costs	(18,9)	-1,9%	(7,8)	-0,6%	-11,1	-58,7%
Personnel costs	(85,5)	-8,5%	(87,3)	-6,8%	+1,8	+2,1%
Capitalised costs	59,3	5,9%	46,6	3,6%	-12,7	-21,4%
EBITDA	154,3	15,4%	166,6	12,9%	+12,3	+8,0%
Depreciation, amortisation and provisions	(52,6)	-5,3%	(55,3)	-4,3%	+2,7	+5,1%
EBIT	101,7	10,2%	111,3	8,6%	+9,6	+9,4%
Financial Management	(23,2)	-2,3%	(24,8)	-1,9%	+1,6	+6,9%
Other non-operating costs	-	0,0%	(2,7)	-0,2%	+2,7	+0,0%
Pre-tax profit	78,5	7,8%	83,7	6,5%	+5,2	+6,6%
Taxes	(32,7)	-3,3%	(34,9)	-2,7%	+2,2	+6,7%
Net profit for the year	45,7	4,6%	48,8	3,8%	+3,1	+6,7%

In the first quarter 2009, revenues amounted to Euro 1,287.0 million compared to Euro 1,001.3 million in the same period of 2008, disclosing a growth of 28.5%. The EBITDA increased from Euro 154.3 million in 2008 to Euro 166.6 in 2009, +8.0%, as did the EBIT, from Euro 101.7 to 111.3 million, with an increase of 9.4%. The pre-tax profit is up by 6.6%, from Euro 78.5 million in the first three months of 2008 to Euro 83.7 million in the corresponding period of 2009. The net profit rose from Euro 45.7 million of the first quarter 2008 to Euro 48.8 million in 2009.

The increase in **Revenues**, equal to Euro 285.7 million, should be viewed in relation to the following factors in order of importance:

- Increased Electricity Segment revenues, with an effect of approximately Euro 170 million with regard to the higher volumes traded and the increased raw material price;
- Increased Gas Segment revenues, with an effect of approximately Euro 115 million with regard to the increased raw material price and the higher distribution tariffs.

The increase in **Costs of raw materials and consumables**, equal to Euro 273.7 (+43.0%), is linked to the above-mentioned increase in unit prices of energy raw materials and to the higher volumes of energy traded.

The other operating costs (**Service costs** down by Euro 3.3 million and **Other operating costs** down by Euro 11.1 million) on the whole dropped by Euro 14.4 million (-7.2%) mainly because of the lower costs for investments made internally and of other efficiencies achieved.

Personnel costs rose from Euro 85.5 million of the first quarter 2008 to Euro 87.3 million of the corresponding period 2009 (+2.1%). The increase is due to the development of contractual dynamics.

The decrease in the **Capitalised costs**, which dropped from Euro 59.3 to 46.6 million, is connected with the lower investments made, especially in the water cycle, for the details of which reference should be made to the relevant paragraph.

With regard to the points explained above, as at 31 March, the Group's consolidated **EBITDA** increased from Euro 154.3 million in 2008 to Euro 166.6 million in 2009, an increase of 8.0%.

The percentage impact of the EBITDA on the Revenues is down from 15.4% in the first quarter 2008 to 12.9% in the corresponding period of 2009, due to the increase in the electricity trading activities and to the higher sales price of Gas and Electricity.

Depreciation, Amortisation and Provisions increased by 5.1%, passing from Euro 52.6 million in the first quarter 2008 to Euro 55.3 million in 2009, resulting from investments made during the period.

The first quarter 2009 highlights an **EBIT** equal to Euro 111.3 million, up by 9.4% compared to the same period of 2008.

The extraordinary effect of the "fiscal moratorium" made an impact on first quarter results for a total amount of Euro 4.8 million, of which Euro 2.7 million falls within the extraordinary component and Euro 2.1 million falls within interest payable.

Financial management passed from a negative result recorded in the first quarter 2008, equal to Euro 23.2 million, to a deficit amounting to Euro 24.8 million in 2009. Financial charges, which include the figurative portion linked to the application of IAS standards, net of the portion of profits from associated companies, rose from Euro 23.4 to 27.0 million, involving an increase of 15.0% when compared to the same period of 2008. Net of the extraordinary effect explained above due to the fiscal moratorium, equal to Euro 2.1 million, the residual increase of Euro 1.5 million is tied to the increased indebtedness made necessary by the higher turnover and investments of the Group.

Other non-operating costs, equal Euro 2.7 million, regard the previously mentioned extraordinary effect of the fiscal moratorium.

In light of the above, **Pre-tax profit** increased from Euro 78.5 million in the first quarter 2008 to Euro 83.7 million in 2009, an increase of 6.6%.

Taxes rose from Euro 32.7 million of the first quarter 2008 to Euro 34.9 million in 2009, associated with the Group's improved results.

At the end of the first quarter 2009, the Group's **Net profit** was therefore Euro 48.8 million, 6.7% higher than the Euro 45.7 million of the same period in 2008.

1.07 Investments

The Group's tangible and intangible investments totalled Euro 86 million in the first quarter 2009, compared to Euro 88.4 million in the same period of the previous year.

The table below lists the investments for the period by business sector:

Total investments (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Gas area	9.2	8.6	-0.6	-6.1%
Electricity area	10.8	10.7	-0.1	-1.3%
Integrated water cycle area	33.3	23.4	-9.9	-29.7%
Waste management area	22.1	29.6	+7.5	+34.1%
Other services area	5.5	7.7	+2.2	+39.7%
Central structure	7.5	6.0	-1.5	-19.5%
Total operational investments	88.4	86.0	-2.4	-2.7%
Total financial investments	1.7	0.0	-1.7	-100.0%
Total	90.1	86.0	-4.1	-4.5%

Investments in gas service in the area of reference mainly relate to network expansion in order to guarantee service to new customers, and reclamation and enhancement of networks and plant systems in order to keep up the quality and safety of the supplied service.

Gas (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Hera network	8.7	7.7	-1.0	-11.5%
Marche Multiservizi	0.2	0.4	+0.3	+177.6%
Medea	0.3	0.3	+0.0	-
Other	0.0	0.2	+0.2	-
Total gas	9.2	8.6	-0.6	-6.1%

Investments in the electricity service relate to the expansion of service and the extraordinary maintenance in plant systems and distribution networks for the Modena and Imola area, as well as to the services supporting the networks. The investments in electricity and heat thermal power plants (CCGT) refer to the Imola cogeneration plant, currently completing the start-up phase.

Electricity (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area	4.7	5.0	+0.3	+5.8%
CCGT	6.1	5.7	-0.4	-6.8%
Total electricity	10.8	10.7	-0.1	-1.3%

There has been an overall reduction of interventions regarding agreements signed with the territorial waste management agencies of reference for the integrated water service compared to the same period of the previous year owing to the significant rationalisation of the activity, and a smaller demand for new connections.

Integrated water cycle (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Water system	18.2	12.0	-6.2	-34.2%
Purification	4.8	3.7	-1.1	-22.1%
Sewerage	10.3	7.7	-2.6	-25.2%
Total water cycle	33.3	23.4	-9.9	-29.7%

In the waste management area, projects carried out on plants located throughout the area decreased compared to last year. The investments in waste-to-energy plants are focused on the completion of the plants of Canal Bianco (FE) and Forlì, as well as on building the plants of Modena and Rimini.

Waste management (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Hera Spa plants	6.5	4.0	-2.5	-38.2%
Investee company plants	4.1	2.9	-1.0	-25.7%
<i>New plants:</i>				
Canal Bianco (Fe) WTE	2.5	0.3	-2.2	-88.3%
Modena WTE	5.4	10.0	+4.6	+84.9%
Forlì WTE	2.6	5.3	+2.7	+105.1%
Rimini WTE	1.0	7.0	+6.0	+575.5%
Total waste management	22.1	29.6	+7.5	+34.1%

District heating service investments mainly concerned extension work to the service in the areas of Bologna (Euro 2.3 million), Imola (Euro 1.7 million), Forlì Cesena (Euro 1.5 million) and Ferrara (Euro 0.3 million). Other investments were mainly for the construction of new cogeneration plants in companies in the area and work on heating plants linked to the heat management service. Item "Other" includes investments in Public Lighting and other minor services.

Other services (millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
District heating	4.7	6.0	+1.3	+27.0%
Heat Mgmt. & Micro-cogen.	0.1	0.9	+0.8	+609.4%
Other	0.7	0.8	+0.1	+15.2%
Total other services	5.5	7.7	+2.2	+39.7%

Compared to the same period of the previous year, investments in the central structure are on the whole down due to both rationalisation of maintenance interventions on real estate assets and completion of the restructuring of the corporate information systems. The most significant increases are attributable to upgrading the operating vehicles fleet to support development of the differentiated waste collection services. Completion of laboratories and other minor investments are included in the item other investments.

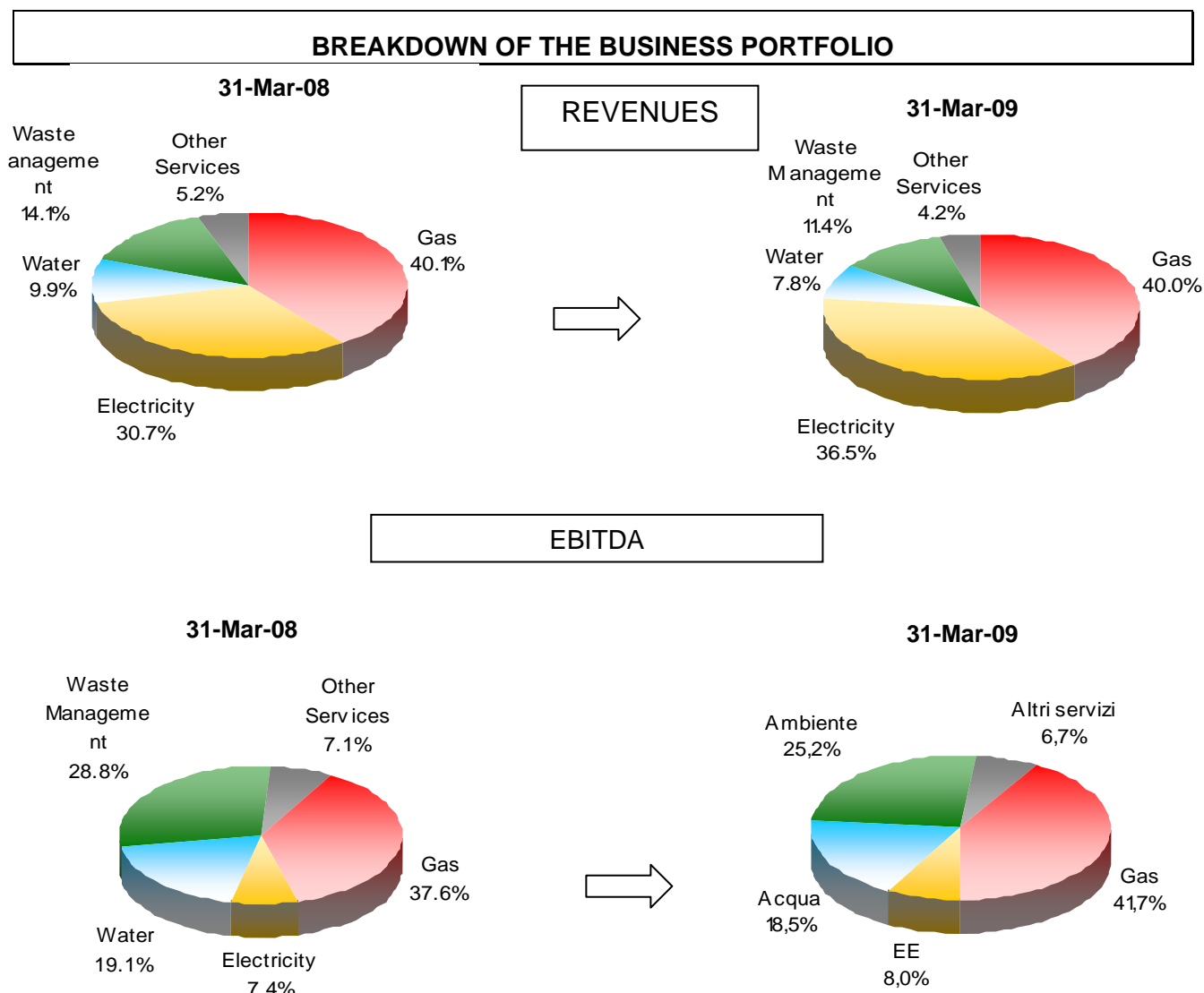
Central structure	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Real estate investments	3.5	2.6	-0.9	-25.1%
Information systems	1.9	1.5	-0.4	-20.3%
Fleets	0.9	1.3	+0.4	+41.5%
Other investments	1.2	0.6	-0.6	-51.2%
Total structure	7.5	6.0	-1.5	-19.5%

1.08 Analysis by Business Area

An analysis of the operating results achieved in the business segments in which the Group operates is presented below: (i) sector concerned with the distribution and sale of methane gas and LPG, (ii) sector concerned with the distribution and sale of Electricity, (iii) Integrated Water Cycle sector (Aqueducts, Purification and Sewerage), (iv) Waste Management Sector (Waste Collection and Treatment) and (v) other activities (District Heating, Public Lighting, Heat Management, industrial Micro-cogeneration and other minor services).

The business segments did not undergo any substantial change in 2009 compared to 2006: as regards the contribution to the EBITDA in the first quarter, the Gas Area benefits from the tariff modification that anticipates the set amounts to the beginning of the solar year with the subsequent reduction of the contribution of other areas, except for the electricity area, which continues to increase significantly its business volume.

In order to provide the necessary details on performance in 2009, analyses are shown of the various business segments that the Group operates in compared to 2008. The breakdown and development in the two years in terms of revenues and EBITDA are shown in the graphs below:



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

It should also be noted that the analysis of the business segments includes the increases in construction on a time and materials basis/work in progress and, therefore, the related costs. These items, as envisaged in the indications of the IAS standards, are indicated by way of a cost adjustment as costs capitalised in the individual tables.

1.08.01 Gas Area

In the first quarter of 2009, the importance of the Gas sector, which includes sales and distribution activities, increased when compared to the same period last year by over 4 percentage points, in terms of margin contribution.

The importance of this business segment with respect to total Group activities is illustrated below:

(millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area EBITDA	58.1	69.5	+11.4	+19.6%
Group EBITDA	154.3	166.6	+12.3	+8.0%
Percentage weight	37.7%	41.7%	+4.0 p.p.	

The first quarter 2009 benefitted more than the same period of the previous year from the effects of the AEEG 158/08 resolution, which requires that the service tariffs of the thermal year correspond to the solar year. Therefore, the set amounts were anticipated to the first quarter compared to the previous method, in which they were appropriated during the last solar quarter of the financial year.

Compared to the first quarter 2008, an increase in volumes sold and distributed was also recorded and is illustrated in the following table.

Quantitative data	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Distributed volumes (millions of cu.m)	1,051.4	1,093.1	+41.7	+4.0%
Sold volumes (millions of cu. m)	1,095.7	1,111.2	+15.5	+1.4%
- of which Trading volumes	87.5	103.4	+15.9	+18.2%

Distributed volumes rose from 1,051.4 million cubic metres in the first quarter 2008 to 1,093.1 million in the same period 2009, with a 4.0% increase. On the other hand, sold volumes rose from 1,095.7 million cubic meters in 2009 to 1,111.2 million cubic meters in 2008, with an increase of 1.4%.

These factors contributed to the financial results summarised below:

Income statement (millions of €)	31-Mar-08	Inc. %	31-Mar-09	Inc %	Abs. Ch.	Ch. %
Revenues	423.6		540.4		+116.8	+27.6%
Operating costs	(361.6)	-85.4%	(464.7)	-86.0%	+103.1	+28.5%
Personnel costs	(14.3)	-3.4%	(15.3)	-2.8%	+1.0	+7.0%
Capitalised costs	10.3	2.4%	8.9	1.7%	-1.4	-13.6%
EBITDA	58.1	13.7%	69.5	12.9%	+11.4	+19.6%

The revenues from the Gas Area rose by 27.6%, from Euro 423.6 million in 2008 to Euro 540.4 million in 2009, mainly as regards the higher unit price of raw material, which weighs in for more than Euro 100 million, affecting operating costs in the opposite way.

The lower capitalised costs regard the reduced investments planned on Group networks and the higher personnel cost is linked to the higher sales costs.

Compared with the previous year, the Group registered an increase of the EBITDA in this area equal to Euro 11.4 million, from Euro 58.1 million to Euro 69.5 million, with a decrease of the percentage profit, which falls from 13.7% in 2008 to 12.9% in 2009, due to the higher weight of raw material.

1.08.02 Electricity Area

The Electricity Area contributed for about one third to the Group's aggregate turnover and showed a continuous improvement on total margins.

The first quarter 2009 confirmed the above mentioned issues by recording a growth of Euro +1,9 million in the EBITDA, from Euro 11.4 million in 2008 to Euro 13.3 million in 2009.

At the same time, an increase in the percentage-based incidence of the Group's total, from 7.4% in 2008 to 8.0% in 2009 is recorded, in spite of the first quarter result of the Gas Area, as shown in the table hereunder:

(millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area EBITDA	11.4	13.3	+1.9	+16.7%
Group EBITDA	154.3	166.6	+12.3	+8.0%
<i>Percentage weight</i>	<i>7.4%</i>	<i>8.0%</i>	<i>+0.6 p.p.</i>	

An analysis of the electricity segment results is given below:

Income statement (millions of €)	31-Mar-08	Inc.%	31-Mar-09	Inc%	Abs. Ch.	Ch. %
Revenues	323.7		493.1		+169.4	+52.3%
Operating costs	(313.1)	-96.7%	(480.0)	-97.3%	+166.9	+53.3%
Personnel costs	(4.7)	-1.5%	(5.6)	-1.1%	+0.9	+19.1%
Capitalised costs	5.5	1.7%	5.7	1.2%	+0.2	+3.6%
EBITDA	11.4	3.5%	13.3	2.7%	+1.9	+16.7%

Revenues went up from Euro 323.7 million in the first quarter 2008 to 493.1 million in 2009, with a 52.3% increase. This was due to the greater volumes traded and the higher cost of energy raw material.

The increased activities and prices explains the proportional increase in operating costs, due to the purchase of raw material, and the percentage margins that dropped from 3.5% of the first quarter 2008 to 2.7% of 2009.

Labour costs increased compared to the first quarter 2008 due to the higher sales costs, while capitalised costs for investments on Group networks are in line with the previous year.

The following table gives a detailed breakdown of the revenues by type:

(millions of €)	31-Mar-08	Inc.%	31-Mar-09	Inc%	Abs. Ch.	Ch. %
Sales revenues	124.4	38.4%	176.9	35.9%	+52.5	+42.2%
Distribution revenues	11.4	3.5%	11.2	2.3%	-0.2	-1.8%
Trading / other	188.0	58.1%	305.1	61.9%	+117.1	+62.3%
Total revenues	323.7	100.0%	493.1	100.0%	+169.4	+52.3%

Sales revenues increased by +42.2% as a result of greater volumes deriving from the strengthening of the trade action and the increase in average energy price on the market. The significant increase in trading revenues on the electricity market is in line with the developed business.

The quantitative data for the area, which do not include trading activities, demonstrate the trend in the volumes linked to the afore-mentioned management policies:

Quantitative data	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Volumes sold (Gw/h)	1,240.3	1,647.0	+406.7	+32.8%
Volumes distributed (Gw/h)	572.0	549.2	-22.8	-4.0%

As at 31 March 2009, the EBITDA recorded an increase compared to the first quarter 2008, from Euro 11.4 million to Euro 13.3 million, with a 16.7% increase.

1.08.03 Integrated Water Cycle Area

The Group currently operates in the Integrated Water Cycle management sector in over 180 municipalities, with more than 2.5 million inhabitants, with almost complete coverage of the area in question.

Hera operates through seven ATOs in the Provinces of Ravenna, Ferrara, Forlì-Cesena, Rimini, Modena, Bologna and Pesaro-Urbino.

Agreements were set up with all of the aforementioned Agencies regulating the Integrated Water Service, and in addition to lengthening the license terms up to 2022 on average, also guarantee the Group the return on its capital investment over the next few years.

Over the first quarter 2009, the Integrated Water Cycle sector showed an improvement of its results compared to the same period in the previous year:

(millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area EBITDA	29.4	30.8	+1.4	+4.8%
Group EBITDA	154.3	166.6	+12.3	+8.0%
Percentage weight	19.0%	18.5%	-0.5 p.p.	

The results show a trend in line with expectations, with an increase in turnover mainly due to adoption of the tariff scheme approved by the Efficiency Agencies, defined according to a logic of full coverage of the invested capital.

An analysis of the operating results in this area is shown below:

Income statement (millions of €)	31-Mar-08	Inc. %	31-Mar-09	Inc. %	Abs. Ch.	Ch. %
Revenues	104.3		105.8		+1.5	+1.4%
Operating costs	(84.8)	-81.4%	(73.6)	-69.5%	-11.2	-13.2%
Personnel costs	(25.0)	-23.9%	(24.7)	-23.4%	-0.3	-1.2%
Capitalised costs	34.9	33.5%	23.3	22.0%	-11.6	-33.2%
EBITDA	29.4	28.2%	30.8	29.1%	+1.4	+4.8%

Revenues, equal to Euro 105.8 million, are up 1.4% over the first quarter 2008, in connection with the combined effect of the increased tariffs, decreased volumes supplied and lower amount of works and connections.

The decrease in operating costs is essentially tied to the lower costs capitalised for works for investment, which in the Group's organisation are entirely executed by the Territorial Operative Companies, which are described in detail in the specific paragraph.

The following table shows the major quantitative indicators of the area, which are down compared to the first quarter 2008:

Quantitative data	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Volumes sold (millions of cubic meters)				
Water systems	58.4	56.3	-2.1	-3.6%
Sewerage	50.8	50.4	-0.4	-0.8%
Purification	50.9	50.3	-0.6	-1.2%

The EBITDA at the end of the first quarter 2009 increased by Euro 1.4 million, passing from Euro 29.4 million in 2008 to Euro 30.8 million in the current year (+4.8%), despite the smaller volumes and lower demand for works.

1.08.04 Waste Management Area

The Waste Management Area was affected by the overall economic crisis and shows a margin that fell during the first quarter 2008, as seen in the following table:

(millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area EBITDA	44.4	42.0	-2.4	-5.4%
Group EBITDA	154.3	166.6	+12.3	+8.0%
Percentage weight	28.8%	25.2%	-3.6 p.p.	

For some time now, the Hera Group has been the most important integrated operator in the sector, due to the fact that it has over 70 treatment and disposal plants for municipal and special waste.

The Group operates through 7 Ato's in the Provinces of Ravenna, Forlì-Cesena, Rimini, Bologna, Ferrara Modena and Pesaro-Urbino in the area of Urban Hygiene Services including, sweeping, collection, and disposal of municipal waste, just as for the Water Cycle services.

The recession has not only made a negative impact on the Group with regard to treated volumes, but has also brought about a significant drop in the prices of materials recovered through differentiated waste collection.

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

Income statement (millions of €)	31-Mar-08	Inc.%	31-Mar-09	Inc%	Abs. Ch.	Ch. %
Revenues	148.7		154.3		+5.6	+3.8%
Operating costs	(72.0)	-48.4%	(79.0)	-51.2%	+7.0	+9.7%
Personnel costs	(35.7)	-24.0%	(36.4)	-23.6%	+0.7	+2.0%
Capitalised costs	3.4	2.3%	3.0	2.0%	-0.4	-11.8%
EBITDA	44.4	29.8%	42.0	27.2%	-2.4	-5.4%

Revenues at the end of the first quarter 2009 show a 3.8% increase, up from Euro 148.7 million of 2008 to Euro 154.3 million of the same period of this year.

In terms of impact on the total volumes collected, differentiated waste collection increased more than 3,9% between the first quarter 2008 and the first quarter 2009.

The table below demonstrates the decreased amount of waste disposed of, 5.4% less than the first quarter 2008:

Quantitative data (thousands of tons)	31-mar-08	Inc. %	31-mar-09	Inc %	Abs. Ch.	Ch. %
Municipal waste	396,9	34,9%	403,6	32,8%	+6,7	+1,7%
Waste from the market	259,6	22,8%	232,6	18,9%	-27,0	-10,4%
Direct customers - subsidiaries	115,7	10,2%	105,8	8,6%	-9,9	-8,6%
Waste sold	772,2	67,9%	742,0	60,2%	-30,2	-3,9%
By-products of plants	365,9	32,1%	490,1	39,8%	+124,2	+33,9%
Treated waste by type	1.138,1	100,0%	1.232,1	100,0%	+94,0	+8,3%
Landfills	352,2	30,9%	298,1	24,2%	-54,1	-15,4%
Waste-to-energy plants	142,0	12,5%	175,2	14,2%	+33,2	+23,4%
Selection plants	87,9	7,7%	74,0	6,0%	-13,9	-15,8%
Composting plants	68,4	6,0%	91,6	7,4%	+23,2	+33,9%
Stabilization and chemical-physical plants	252,4	22,2%	273,3	22,2%	+20,9	+8,3%
Other	235,1	20,7%	320,0	26,0%	+84,9	+36,1%
Treated waste by plant	1.138,1	100,0%	1.232,1	100,0%	+94,0	+8,3%

On the plant level we note a significant drop in the use of landfills while the use of waste-to-energy, composting and stabilization plants has gone up.

The EBITDA of the Waste Management Area fell from Euro 44.4 million in the first quarter 2008 to Euro 42.0 million in the corresponding period of 2009, with an decrease of 5.4%.

1.08.05 Other Services Area

The Other Services Area, which includes, specifically the Public Lighting, District Heating, Heat Management and Microgeneration services, registered a result basically in line with that of the first quarter 2008:

(millions of €)	31-Mar-08	31-Mar-09	Abs. Ch.	Ch. %
Area EBITDA	11.0	11.1	+0.1	+0.9%
Group EBITDA	154.3	166.6	+12.3	+8.0%
Percentage weight	7.1%	6.7%	-0.4 p.p.	

An analysis of the operating results achieved in the Other Services area is shown below:

Income statement (millions of €)	31-Mar-08	Inc. %	31-Mar-09	Inc. %	Abs. Ch.	Ch. %
Revenues	55.4		56.9		+1.5	+2.7%
Operating costs	(43.8)	-78.9%	(46.2)	-81.2%	+2.4	+5.5%
Personnel costs	(5.8)	-10.5%	(5.3)	-9.2%	-0.5	-8.6%
Capitalised costs	5.2	9.3%	5.7	9.9%	+0.5	+9.6%
EBITDA	11.0	19.9%	11.1	19.5%	+0.1	+0.9%

Revenues increased compared to the previous year, mainly in connection with the higher volumes of heat sold by the district heating networks, which compensate the lower revenues regarding some minor services disposed of in 2008.

With regard to the EBITDA, the negative effect of the disposals was compensated by the contribution of district heating and, to a lesser extent, by microgeneration.

The table below shows the main indicators in the other services area:

Quantitative data	31-mar-08	31-mar-09	Abs. Ch.	Ch. %
District heating				
Distributed volumes of heat (Gwht)	205,8	222,4	+16,6	+8,1%
Public lighting				
Light points (thousands)	319,1	326,8	+7,7	+2,4%
Municipalities served	60	64	+4	+6,7%

1.09 Recovery of State Aid Associated with the So-called “Fiscal Moratorium”

Information about this entire issue is provided below, citing what has already been explained in the financial statements as at 31 December 2008, in addition to developments concerning the first quarter 2009.

On implementation of Draft Law 10 of 15 February 2007, converted into Law 46 on 6 April 2007, which governs restitution of state aid declared illegal under decision 2003/193 of 5 July 2002 by the European Commission, Hera SpA was issued on 6 April 2007 with notices and injunctions by the competent regional Revenue Service, requesting a total payment of Euro 22,312,964 for the four periods of tax recovery. On 31 May 2007, Hera SpA filed an appeal against the aforementioned notices and injunctions with the provincial tax commission (*Commissione Tributaria Provinciale di Bologna*), requesting the suspension of the execution of these payment injunctions. On 6 July 2007, the Bologna provincial tax commission issued ordinances accepting the suspension requests made by the company, scheduling a hearing of the case for 13 December 2007. On 19 April 2008, notification was made that the appeals had been rejected, except for that relating to the tax period 1997. In this case, the commission recognised the legitimacy of the deduction of tax withheld and of the tax credit carried over from previous years.

Partial relief having been obtained on 2 May 2008 for the 2007 tax period, after recognition of the aforementioned retentions and credits, for Euro 3,738,074, a total payment of Euro 18,060 thousand was made. Appeals were filed against the first-instance ruling, and we are waiting for the hearing to be scheduled. Please also note that, under the terms of agreements made between shareholders at the time of the incorporation giving rise to the creation of Hera SpA and reported in the IPO prospectus, local authorities undertook “to compensate Hera SpA for any cost, loss or damage sustained by the same in relation to mandatory regulatory measures revoking tax benefits that the company and the companies taking part in the incorporation have enjoyed”. Consequently no cost has been booked in this regard. With regard to the above, please note that on 31 December 2007 some of the shareholder municipalities gave appropriate guarantees to the company by making advance payments on the amounts owed by Hera SpA; following the negative outcome of the first instance hearing and the consequent payment, the respective credit/debit positions vis-à-vis each municipality were defined.

Regarding the former Meta Modena, the Modena revenue agency issued to Hera SpA on 11 May 2007, pursuant to and in accordance with the Legislative Decree of 15 February 2007, notices and injunctions for the recovery of state aid relating to the tax periods 1998 and 1999. On 6 June 2007, Hera SpA filed autoprotection instances requesting the amendment of the notices and injunctions. On 11 June 2007, the Modena revenue agency issued partial autoprotection measures relating to the notices and injunctions, requesting that the company pay an insubstantial sum in settlement of the entire matter, while withholding tax paid was disregarded.

Furthermore, in the period between June 2007 and February 2008, the collection agency made demands for payment to Hera SpA in order to recover alleged state aid in relation to mortgages granted by the Cassa Depositi e Prestiti to some companies/consortia then merged in Hera SpA. The total amount of the demands came to Euro 2,975,494, and it was paid in full in 2008. Hera contested the demands with the Bologna provincial tax commission, which referred the matter to the ordinary judicial authority (*Autorità Giudiziaria Ordinaria*) where the legal procedures in question will be resumed. Hera also contested, with the Lazio regional court (*Tribunale amministrativo regionale*), a previous injunction issued by the Treasury, by means of which the ministry justified its request for restitution of funds in accordance with the European Community decision of 5 June 2002. This decision declared loans at favourable rates of interest granted by the Cassa Depositi e Prestiti to limited liability companies created pursuant to Law 142/90 to be incompatible with the common market. The above amount, which was paid in instalments in the period January-April 2008, was booked under financial charges.

It is then reported that art. 24 of Italian Legislative Decree 185 of 29 November 2008, converted with changes into Law 2 of 28 January 2009, put the revenue agency in charge of recovering aid equivalent to unpaid taxes and their interest due to the fiscal moratorium within 120 days from when the decree went into effect, "in order to totally implement" the 5 June 2002 decision of the Commission mentioned above. Afterwards, art. 7, section 2-bis of Italian Legislative Decree 10 February 2009, converted into Italian Law 33 of 9 April 2009, extended the deadlines for the assessment as it interpreted the deadline of 120 days as "regulative". Then on 30 April 2009 the revenue agency reopened the procedure and sent Hera S.p.A. notices of assessment regarding recovery of the aid that the former Meta Modena benefitted from in 1998 and 1999 for the total amount of Euro 4.8 million (of which Euro 2.7 million concern taxes and Euro 2.1 million pertain to interest). This amount was paid on 8 May 2009.

1.10 Analysis of the Group's Net Financial Position

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

(millions of €)	31-Mar-09	Inc.%	31-Dec-08	Inc%	Abs. Ch.	Ch. %
Cash	190.8		193.6			
Other current loans	6.8		6.8			
Current bank indebtedness	-199.6		-109.7			
Current portion of bank indebtedness	-60.8		-79.3			
Other current loans	-15.1		-15.0			
Due to financial leases coming due during the next financial year	-4.4		-4.7			
Current financial indebtedness	-279.9		-208.7			
Net current financial indebtedness	-82.3	5.0%	-8.3	0.5%	+74.0	+891.6%
Non-current loans	8.6		8.5			
Non-current bank indebtedness	-430.8		-439.4			
Bonds issued	-999.7		-999.7			
Other non-current loans	-121.9		-121.4			
Due to financial leases coming due after the next financial year	-10.2		-11.2			
Non-current financial indebtedness	-1,562.6		-1,571.7			
Net non-current financial indebtedness	-1,554.0	95.0%	-1,563.2	99.5%	-9.2	-0.6%
Net financial indebtedness	-1,636.3	100.0%	-1,571.5	100.0%	+64.8	+4.1%

Net financial position increased from Euro 1,571.5 million as at 31 December 2008 to Euro 1,636.3 million as at 31 March 2009. The increase is due to a higher turnover and to the investments made.

An indebtedness mainly comprising medium/long-term debt, which cover approximately 95% of total indebtedness is confirmed, duly offsetting the Group's financial and asset structure characterised by a high value of the fixed assets.

Hera SpA's long term Moody's rating is "A1 outlook stable" and the Standard & Poor rating is "A- outlook negative".

1.11 Human Resources

The Hera Group had 6,462 employees as at 31 March 2009 (consolidated companies), with the following breakdown by role: Managers (120), Middle managers (309), Employees (3,068), and Workers (2,965). This workforce was the result of the following changes: new recruits (103), leavers (32), changes in scope of consolidation (+306).

	31-Dec-08	31-Mar-09	Change
Managers	115	120	5
Middle Managers	306	309	3
Employees	2980	3068	88
Workers	2990	2965	-25
Total	6,391	6,462	71

The actual changes are included in the following table:

	31-Mar-09
Personnel working at year-end 2008	6,391
New recruits	103
Leavers	-32
Net flows	71
Changes in scope of consolidation	0
Personnel working at end of period	6,462

New recruits over the period were mainly due to:

- consolidation of fixed-term contracts to open-ended contracts
- new recruits of professional profiles non yet present within the Group



CONSOLIDATED QUARTERLY FINANCIAL STATEMENTS

2.01 Income Statement

€000	31-Mar-2009 (3 months)	31-Mar-2008 (3 months)	31-Dec-2008 (12 months)
Revenues	1,287,050	1,001,279	3,716,336
Change in inventories of finished products and work in progress	895	2,085	2,604
Other operating revenues	14,398	12,981	73,081
Use of raw materials and consumables (net of changes in inventories or raw materials and stock)	-909,869	-636,243	-2,421,439
Service costs	-177,415	-180,730	-716,045
Personnel costs	-87,310	-85,482	-331,078
Amortisation, depreciation and provisions	-55,326	-52,594	-247,556
Other operating costs	-7,782	-18,890	-43,688
Capitalised costs	46,647	59,256	248,530
Operating profit	111,288	101,662	280,745
Portion of profits (losses) pertaining to associated companies	2,136	272	2,123
Financial income	4,013	4,229	22,162
Financial charges	-30,984	-27,673	-116,169
Total financial operations	-24,835	-23,172	-91,884
Other non-operating costs	-2,729	0	0
Pre-tax profit	83,724	78,490	188,861
Tax for the year	-34,933	-32,730	-78,597
Net profit for the period	48,791	45,760	110,264
Attributable to:			
Shareholders of Parent Company	45,058	41,934	94,765
Minority shareholders	3,733	3,826	15,499

2.02 Explanatory notes

Accounting principles and valuation criteria

The consolidated quarterly report as at 31 March 2009 (interim report on operations pursuant to art. 154-ter of Italian Legislative Decree 58/1998) was drawn up in observance of the mentioned legislative decree and the provisions of art. 82 of the Issuers' Regulation issued by CONSOB. This report is not subject to audit.

Based on the aforementioned art. 82, the consolidated quarterly financial statements have been drawn up by applying, solely to the valuations, the international accounting standards IFRS according to the contents of Attachment 3D of said regulations. Thus, these consolidated quarterly financial statements have not been drawn up in compliance with the accounting standards regarding infra-annual reporting (IAS 34 "Interim Financial Reporting"). That being stated, the accounting principles applied are the same as those adopting in drawing up the consolidated financial statements as at 31 December 2008. Please refer to them for full details.

The preparation of the consolidated quarterly accounts requires estimates and assumptions to be made that have an impact on the value of revenues, costs, assets and liabilities and on disclosures concerning contingent assets and liabilities at the reporting date. If, in the future, these estimates and assumptions, based on the management's best valuation, should differ from the actual circumstances, they will be amended accordingly to represent the actual situation.

Please also note that these valuation procedures, especially those relating to the more complex valuations, such as the determination of any impairment losses on non-current assets, are generally only made definitively at the time the annual report is prepared, except when there are indications of impairment requiring an immediate valuation of any losses in value.

The figures in these consolidated quarterly financial statements are comparable with those of previous periods.

In comparing single items in the income statement, it is necessary to take into consideration the changes in the scope of consolidation indicated in the specific paragraph.

Consolidated Financial Statements

The formats used are the same already applied to the consolidated financial statements as at 31 December. Specifically, a decremental format has been used for the income statement, with individual items analysed by type. We believe that this type of disclosure, which is also used by our major competitors, to be in line with international practice and the best representation of company results. Please note that the item “other non-operating costs” has been added to provide more accurate information. It regards taxes of previous years, as is fully explained in the report on operations.

It should also be noted that the item “revenues” for the first three months of 2008 include Euro 9,698 thousand for excise duties and additional payments to regional tax authorities. This was recorded by a Group company as a contra entry to an item of miscellaneous taxes classified among “other operating expenses”. This entry was restated in the income statement for the first three months of 2009.

The present consolidated quarterly situation as at 31 March 2009 is submitted to the approval of the Board of Directors on 14 May 2009.

All consolidated income statement schedules are expressed in thousands of Euro unless otherwise indicated.

Scope of consolidation

These consolidated quarterly financial statements include the financial statements of the Parent Company, Hera SpA, and its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, in such a way as to obtain benefits from the company's activity.

Small-scale subsidiaries and those in which the exercise of voting rights is subject to substantial and long-term restrictions are excluded from the full consolidation and valued at cost. Interests comprising fixed assets in large-scale associated companies are valued at equity.

Companies held exclusively for future sale were excluded from consolidation and valued at cost or fair value, whichever is the lesser. These investments are recorded as separate items.

No companies have been included in the consolidation using the proportional method.

Changes to the scope of consolidation in the first three months of 2009 compared with the consolidated financial statements as at 31 December 2008 are shown below.

Subsidiaries:

Famula on Line Spa, Hera Spa purchased the shares of the minority shareholder Engineering Spa on 15 January 2009 to become the sole shareholder of the company. The ownership percentage therefore rose from 60% to 100%.

Hera Energie Rinnovabili Spa, on 16 December 2008 the extraordinary shareholders' meeting of the company resolved to increase the share capital from Euro 120,000 to Euro 1,832,000, reserved for the sole shareholder Hera Spa to be released by means of conferral in kind to be effective as from 1 January 2009.

Associated companies:

Ages Scral, starting from 1 January 2009 the company is valued at cost following the reduced percentage of ownership, from 21.44% to 17.19%. The company was valued at equity until 31 December 2008.

2.03 Net financial indebtedness

(millions of €)		31-Mar-09	31-Dec-08
a	Cash	190.8	193.6
b	Other current loans	6.8	6.8
	Current bank indebtedness	-199.6	-109.7
	Current portion of bank indebtedness	-60.8	-79.3
	Other current loans	-15.1	-15.0
	Due to financial leases coming due during the next financial year	-4.4	-4.7
c	Current financial indebtedness	-279.9	-208.7
d=a+b+c	Net current financial indebtedness	-82.3	-8.3
e	Non-current loans	8.6	8.5
	Non-current bank indebtedness	-430.8	-439.4
	Bonds issued	-999.7	-999.7
	Other non-current loans	-121.9	-121.4
	Due to financial leases coming due after the next financial year	-10.2	-11.2
f	Non-current bank indebtedness	-1,562.6	-1,571.7
g=e+f	Net non-current bank indebtedness	-1,554.0	-1,563.2
h=d+g	Net financial indebtedness	-1,636.3	-1,571.5

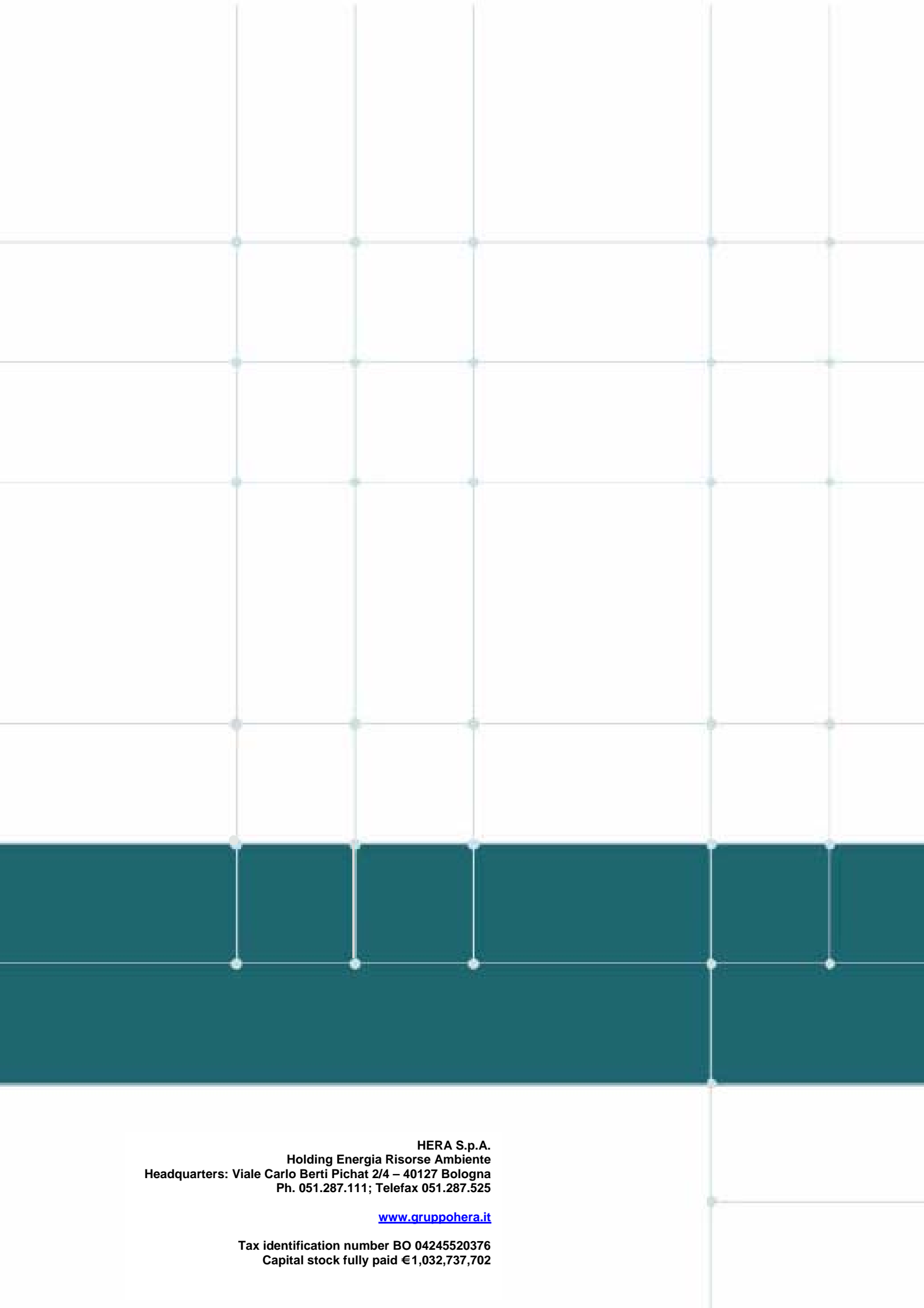
2.04 List of consolidated companies

Subsidiaries

Name	Registered offices	Share capital	Percentage held Direct	Indirect	Total	Overall share
Parent Company: Hera Spa	Bologna	1,032,737,702				
Acque Srl	Pesaro	102,700		100.00%	41.87%	41.87%
Akron Spa	Imola (Bo)	1,152,940	57.50%		57.50%	57.50%
Asa Spa	Castelmaggiore (Bo)	1,820,000	51.00%		51.00%	51.00%
Aspes Gas Srl	Pesaro	1,000,000		100.00%	41.87%	41.87%
Ecologia Ambiente Srl	Ravenna	23,780,000	100.00%		100.00%	100.00%
Ecosfera Spa	Ferrara	1,000,000	100.00%		100.00%	100.00%
Eris Srl	Ravenna	300,000		51.00%	51.00%	51.00%
Famula On-line Spa	Bologna	4,364,030	100.00%		100.00%	100.00%
Frullo Energia Ambiente Srl	Bologna	17,139,100	51.00%		51.00%	51.00%
Gal.A. Spa	Bologna	300,000	60.00%		60.00%	60.00%
Gastecnica Galliera Srl	Bologna	312,000	100.00%		100.00%	100.00%
Hera Bologna Srl	Bologna	1,250,000	100.00%		100.00%	100.00%
Hera Comm Srl	Imola (Bo)	53,136,987	100.00%		100.00%	100.00%
Hera Comm Marche Srl	Urbino (Pu)	100,000		100.00%	100.00%	100.00%
Hera Comm Mediterranea Srl	Carinara (Ce)	250,000		50.01%	50.01%	50.01%
Hera Energie Bologna Srl	Bologna	926,000		51.00%	51.00%	51.00%
Hera Energie Rinnovabili Spa (already Hera Gas Tre Spa)	Bologna	1,832,000	100.00%		100.00%	100.00%
Hera Ferrara Srl	Cassana (Fe)	810,000	100.00%		100.00%	100.00%
Hera Forlì-Cesena Srl	Cesena (Fc)	650,000	100.00%		100.00%	100.00%
Hera Imola-Faenza Srl	Imola (Bo)	750,000	100.00%		100.00%	100.00%
Hera Luce Srl	San Mauro Pascoli (Fc)	264,012	89.58%		89.58%	89.58%
Hera Modena Srl	Modena	1,150,000	100.00%		100.00%	100.00%
Hera Ravenna Srl	Ravenna	850,000	100.00%		100.00%	100.00%
Hera Rete Modena Srl	Bologna	22,221,850	100.00%		100.00%	100.00%
Hera Rimini Srl	Rimini	1,050,000	100.00%		100.00%	100.00%
Hera Servizi Funerari Srl	Bologna	10,000	100.00%		100.00%	100.00%
Hera Socrem Spa	Bologna	2,218,368	51.00%		51.00%	51.00%
Hera Trading Srl	Imola (Bo)	2,600,000	100.00%		100.00%	100.00%
Ingenia Srl	Imola (Bo)	52,000	74.00%		74.00%	74.00%
Marche Multiservizi Spa	Pesaro	13,055,799	41.87%		41.87%	41.87%
Medea Spa	Sassari	4,500,000	100.00%		100.00%	100.00%
Nuova Geovis Spa	Sant'Agata Bolognese (Bo)	2,205,000	51.00%		51.00%	51.00%
Recupera Srl	Voltana di Lugo (Ra)	1,673,290	100.00%		100.00%	100.00%
Romagna Compost Srl	Cesena (Fc)	3,560,002	60.00%		60.00%	60.00%
Sinergia Srl	Forlì (Fc)	579,600		59.00%	59.00%	59.00%
Società Intercomunale di Servizi Spa	Montecalvo in Foglia (Pu)	103,300		41.75%	41.75%	17.48%
Sotris Spa	Ravenna	2,340,000	70.00%		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%	97.00%

Associated companies

Name	Registered offices	Share capital	Percentage held		Total	Overall share
			Direct	Indirect		
Acantho Spa	Imola (Bo)	17,375,781	47.46%		47.46%	47.46%
Adriatica Acque Srl	Rimini	89,033		25.54%	25.54%	25.54%
Agea Reti Srl	Ferrara	19,000,000	39.72%		39.72%	39.72%
Dyna Green Srl	Milan	30,000		33.33%	33.33%	33.33%
Estense global service	Ferrara	10,000		23.00%	23.00%	23.00%
Feronia	Finale Emilia (Mo)	2,430,000	40.00%		40.00%	40.00%
FlamEnergy Trading Gmbh	Vienna (Austria)	3,000,000		50.00%	50.00%	50.00%
Modena Network Spa	Modena	3,000,000	32.00%		32.00%	32.00%
Oikothén Scarl	Siracusa	1,101,730	46.10%		46.10%	46.10%
Pri.Ge.A.S. Srl	Sassuolo (Mo)	15,600	49.00%		49.00%	49.00%
Refri Srl	Reggio Emilia	6,800,000	20.00%		20.00%	20.00%
Satcom Spa	Sassuolo (Mo)	2,000,000	47.50%		47.50%	47.50%
SGR Servizi Spa	Rimini	5,982,262		29.61%	29.61%	29.61%
Service Imola Srl	Borgo Tossignano (Bo)	10,000	40.00%		40.00%	40.00%
Set Spa	Milan	120,000	39.00%		39.00%	39.00%
So.Sel Spa	Modena	240,240	26.00%		26.00%	26.00%
Tamarete Energia Srl	Contrada Tamarete (CH)	3,600,000	32.00%		32.00%	32.00%



HERA S.p.A.
Holding Energia Risorse Ambiente
Headquarters: Viale Carlo Berti Pichat 2/4 – 40127 Bologna
Ph. 051.287.111; Telefax 051.287.525

www.gruppohera.it

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