GRUPPO HERA

half-year financial statements as at 30 June '09

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;ang2057 **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	
	Dario Farina

**resigned on 20/07/2009 and substituted by Daniele Montroni*

***resigned on 20/07/2009*

****resigned on 20/07/2009 and substituted by Daniele Montroni*

*****resigned on 19/07/2009 and substituted by Mara Bernardini*

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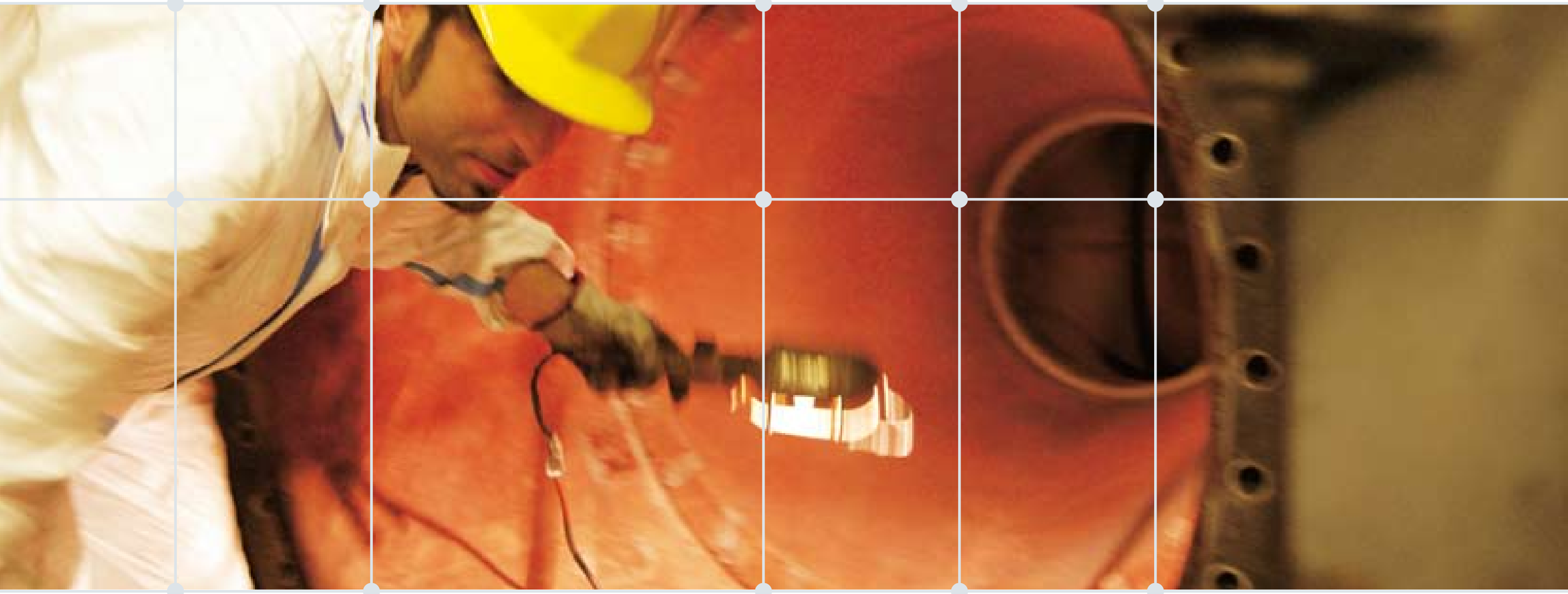

FIRST HALF DIRECTORS' REPORT

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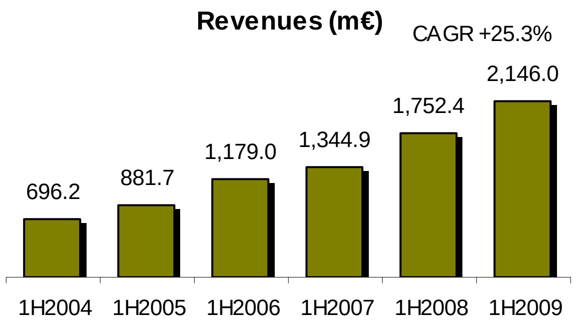
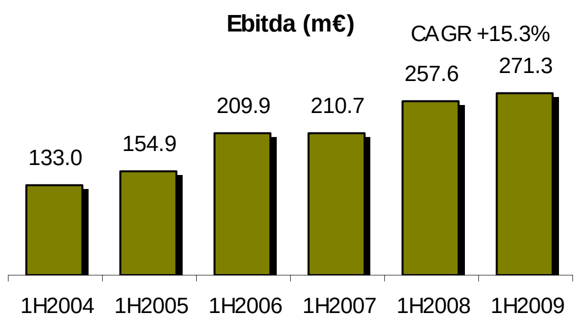
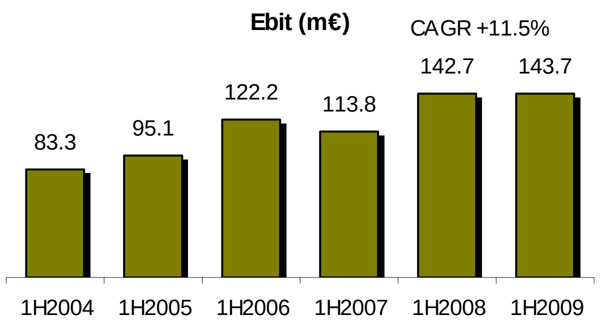
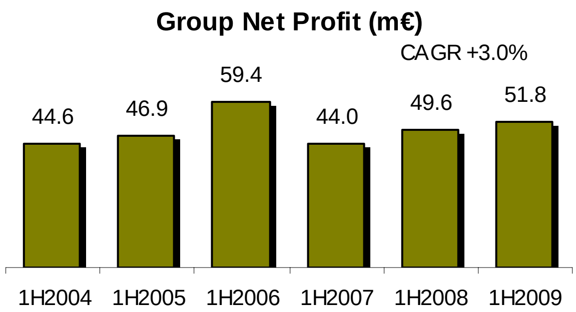
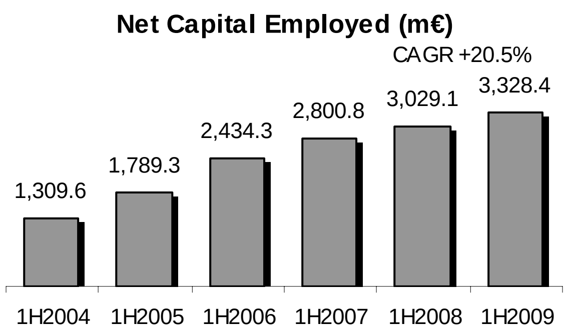
1.01 Summary data











1.02 Introduction

These half-year financial statements as at 30 June 2009 were drawn up pursuant to Legislative Decree 58/1998 and subsequent amendments, as well as in accordance with the Issuers' Regulations issued by Consob. These half-year financial statements were prepared in compliance with the International Accounting Standards "IFRS" issued by the International Accounting Standards Board "IASB" and approved by the European Union, and in compliance with IAS 34 – *Interim Financial Statements.*

During the first part of 2009, the economic crisis continued to influence all sectors of the economy, including basic public services. Nevertheless, Hera continued to post growing profits during the first six months, thanks to implemented growth strategies and to the realized profits from the regulated activities that account for more than half of the EBITDA of the Group.

Hera's regulated activities (waterworks, distribution of electricity and gas, municipal waste collection and disposal) are managed on the basis of tariff schedules that tend to insulate overall revenues from fluctuations in volume. They have also benefited from tariff updates authorized by competent authorities.

Electricity generation from renewable sources and similar activities, which represents an important part of Group profits, felt the slowdown of the economy only in the reduction of electricity prices. Meanwhile, it did not suffer from a general contraction of demand, because demand is guaranteed by deploying production through the national transmission network. Waste to energy (WTE) power plants benefited from an increase in legislated incentives (going from 1.1 to 1.3 Green Certificates per megawatt produced from biodegradable waste).

In energy sales, Hera pursued a strategy of expanding electricity sales through cross selling, with sold volumes increasing compared to the first six months of last year. It more than compensated the reduction in consumption by existing customers because of the crisis. The performance of gas at sales was in line with the past, thanks also to colder temperatures compared to last winter. This almost offset the effects of lower consumption, mainly by manufacturing customers affected by the crisis.

The only sector in which volumes shrank during the first quarter of 2009 was the disposal of industrial waste, affected by the contraction of manufacturing at the national level. Commercial activity to expand the market in Italy, implemented during the last part of the first quarter, continued to produce the positive results expected, significantly abating the impact of the crisis recorded during the first three months of this year.

WTE activities posted an increase in volumes thanks to the operation of the new WTE plant in Forlì (which started up in mid-2008) and, in part, the plant in Modena (which became fully operational only at the end of June following acceptance testing and the necessary load tests).

Herambiente, the company that operates on the deregulated market for waste disposal, has been active since 1 July 2009. Herambiente inherited national leadership from the Group, and has prepared expansion strategies both in the waste disposal market and in the construction and operation of new WTE plants, taking advantage of the expertise developed over the years by the Group. The company has already taken its first steps in this direction, by competing to build and manage the new WTE plant in Florence and by acquiring

50% of a joint venture to build and operate a new biomass plant with an installed capacity of 13.7 megawatts (MW).

A rearrangement of the asset portfolio has led to a more reasonable grouping of "lesser complementary activities", for example, gathering district heating and heat management into the gas area and microcogeneration activities into the electricity area. This provides a more complete view of the energy activities of the Group.

Finally, Hera has continued to restructure its financial debt, with positive effects on the average cost of loans, by renegotiating the conditions of a bond loan of Euro 200 million and by issuing an additional, 15-year bond loan of Euro 150 million, denominated in JPY.

The work of making the operating activities more efficient following the recent merger of companies like SAT and Megas continues, with the new plants built in 2008 coming online, the company restructuring, the expansion policy for electricity sales and trading, and the updating of regulated service tariffs agreed to with the authorities for regulated services are the principal factors that have made it possible to maintain positive growth during the first half of 2009 and that allow us to look to the future with cautious optimism, notwithstanding a macroeconomic picture that remains difficult to read.

1.03 Strategy

Hera's strategic approach focuses on creating value. It aims to achieve levels that will challenge the competition of the leading companies in the multi-utility sector.

Hera has always pursued operational efficiency strategies, leveraging an innovative organizational model based on consolidating certain general functions. This made it possible to achieve economies of scale when the Group was established at the end of 2002 by merging and integrating 11 multi-utility companies operating in neighbouring territories.

The development of deregulated, competitive markets has become a special point of attention for the strategy of cross-selling services to a broad base of clientele already receiving gas, water and environmental services. Thus, electricity sales have been developed with a commercial dual-fuel offer and an offer of complete, integrated services for disposing of special waste, together with the development of plant capacity for waste disposal and power generation, required to support growth.

Hera has also pursued development opportunities for outside lines, through the aggregation of multi-business firms in neighbouring territories and integrated upstream companies in the liberalized areas (the sale of energy products and waste treatment).

The **multi-business** line of development involved five firms operating next to the area covered (Geat in Riccione, Agea in Ferrara, Meta in Modena, Sat in Sassuolo and Aspes in Pesaro, which merged with Megas of Urbino in 2008) and made it possible to continue to build efficiency thanks to increased economies of scale.

During July, Hera concluded its participation in the competition to purchase 25% of the share capital of AIMAG, a multi-utility operating in the province of Modena.

Over the years, some **mono-business** transactions have also been realized with the strategic objective of strengthening exclusively either waste treatment assets or energy assets.

The expansion of the gas sale and distribution activities was pursued through the acquisition of small to medium-sized companies operating in the reference market, such as Megas Trade (acquired in 2008). In electricity sector, in 2008 Hera acquired 32% of Tamarete Energia of Ortona (Chieti province), a company with a capacity of 5.5 MW, which will complete development of a 100-MW combined cycle plant in the next two years.

Hera has a **multi-stakeholder** strategic approach, inherited from the government companies that have joined the group since 2002. This DNA has shaped the way that Hera's activities are organized and managed and recently has been formalized into a new ethics code which informs the actions of all the main Group components.

On 26 March 2009, during the meeting that approved the 2008 financial statements, the Board of Directors approved the 2008 sustainability report, confirming the improved results from Hera's sustainable approach in managing its assets, as articulated in the mission of the Group.

Since its listing, the strategic objectives of Hera have always formed part of its industrial plans. The plans are established with a bottom-up logic and updated on an annual basis, both to examine previous Group expansion, and to update the objectives by developing macro reference scenarios. The industrial plans have always been consistent with the policy of transparency and shared information pursued by the Group, which provides visibility not only on the strategic choices adopted and the economic and financial results obtained, but also on future strategic policies and economic and financial expectations.

The current industrial plan pursues a further increase in the size of the Group, by expanding its share in the deregulated market and in upstream activities, by refocusing on cost and revenue synergies, by developing new electric power plants using renewable sources (to strengthen its position in alternative technologies such as WTE, solar, biomass and vegetable oils) and by creating value for shareholders and the principal stakeholders.

These strategies aim to obtain increased results even without the contribution of potential expansion into outside lines, which has always been a way of creating value that the Group has pursued since its establishment. Future objectives are based mainly on factors that have already been strengthened (newly launched plants and future tariffs already agreed to for regulated water and waste management activities) and taking into account the impact to date of the negative macroeconomic picture, which still remains difficult to forecast.

The plan is supported by a three-year investment program of about one billion euros, completely financed by cash flows, which have been positive this year and are capable of supporting a growing dividend policy thanks to the generation of positive cash flow and the maintenance of a solid financial structure for the duration of the plan.

1.04 Business Sectors

Hera has maintained balanced development in all its businesses, maintaining a balance between regulated services (integrated water services, collection and disposal of municipal waste, distribution of methane gas, electricity and district heating), and its non-regulated businesses (sale of methane gas and electricity, disposal of special and industrial waste and public lighting.

The low risk profile of the portfolio was especially clear in 2006 and 2007 when, following the unusually warm winter season, the negative trends in gas and heating activities were more than compensated for by profits in all other business areas. The "primary" services of Hera feature a countercyclical demand and therefore did not reflect the significant negative impact of the economic recession during the first months of 2009 (thanks also to the broad diversification of reference clientele consisting mainly of residential and small- and medium-sized business clients with typically inelastic consumption patterns).

Waste Management

Hera is the leading domestic operator in the waste management sector by quantity of waste collected and disposed of. Municipal waste collection is regulated by a concession that expires in 2012, while the disposal of special waste is a free-market business. The tariffs for 2008-2012 have been agreed to with local authorities.

Over the last six years, the list of plant infrastructures has grown to more than 70 plants, capable of covering the entire range of possible waste treatments and recoveries, attesting to the excellence of the Group on a national level.

Hera is also one of the principal Italian operators in generating electricity from waste, thanks to WTE plants with an installed capacity of about 90 MW, capable of producing up to 500 Gigawatt-hours (GWh) per year. They have been expanded over the years to reach a waste disposal capacity of about 800,000 tons per year.

Plants	**Handling capacity (tons)**	**Installed power (MW)**
WTE plant, Forlì	120.000	12
WTE plant, Ravenna	53.000	6
WTE plant, Rimini	60.000	10
WTE plant, Modena	180.000	20
WTE plant, Ferrara	142.000	14
WTE plant, FEA	220.000	22
WTE plant, Ecologia-Ambiente	38.000	4
Total	**813.000**	**88**

In 2008, a new project for remote control of all the WTE plants of the Group became operational. It assures consistent operation, better use of information, sharing of best practices and installation consistency.

Herambiente, 100% owned by Hera Spa since 1 July 2009, gathers all the plants for the treatment, recovery and disposal of municipal and special waste. It manages them and the corporate equity investments in companies of the sector. The garbage collection and street sweeping businesses, which are regulated activities, remained with the local operating companies controlled by Hera.

On 20 July 2009, the Board of Directors approved the application of Hera to become a strategic partner of Quadrifoglio, a company handling environmental services in the area around Florence. Hera would handle planning, development and operation of a new WTE plant at Sesto Fiorentino and would acquire a 50% share in a joint venture with the construction and operation of a biomass thermoelectric plant with an installed capacity of 13.7 MW.

Integrated Water Cycle

The Hera Group is the second largest operator in Italy in the management of the complete water cycle, i.e. from the distribution of drinking water to the collection and purification of wastewater. Hera is the only operator performing this service in seven provinces in Emilia Romagna and the Marches in accordance with long-term concession agreement contracts (on average up to 2022). The tariffs for 2008-2012 have been agreed to with local authorities.

Increased efficiency in the management, around 30.000 kilometres of water networks, economies of scale in purchasing and the adjustment of 2008-2012 tariffs to meet legal requirements were the key factors behind the growth of business, combined with the contribution of growth from outside lines.

Additional operational efficiency improvements will be possible with the remote control unit inaugurated in 2008 in Forlì, which will allow remote control of all networks of the Group (50,000 km of water, gas and district heating networks in the provinces where Hera operates) and will provide assistance and supervision to all installations of the Group and assure service continuity and safety.

Energy

Thanks to the mergers made over the last five years, Hera has consolidated its position in the gas market and now covers the reference area almost completely. It is the leader among local companies, and the third largest in the country.

With more than 1.1 million customers, Hera sells more than 2.5 billion m^3 of gas per year, confirming its dominant position in the market thanks to its commercial offer, including the one on the deregulated market.

Upstream development sought to increase gas transportation capacity from abroad, and today has reached 400,000,000 m^3 through the TAG gas pipeline. The Galsi gas pipeline currently under construction between Italy and Algeria will add almost one billion m^3 per year to this capacity.

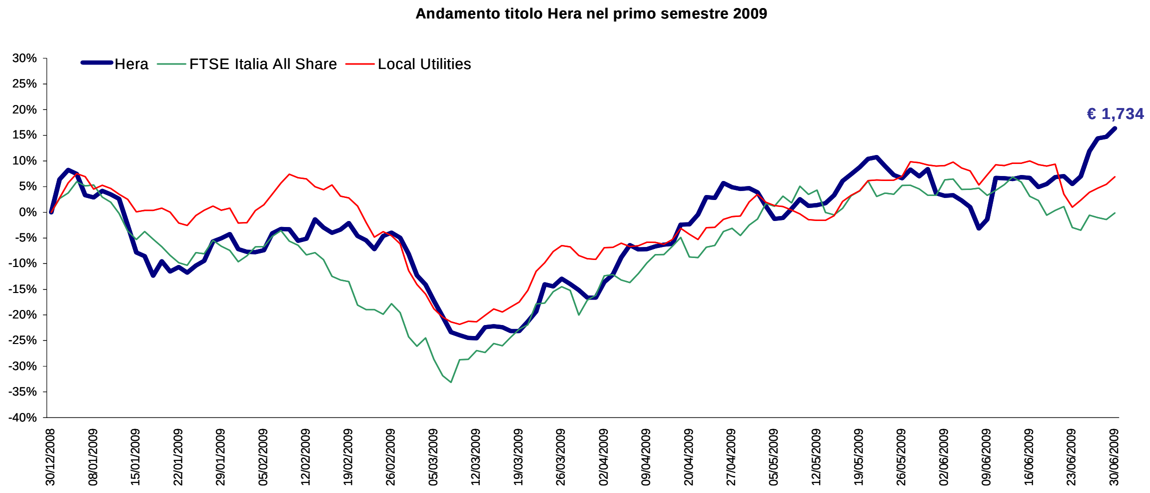
With the complete deregulation of the sales of energy products in Italy, during 2009 Hera has continued strong development in the electricity sector, which has more than compensated for the contraction in volumes associated with the difficult economic cycle.

The growth in sales volumes in recent years has been accompanied over time by a balanced increase in the availability of energy through joint ventures to acquire shares in combined cycle plants. This is in addition to the development of our own renewable-source power plants and cogeneration plants, such as the recently inaugurated plant at Imola.

Beginning with the 2009 half-year report, there have been some reclassifications within the Hera multi-business portfolio. In addition to the sale and distribution of gas, the gas business also includes district heating and heating management. In addition to the sale and distribution of electricity, the electricity business also includes microcogeneration (small size cogeneration plants built at the manufacturing sites of some customers).

1.05 Hera on the Stock Exchange

During the current serious economic crisis, all the stock exchanges of the world recorded negative performance during 2008 and through 2009, up to 9 March 2009, when the markets posted a change of direction. Hera shares benefited from the positive trend on the Italian market during the second quarter of the year, recovering from the negative performance posted during the first three months. Hera shares ended the first half of 2009 with a list price of Euro 1.734, up 16.4% from the beginning of the year, and better performance than either the Italian Stock Exchange Index (-0.1%) or the index for Italian "Local Utilities" (+6.9%).



Key: Hera stock performance, first half 2009

During April, at the same time as the road show on annual results and the industrial plan to 2011, the share trended upward more than the Stock Exchange Index and the Italian Local Utilities Index. The upward trend continued to the end of the half year, more than compensating for the dividend distribution.

Indexes and baskets

The increase in liquidity and the list price of Hera shares between 2003 and today led to the inclusion of the company in the Dow Jones Stoxx 600 on 25 March 2008. This includes the 600 most highly capitalised companies in 18 European countries.

During 2008, Hera was added to the ECPI Ethical Index €uro, an index consisting of 150 listed companies on the EMU (European Economic and Monetary Union) market, considered ethical investments consistent with the "ECPI SRI" methodology.

Share coverage

The Hera Group is one of the most broadly covered in the "local utilities" sector in Italy, reported on by 12 independent, internationally recognized research units: Banca Akros, Banca IMI, Banca Leonardo, Centrobanca, Cheuvreux, Equita, Intermonte, Kepler, Mediobanca, Merrill Lynch, Santander and Unicredit.

The Hera share was repeatedly listed as a best pick during the first half of 2009 by various research reports: in February by Unicredit (which only began covering Hera in January 2009), in April by both Equita and Centrobanca and in July by Banca IMI.

Analysts rated Hera positively, with 10 "buy/outperform/undervalued" and 2 "neutral". According to the analysts, the average price objective at 12-18 months was Euro 2.10 per share (this means a potential increase in the value of a Hera share at 18-12 months of +23% compared to the price at the end of the half year).

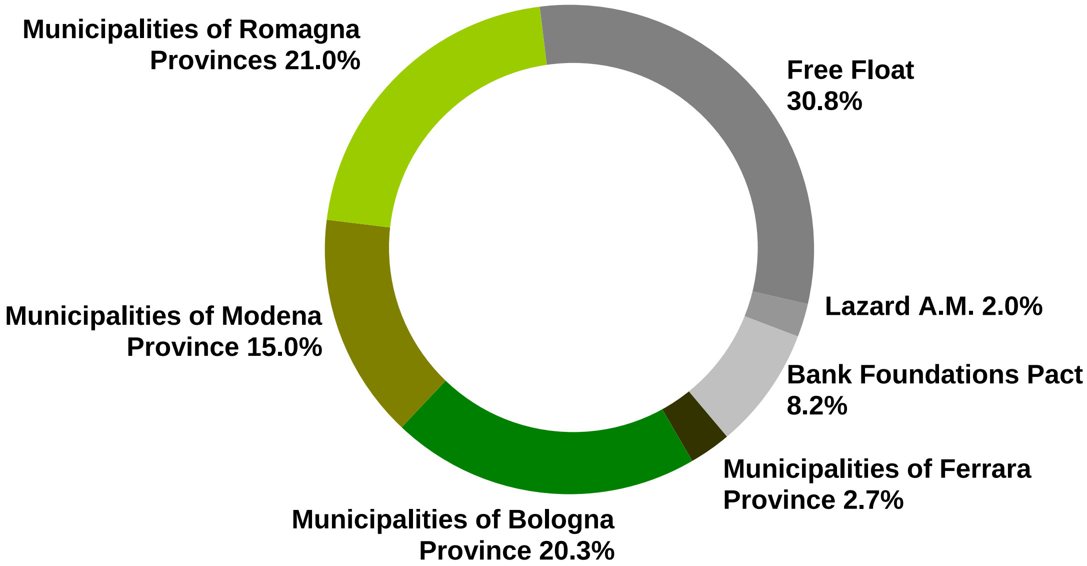
Ratings

The financial debt is almost completely insured against fluctuations in interest rates. Average maturities are long-term (the portion maturing in the coming years is completely covered by available lines of credit). The debt is not encumbered by covenants. Moody's and Standard & Poor's have issued positive ratings (Moody's A-2 with negative outlook for long-term debt from July 2009; Standard & Poor's A-2 short-term and A- long-term with negative outlook). The principal reason for these ratings are a business portfolio balance between regulated and deregulated activities, optimum levels of customer service, a solid shareholder structure and the present and future cash outlook.

Shareholding Structure

Following successive mergers and in 2008 the merger of Sat (Sassuolo), shareholding reached 1,032,737,702 ordinary shares with a par value of one euro each.

The Hera shareholding structure includes more than 193 public institutions (mainly municipalities in the areas covered), which together hold more than 59% (of which 51% encumbered by a shareholders' agreement), about 400 Italian and foreign institutional investors, and almost 21,000 private shareholders.



Since 2006, Hera has adopted a plan to buy back treasury shares up to a maximum of 15 million shares for a total of Euro 60 million. The purpose is to finance a possible opportunity to integrate small companies and to normalize any abnormal fluctuations in the list price compared to the list prices of principal domestic competitors.

The Shareholders' Meeting of 28 April 2009 renewed the treasury share purchase plan for another 18 months, up to a total amount of Euro 60 million.
As at 30 June 2009, Hera held about 2,079,883 treasury shares in its portfolio.

Relations with the financial market

The principal means of communications is undoubtedly the institutional website of the Group (www.gruppohera.it). During 2009, in the "Investor Relations" section of the website, we have sought to improve continually the online financial communications of the Group by:

1. *Completely reviewing the graphic appearance and reorganizing relevant information published:*
2. *Continually updating relevant information in real time;*
3. *Publishing the annual financial statements and, beginning this year, the half-year report in Italian and English in HTML format, accessible and downloadable in Excel®, on the same day that it is approved by the Board of Directors;*
4. *Publishing quarterly, half-year and annual financial statements of the Group on the same day that they are approved by the Board of Directors, in an interactive format or in a format that allows comparison of economic, equity and industrial historic data;*
5. *Publishing a quarterly newsletter for private investors (summarized and readable) to illustrate the results obtained by the Group;*
6. *Describing the strategies and operating policies of the Group to understand the future outlook for Hera.*

   The Investor Relations section of the website has been structured by organizing all the information into specific areas dedicated to the various stakeholders, to facilitate searching and understanding relevant information.

   At the end of 2008, Hera finished in sixth place (for the second year in a row) in the *Webranking 2000* classification by Hallvarsson & Halvarsson with the collaboration of *Corriere della Sera* for institutional websites. In terms of online financial communications, the ranking placed Hera among the top large-cap listed companies nationally and in the European utilities sector.

   During the first six months of the year, 220 contacts were made (telephone calls, video conferences and meetings) with foreign and Italian investors on the occasion of presenting the Group Results and the Industrial Plan for 2011.

   During April 2009, more than 100 meetings with foreign and Italian investors were held to publish and present the 2008 financial statements (Milan, London, Edinburgh, Dublin, Paris, Amsterdam, Vienna, Frankfurt, New York and Boston).

1.06 Corporate Events and Group Structure

The first half of 2009 was characterized by continued rationalization of the Group's structure, which led to the sale or liquidation of 3 investee companies, equity investment in 2 companies and 1 contribution in kind.
In 2008, the continued rationalization of the Group's corporate structure already led to the disposal or liquidation of 6 investee companies, the deletion from the Register of Companies of 6 companies in liquidation, and the merger by incorporation of Ambiente 3000 Srl into Frullo Energia Ambiente Srl.
The main mergers and acquisitions that took place during the year are listed below:

Hera Energie Rinnovabili Spa

On 1 January 2009, the transfer of two business branches for the production of electricity from renewable sources from Hera Spa to Hera Energie Rinnovabili Spa became effective. The latter company operates in the field of development, realization and operation of electric power plants from renewable sources and similar.
By means of this transaction, the share capital went from Euro 120,000 to Euro 1,832,000.

Famula on-line Spa

On 15 January 2009, Hera Spa acquired from Engineering Spa 40% of the share capital of Famula on-line Spa, a company operating in organization, planning, production, marketing and consulting in the field of data processing and telematics.
By means of this transaction, Hera Spa became the sole shareholder of Famula on-line Spa.

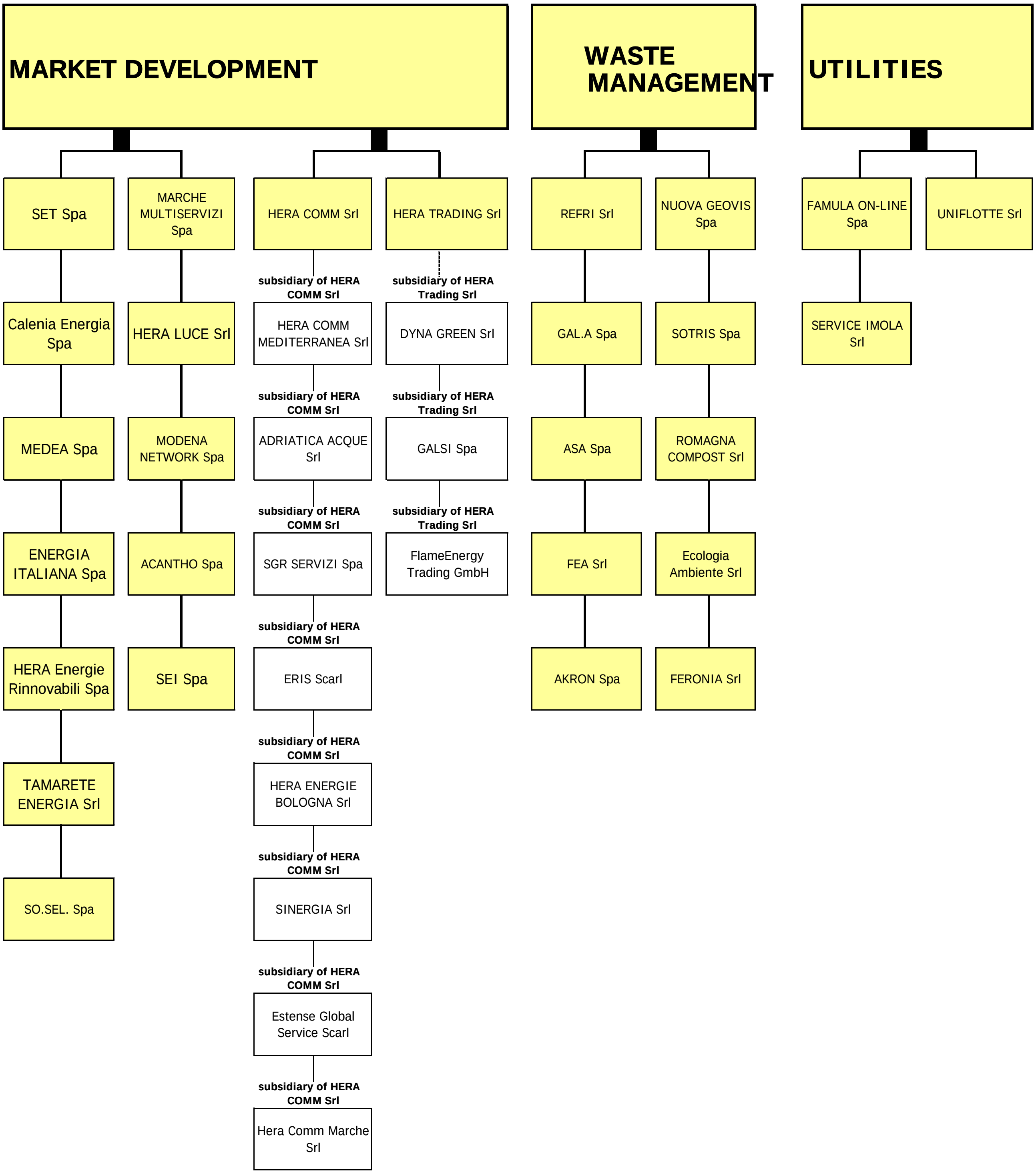
Pri.ge.a.s. Srl

On 8 May 2009 Hera Spa acquired from the City of Prignano sulla Secchia 51% of the share capital of Pri.ge.a.s. Srl, a company operating in the field of gas distribution and management of the entire cycle of energy resources, primarily in the territory of the City of Prignano sulla Secchia.
By means of this transaction, Hera Spa became the sole shareholder of Pri.ge.a.s. Srl.

Ecosfera Spa

On 3 June 2009, Hera Spa transferred to its subsidiary Akron Spa 100% of the share capital of Ecosfera Spa, a company established to collect and dispose of industrial and civil waste, including managing plants for the storage, treatment, disposal and incineration of wastes.

Hera Group as at 30 June 2009



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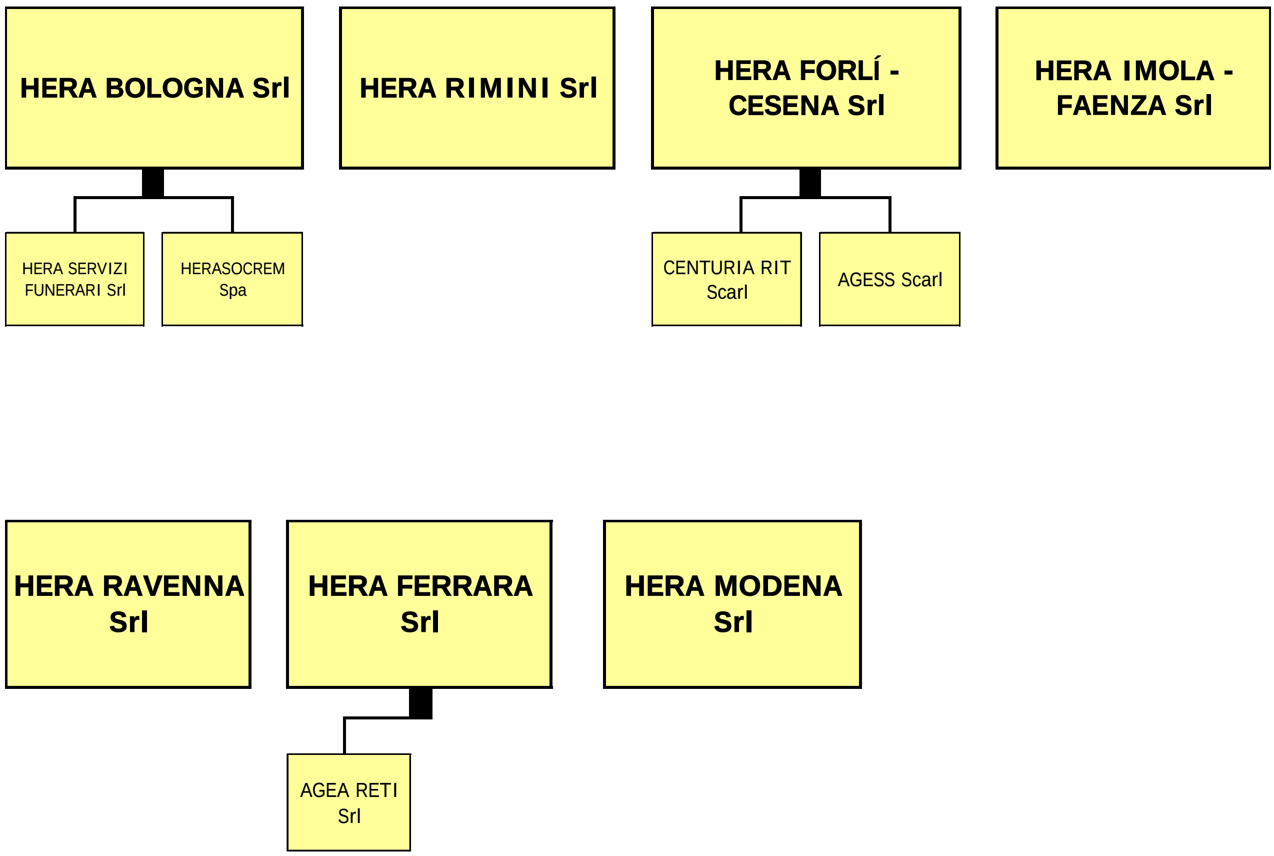


Disposal of the equity investments is also scheduled: Modena Formazione Srl, Democenter – SIPE Scarl, ACEF Srl, Ingenia Srl, Italcic Scarl and Ambiente Mare Spa
The merger of Prigeas Srl into Hera Spa is scheduled.
The merger of Hera Rete Modena Srl and Gastecnica Galliera Srl into Hera Spa is scheduled.
The merger of Ecosfera Spa into Akron Spa is scheduled.
The merger of Recupera Srl into Ecologia Ambiente Srl is scheduled.
The merger of Satcom Spa into Acantho Spa is scheduled.

1.07 Performance of the Hera Group in the First Half of 2009

Consolidated summary results of the Group

(millions of €)	30-Jun-08	Inc.%	30-Jun-09	Inc.%	Change %
Revenues	**1,752.4**		**2,146.0**		**+22.5%**
EBITDA	**257.6**	**14.7%**	**271.3**	**12.6%**	**+5.3%**
EBIT	142.7	8.1%	143.7	6.7%	+0.7%
Net Profit	**49.6**	**2.8%**	**51.8**	**2.4%**	**+4.5%**

1.07.01 Financial and Economic Results

As everyone knows, the first half of 2009 was marked by a slowdown of economic activities. Specifically, there were lower delivered volumes of water, less special waste treated and a significant drop in demand for new connections and work for customers compared to the first half of 2008.

The first half of 2009 was also affected by the change in the tariff system of the gas distribution activity. Resolution 159/08 of the Authority for Electrical Energy and Gas (AEEG) profoundly changed the tariff structure of the activity by modifying, in particular, the start of the gas year for applying tariffs to make it coincide with the solar year, whereas in the past it was 1 October until 30 September of the following year, and by providing for an equalisation fund for compensating any differences compared to the standard on the volumes distributed.

During the first half of 2009 the companies Acantho Spa, Satcom Spa and Modena network Spa were also consolidated. They operate in the telecommunications sector, as is better described in the chapter of this document concerning corporate changes. The effect on the results of this operation will be dealt with in this report if relevant.

As had already taken place in 2008, the revenue agency's recovery of the so-called "State Aid" tied to the "fiscal moratorium" during the second half of 2009 as well had a negative effect. As explained in detail in the explanatory notes of the financial statements, the profit of the first half of 2009 was negatively affected by a total amount of Euro 4.8 million, of which Euro 2.7 regard recovery of taxes and Euro 2.1 interest payable, whereas the total amount in 2008 was Euro 11.2 million of which Euro 5.6 were for recovery of taxes and contributions, and the same amount for interest payable.

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

Despite what is described above, the results of the first half of 2009 present all indicators on the rise compared to the same period of 2008, as can be seen in the following table in which the Group results are shown in brief:

Income Statement (Euro millions)	30-giu-08	Inc.%	30-giu-09	Inc% s.	Change	Change %
Revenues	1.752,4		2.146,0		+393,6	+22,5%
Change in inventories of finished products and work in progress	2,2	0,1%	0,8	0,0%	-1,4	-63,9%
Other operating revenues	29,6	1,7%	31,0	1,4%	+1,4	+4,8%
Raw materials and consumables	(1.096,4)	-62,6%	(1.449,3)	-67,5%	+352,9	+32,2%
Service costs	(355,8)	-20,3%	(367,2)	-17,1%	+11,4	+3,2%
Other operating costs	(19,5)	-1,1%	(16,0)	-0,7%	-3,5	-17,9%
Personnel costs	(172,9)	-9,9%	(178,4)	-8,3%	+5,5	+3,2%
Capitalised costs	118,0	6,7%	104,3	4,9%	-13,7	-11,6%
EBITDA	**257,6**	**14,7%**	**271,3**	**12,6%**	**+13,7**	**+5,3%**
Depreciation, Amortisation and Provisions	(114,9)	-6,6%	(127,7)	-5,9%	+12,8	+11,1%
Operating profit	**142,7**	**8,1%**	**143,7**	**6,7%**	**+1,0**	**+0,7%**
Financial Operations	(51,6)	-2,9%	(51,8)	-2,4%	+0,2	+0,4%
Other non-operating costs	(5,6)	-0,3%	(2,7)	-0,1%	-2,9	-51,4%
Pre-tax profit	**85,5**	**4,9%**	**89,1**	**4,2%**	**+3,6**	**+4,2%**
Income taxes	(35,9)	-2,0%	(37,3)	-1,7%	+1,4	+3,9%
Net profit for the year	**49,6**	**2,8%**	**51,8**	**2,4%**	**+2,2**	**+4,5%**
Minority shareholders	8,4	0,5%	5,1	0,2%	-3,3	-39,7%
Shareholders Hera Spa	41,2	2,4%	46,8	2,2%	+5,6	+13,5%

In the first half of 2009, revenues amounted to Euro 2,146.0 million compared to Euro 1,752.4 million in the same period of 2008, disclosing a growth of 22.5%. The EBITDA increased from Euro 257.6 million in 2008 to Euro 271.3 million in 2009, +5,3%, as did the EBIT, from Euro 142.7 to 143.7 million, with an increase of 0.7%. The before tax profit is up by 4.2%, from Euro 85.5 million in the first six months of 2008 to Euro 89.1 million in the corresponding period of 2009. The net profit rose from Euro 49.6 million of the first half of 2008 to Euro 51.8 million in 2009.

The increase in **Revenues**, equal to Euro 393.6 million, should be viewed in relation to the following factors in order of importance:

- Increased Electricity Segment revenues, with an effect of approximately Euro 270 million with regard to the higher intermediate volumes and the increased raw material price;

- Increased Gas Segment revenues, with an effect of approximately Euro 131 million with regard to the increased raw material price and the higher distribution tariffs.

The increase in Costs of raw materials and consumable materials, equal to Euro 352.9 (+32.2%), is linked to the above-mentioned increase in unit prices of energy raw materials and to the higher intermediate volumes of energy.
The other operating costs (**Service costs** up by Euro 11.4 million and **Other operating costs** down by Euro 3.5 million) on the whole rose by Euro 7.9 million (+2.1%).

Personnel costs rose from Euro 172.9 million of the first six months of 2008 to Euro 178.4 million of the corresponding period 2009 (+3.2%). Roughly two-thirds of the increase is due to the increase of the consolidation perimeter and the remainder to development of contractual dynamics.

The decrease in the **Capitalised costs**, which dropped from Euro 118.0 to 104.3 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 30 June, the Group's consolidated **EBITDA** increased from Euro 257.6 million in 2008 to Euro 271.3 million in 2009, an increase of 5.3%.

The percentage impact of the EBITDA on the Revenues is down from 14.7% in the first half of 2008 to 12.6% 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.

Amortisation, Depreciation and Provision are up by 11.1%, from Euro 114.9 million registered in the first half of 2008 to Euro 127.7 million in 2009. Approximately 60% concerns investments made during the period and about 40% regards consolidation of the companies mentioned previously.

The first six months of 2009 highlight an **Operating profit** equal to Euro 143,7 million, up by 0,7% compared to the same period of 2008.

The extraordinary effect of the "fiscal moratorium" made an impact on first half results for a total amount of Euro 4.8 million, of which Euro 2.7 million falls within **Other non-operating costs** and Euro 2.1 million is interest payable within Financial Operations.

The result of **Financial Operations** is basically stable with a negative result for the first six months of 2009 of Euro 51.8 million compared to Euro 51.6 million in 2008. Net of the portion of profits from associated companies, Financial Charges – which include the figurative portion linked to application of the IAS standards – rose from Euro 52.3 to 53.9 million, with a 3.1% increase over the same period of 2008. Net of the extraordinary effect tied to the interest payable on the sums returned in connection with the so-called "state aid", totalling Euro 5.6 million in 2008 and Euro 2.1 million in the first six months of 2009, the increase is Euro 5.1 million. It is due to the increased indebtedness made necessary by the higher turnover and investments of the Group.

The **Other non-operating costs** amount to Euro 2.7 million compared to Euro 5.6 million of the first half of 2008, and concern the above-mentioned extraordinary effect of the fiscal moratorium.

In light of the above, **Pre-tax profit** increased from Euro 85.5 million in the first half of 2008 to Euro 89.1 million in 2009, an increase of 4.2%.

Taxes rose from Euro 35.9 million of the first half of 2008 to Euro 37.3 million in 2009, associated with the Group's improved results.

At the end of the first half of 2009, the Group's **Net profit** was therefore Euro 51.8 million, 4.5% higher than the Euro 49.6 million of the same period in 2008.

Analysis of the Group's balance sheet:

The evolution of the Group's net capital employed and the sources of financing for the accounting period as at 31 December 2008 and for the situation as at 30 June 2009:

Capital employed and sources of financing (Euro millions)	31-Dec-08	Inc.%	30-Jun-09	Inc%	Abs. Chang	Change %
Intangible Fixed Assets	569.9	18.1%	575.6	17.3%	5.7	+1.0%
Tangible Fixed Assets	2,889.1	91.7%	3,028.0	91.0%	138.8	+4.8%
Non-current Assets/Liabilities balance	135.5	4.3%	122.7	3.7%	(12.8)	-9.4%
Net fixed assets	3,594.5	114.1%	3,726.3	112.0%	131.8	+3.7%
Net working capital	(22.9)	-0.7%	41.1	1.2%	64.0	-279.8%
(Provisions)	(421.0)	-13.4%	(439.1)	-13.2%	(18.0)	+4.3%
Net capital employed	**3,150.6**	**100.0%**	**3,328.4**	**100.0%**	**177.8**	**+5.6%**
Shareholders' equity	1,579.1	50.1%	1,540.0	46.3%	(39.2)	-2.5%
Long-term financial debt	1,563.2	49.6%	1,554.4	46.7%	(8.9)	-0.6%
Net short-term position	8.3	0.3%	234.1	7.0%	225.8	+2731.9%
Net financial position	1,571.5	49.9%	1,788.4	53.7%	216.9	+13.8%
Total sources of financing	**3,150.6**	**100.0%**	**3,328.4**	**100.0%**	**177.8**	**+5.6%**

The net capital employed in the first six months of 2009 increased, passing from Euro 3,150.6 million to Euro 3,328.4 million.

With regards to net fixed assets, there was an increase in tangible and intangible fixed assets which as at 30 June 2009 amounted to Euro 3,726.3 million against Euro 3,594.5 million in December 2008. This increase is due, besides the amount of investments made during the first six months of 2009 which are detailed in the pertinent section, to the extension of the consolidation perimeter.

Provisions as at 30 June 2009 amounted to Euro 439,1 million, compared with Euro 421,0 million as at 31 December 2008. The increase is essentially attributable to provisions for employee leaving indemnities (TFR) net of amounts paid out, provisions for the post-closure of landfills and provisions for restoring networks and plants granted under use to the Group owned by the spun-off companies. The new law on employee leaving indemnities (TFR) and the accounting methods compliant with international accounting standards resulted in a decrease in the provision for employee leaving indemnities, net of the integration of the aforementioned companies.

The net working capital increased from Euro -22.9 million as at 31 December 2008 to Euro 41.1 million as at 30 June 2009. The increase is connected to the consolidations that took place and to the decreased debt position in relation to suppliers, above all those of energy raw materials.

The shareholders' equity, which fell from Euro 1,579.1 million to Euro 1,540.0 million, was affected by the payment of the previous year's dividends.

Analysis of the Group's Net Financial Position:

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

	(Euro millions)	30-Jun-09	Inc.%	31-Dec-08	Inc%	Abs. Change	Change %
a	**Cash**	**157.6**		**193.6**			
b	**Other current loans**	**11.5**		**6.8**			
	Current bank indebtedness	-316.0		-109.7			
	Current portion of bank indebtedness	-66.8		-79.3			
	Other current loans	-14.2		-15.0			
	Due to financial leases coming due during the next financial year	-6.1		-4.7			
c	**Current financial indebtedness**	**-403.1**		**-208.7**			
d=a+b+c	**Net current financial indebtedness**	**-234.0**	**13.1%**	**-8.3**	**0.5%**	**(225.7)**	**+2719.3%**
e	**Non-current loans**	**8.6**		**8.5**			
	Non-current bank indebtedness	-427.0		-439.4			
	Bonds issued	-1,002.2		-999.7			
	Other non-current loans	-120.0		-121.4			
	Due to financial leases coming due after the next financial year	-13.8		-11.2			
g	**Non-current financial indebtedness**	**-1,563.0**		**-1,571.7**			
h=e+f+g	**Net non-current financial indebtedness**	**-1,554.4**	**86.9%**	**-1,563.2**	**99.5%**	**8.8**	**-0.6%**
i=d+h	**Net financial indebtedness**	**-1,788.4**	**100.0%**	**-1,571.5**	**100.0%**	**(216.9)**	**+13.8%**

The net financial position went up from the Euro 1,571.5 million registered as at 31 December 2008 to Euro 1,788.4 million as at 30 June 2009. In addition to the consolidation of the companies operating in the telecommunications sector which contribute about Euro 26 million, the increase is due to the increase in turnover and investments made.

An indebtedness mainly comprising medium/long-term debt, which cover over 85% of total indebtedness is confirmed, duly offsetting the Group's financial and asset structure characterised by a high value of the fixed assets.

Investments

The Group's tangible and intangible investments totalled Euro 191.6 million in the first half of 2009, compared to Euro 185 million in the same period of the previous year. In the same period financial investments were made amounting to Euro 1.1 million. These investments refer to the increase in the potentials of the energy sectors through investments in new plant projects such as the Galsi pipeline.

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

Total investments (Euro millions)	30-Jun-08	30-Jun-09	Abs. Change	Change %
Gas area	27.3	31.5	+4.2	+15.6%
Electricity area	19.0	19.6	+0.6	+3.3%
Integrated water cycle area	64.1	52.7	-11.4	-17.8%
Waste management area	52.2	62.0	+9.9	+18.9%
Other services area	1.9	6.9	+5.1	+272.4%
Central structure	20.6	18.8	-1.9	-9.0%
Total operating investments	**185.0**	**191.6**	**+6.5**	**+3.5%**
Total financial investments	3.1	1.1	-2.0	-63.8%
Total	**188.2**	**192.7**	**+4.5**	**+2.4%**

Investments relating to the **gas service** in the area in question mainly regard network expansion, enhancement and upgrading of distribution networks and plant systems. Investments in the district heating service are mainly related to works for the expansion of the service in the areas of Bologna (Euro 3.5 million), Imola (Euro 3.4 million), Forlì Cesena (Euro 3.2 million), and Ferrara (Euro 1.0 million), whereas the heat management investments are focused on work on heating plants. The investments included under the item Other refer to acquisitions of rights of passage for foreign gas pipelines for the purchase of raw material.

Gas (Euro millions)	30-Jun-08	30-Jun-09	bs. Change	Change %
Hera SpA Network	17.1	14.7	-2.3	-13.7%
Marches/Sardinia Networks	0.9	0.8	-0.0	-3.5%
TLR/Heat Management	9.3	13.1	+3.8	+41.4%
Other	0.0	2.8	+2.8	-
Total gas	**27.3**	**31.5**	**+4.2**	**+15.6%**

The investments of the **electricity sector** are aimed at expanding the service and at the extraordinary maintenance of distribution plants and networks in the Modena and Imola area and at the network support services. Compared to the same half year of the previous year, the liability for the massive replacement of the current meters with electronic meters is considerable (Euro 3.1 million). The investments in electricity and heat production plants (CCGT) refer to the Imola cogeneration plant, currently completing the start-up stage, while the cogeneration investments are aimed at building new plants at area companies.

Electricity (Euro millions)	30-Jun-08	30-Jun-09	bs. Change	Change %
Area	9.8	10.5	+0.7	+7.1%
CCGT Imola	9.1	7.9	-1.2	-13.3%
Ind. Cogeneration	0.1	1.2	+1.1	+2082.9%
Total electricity	**19.0**	**19.6**	**+0.6**	**+3.3%**

As for the **integrated water cycle**, there has been an overall reduction of interventions compared to the same period of the previous year due to the significant rationalisation of the activity, and a smaller demand for new connections.

Integrated water cycle (Euro millions)	**30-Jun-08**	**30-Jun-09**	**s. Change**	**Change %**
Aqueducts	37.5	27.6	-9.9	-26.3%
Purification	8.9	9.3	+0.5	+5.4%
Sewerage	17.7	15.7	-2.0	-11.4%
Total water cycle	**64.1**	**52.7**	**-11.4**	**-17.8%**

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 Forlì plant, and on the construction of the plants of Modena and Rimini.

Waste management (Euro millions)	**30-Jun-08**	**30-Jun-09**	**s. Change**	**Change %**
Hera SpA plants	13.5	8.8	-4.7	-34.9%
Investee company plants	10.9	12.2	+1.4	+12.4%
New plants:				
WTE Canal Bianco (FE)	5.9	0.1	-5.8	-98.2%
WTE Modena	11.0	19.4	+8.4	+76.0%
WTE Forlì	6.2	10.3	+4.1	+65.8%
WTE Rimini	4.6	11.1	+6.6	+144.1%
Total waste management	**52.2**	**62.0**	**+9.9**	**+18.9%**

With regard to the other services area, we see an increase in investments in the telecommunications networks and an increase in investments in the public lighting service.

Other services (Euro millions)	**30-Jun-08**	**30-Jun-09**	**s. Change**	**Change %**
TLC	0.3	5.1	+4.8	+1551.8%
Public Lighting and Traffic Lights	0.9	1.8	+0.9	+97.8%
Other	0.7	0.1	-0.6	-85.2%
Total other services	**1.9**	**6.9**	**+5.1**	**+272.4%**

Compared to the same period of the previous year, investments in the central structure are on the whole down due to completion of the restructuring of the corporation IT systems and rationalisation of the operating vehicles fleet. The most significant investments are attributable to maintenance of the real estate assets. Completion of laboratories and other minor investments are included in the item other investments.

Central structure (mln €)	**30-Jun-08**	**30-Jun-09**	**s. Change**	**Change %**
Real estate investments	6.4	10.3	+3.9	+60.3%
IT systems	5.8	3.8	-2.0	-34.8%
Fleets	5.2	2.8	-2.3	-45.2%
Other investments	3.2	1.8	-1.4	-44.2%
Total structure	**20.6**	**18.8**	**-1.9**	**-9.0%**

1.07.02 Regulatory framework and regulated revenues

Legislation

After the debated reform of economically significant local public utilities introduced by Article 23 *bis* of Law No. 133 of 6 August 2008, subject to amendment, during the first half of 2009 various actions of interest to the utilities managed by the Hera Group were approved or are still in discussion at various places.

The recent provision passed finally on 9 July 2009, entitled "Provision for the development and internationalization of businesses, on the subject of energy" (Decree Law No. 1195) involves the energy market in a diversification of supply sources, both by introducing a national strategy for nuclear power and by greater incentives for some renewable energy resources. The multiplication coefficient for net energy produced by transforming biodegradable waste for the purpose of calculating Green Certificates was increased from 1.1 to 1.3. Similarly, the deadline for bringing online certain cogeneration plants connected to district heating networks was extended for the purposes of the rights attached to the certificates. Other consequences are expected from the new regulations on the subject of internal user networks, as well as the movement of the obligation for putting a given share of renewable energy into the network from the supply side (producers and importers) to the demand side.

The electricity sector could be the subject of additional provisions as part of the parliamentary debate on a draft bill containing anti-crisis provisions (bill to convert Decree Law No. 78 of 1 July 2009). Among other things, the bill provides for new urgent infrastructure actions on energy networks, to be developed entirely or mostly with private capital.

As for the gas sector, we note two principal novelties contained in the legislative provisions mentioned above. First, the recently approved bill explicitly excludes the gas distribution sector from the reforms pursuant to Article 23 *bis*, so that previous dispositions on the subject of concessions and competitive awards are maintained (Legislative Decree No. 164 of 23 May 2000 as amended, and Article 46 *bis* of Law No. 222 of 29 November 2007). Second, there is a provision for release for gas of 5 billion cubic meters, to stimulate competition.

Finally, safeguarding users, Decree Law No.1195 introduces a new standard for Class Action. “Class-action" may be undertaken by individual residential customers and not by businesses, professionals or companies. It may be aimed at businesses that provide a public utility (for example providing electricity or gas to consumers) or at concessionaires of public services operating as a legal monopoly (for example, companies operating an integrated water service), and is limited to the contractual relationships with the aforesaid consumers.

Regulation: Electricity and gas

As for regulatory developments, the principal new items involve the gas sector. With its Decision No. ARG/gas 64/09, the Gas and Electricity Authority (AEEG) approved the Consolidated Law on Gas (TIVG), which combined and rationalized the regulations of the market for selling natural gas to final customers entitled to consumer protection. In overall continuity with the past, new items introduced included: gradual restriction of the context for applying consumer protection, which from 30 September 2010 will involve only residential final customers; confirmation of the criteria for existing levels and calculating the Wholesale Marketing Component (CCI), and an increase in the tariff schedule to cover the costs of Retail Sales marketing (QVD).
Operators welcomed these new provisions, because they are expected to create sufficient manoeuvring room to resume competition on the natural gas retail market, which in recent years has come to a halt.

With its Decision No. ARG/gas 79/09, the AEEG approved mandatory tariffs for the distribution of natural gas for 2009-2012. In order to reduce the tariff increase from the implementation of Decision No. ARG/gas 159/08, in defining the mandatory tariffs, the AEEG extended the application of the smoothing coefficient to that part of the tariff that covers depreciation; the Decision had expressly covered only capital costs. Another anomaly is the deferral of the finalization of tariff limits for each operator, which will be finalized by 31 December 2009. Approval of the reference tariffs will be subject to inspections to ascertain the correctness and truthfulness of the data provided by the operators for the purpose of determining the tariffs.

Across the gas and electricity sectors, the regulations governing unbundling in Decision No. 11/07 were the subject of a complex lawsuit, which among other things involved a recent ruling by the Lombardy Administrative Tribunal (TAR Lombardia). In ruling against the effectiveness of Decision No. ARG/comm 132/08 defining guidelines for the implementation of unbundling, the TAR confirmed the rulings of the Council of State, which at the time annulled Decision No. 11/07.
In summary, three aspects of the regulation are affected by the lawsuit: inclusion of the measurement of gas in the division of functions, which was ruled unjustified; the inclusion of some management positions of the independent operator, about which a final ruling by the AEEG is still pending; the pervasiveness of the Guidelines on the subject of performance by the Independent Operator, which was considered excessive.

Regulated Gas Revenues

The year 2009 is the first year of the third regulatory period (2009-2012) for setting tariffs for gas distribution and metering. The tariff regulation of reference for this four-year period, approved with AEEG ARG/gas resolution 159/08, envisages a marked discontinuity compared to the previous regulatory period in a number of respects. First of all, the criteria for determining permitted revenue levels have been changed. The Net Capital Employed, based on the tariff remuneration, and the relevant amount hedging depreciation costs, now undergo valuation on the basis of the historical stratification of the actual investments made, properly identified depending on the asset's history, whereas the amount hedging operating costs is based on unitary costs AEEG sets for classes of companies identified by the size and density of the customer base served. Secondly, the principles of interpreting revenue levels on the end tariff applied to the users have been radically changed, on the one hand with introduction nationwide of only six macro tariff zones, and on the other with the establishment of the revenues Tariff Equalisation. This is a system of reciprocal compensation between the operators through the Equalisation Fund in order to guarantee each distribution company the revenue levels expressed by its enterprise restriction. Another consequence of the Equalisation is the new tariff method. Pursuant to ARG/gas resolution 159/08, it makes company revenues independent from the amount of gas distributed, sterilising – for example – every effect tied to climatic trends and in this way ensuring greater stability for the revenue flow. Finally, the new regulatory period envisages surpassing the gas year and aligning the solar year in updating and applying tariff levels starting from 1 January 2009.

For 2009, the regulatory framework for revenues from gas distribution today appears to be as innovative as it is still uncertain in terms of economic results. With ARG/gas resolution 79/09 of 30 June 2009, AEEG indeed postponed approval of the revenue levels for 2009 to the second half of the year, as opposed to the provisions of ARG/gas resolution 159/08 that required the tariffs of reference to be published by 30 June 2009. In this sense, the tariff revenue levels pertaining to 2009, and in particular to the first half, are still uncertain as of today.

Moreover, AEEG has characterised the same first half of 2009 as a transition period, setting for it a extension in applying tariff options in effect as at 31 December 2008 and approved for Gas Year 2007-08. ARG/gas resolution 79/09 also not only approved the Compulsory Tariff for the second half of 2009, but establishes that application of the 2007-08 options made during the first half must be final in nature, without the need for adjustment to the users, although referring to the Tariff Equalisation for finalisation of the real revenues pertaining to the entire year 2009.

In the picture described above, gas distribution revenues for the first half of 2009 amounted to Euro 76.9 million, with distribution volumes of 1,256 million of cubic metres, with a corresponding unit return of Euro cents 6.12 per cubic metre.

Compared to the first half of 2008, not including Marche Multiservizi, revenues increased by about 22% (going up from Euro 62.8 to 76.9 million) despite the change in distributed volumes was all but negligible (down 1%, from 1,269 to 1,256 million cubic metres). This appreciable increase is circumscribable only to the first half 2009, and is basically justified by changing over from the gas year to the solar year, with consequent zero setting of the consumption brackets as at 1 January 2009, associated with the variable portion of the tariff, compared to a first semester 2008 situation with zero setting of brackets as at 1 October 2007 (gas year 2007-08). In this way, the bracket tariff structure based on varying amounts decreasing as consumption increases leads to a increased average unitary revenue, measured compared to the first half 2008, of approximately 24%, going up from Euro cents 4.95 to 6.12 per cubic metre. The values provided above secondarily also take into account a precautionary estimate of the tariff equalisation effects.

Taking into consideration also Marche Multiservizi in the consolidation perimeter as at 30 June 2009, it should be noted that the consolidated value of revenues from gas distribution and metering for the Hera Group amounts to Euro 83.5 million, for 1,350 million cubic metres distributed and a corresponding unit revenue of Euro cents 6.2/cubic metre.

Regulated Electricity Revenues

Like the end of 2008, the first half of 2009 experienced a stable legislative framework regarding the mechanisms for determining tariffs for electricity distribution and metering, as set forth in AEEG resolution 348/07. They are essentially based, on the one hand, on AEEG's setting of tariffs by single customer types nationwide and, on the other, on defining appropriate and different mechanisms for equalising revenues and costs.

With ARG/elt resolution 188/08, AEEG updated the prices for the electricity transport, distribution and measurement services for 2009. Determining regulated revenues for the first half 2009 is based on these prices, which are consequently based on stable tariff parameters.

In such a context, the revenues from the distribution of electricity were, for the first half of 2009, equal to Euro 22.9 million, against a level of distributed volumes of approximately 1,063 million kWh and an average return of 2.16 Euro cent/kWh.

Compared to the first half of 2008, a total 3.1% increase in revenues (from Euro 22.2 to 22.9 million) is recorded against a 5.2% decline in delivered volumes (from 1,121 to 1,063 million kWh). Said increase is justified with an 8.8% unit revenue increase (from Euro cents 1.98 to 2.16), to a large extent attributable to growth in the tariff levels approved for 2009 with ARG/elt resolution 188/09, compared to those forecast for 2008. In the second place, moreover, the increased unit revenue also depends on the greater impact of fixed rate revenues in a setting of appreciably decreased delivered volumes.

Integrated Water Service: tariff framework

The Integrated Water Service is managed in the geographical area of interest of 7 provincial Efficiency Agencies.

The tariffs already resolved by Aato for the 2008-2012 second regulatory period were applied for 2009 in application of the new regional tariff method of Emilia Romagna, except for Ato Modena and Ato Pesaro-Urbino, for which the current tariff agreement pursuant to the standardised Galli Law method instead expires at the end of 2009.

Consistent with the unitary tariffs and agreements entered into with Aato, the average unitary return increased 5% over the previous year.

Consolidated Hera Group Integrated Water Service	30/06/08	30/06/09	Change %
Revenues (mn/€)	184.4	191.6	3.9%
Volumes (mn/m3)	122.0	120.7	-1.1%
Average unitary return (€ cent/m3)	151.1	158.7	5.0%

Urban Hygiene: tariff framework

In 2009 the Urban Hygiene service is being offered in 158 municipalities, including the 17 municipalities of Marche Multiservizi spa. Of these, 51% (80 municipalities) adopted the tariff system in accordance with Presidential Decree 158/99 covering 65% of the population in the areas served.

Consolidated Hera Group Urban Hygiene	30/06/08	30/06/09	change %
Revenues (mn/€)	187.0	196.0	4.8%
Inhabitants served (/000)	2,648	2,683	1.3%
Average Unitary Return (€/inhabitant)	70.6	73.1	3.4%

The total increase in revenues for the licenced Urban Hygiene service to the municipalities, which increased 4.8%, is to be attributed to the increased number of services, to the income from activities to better control parties subject to tariff and to an average tariff increase consistent with the increased costs and levels of service offered, which attained significant results in the differentiated waste collection area.

1.07.03 Analysis by Business Area

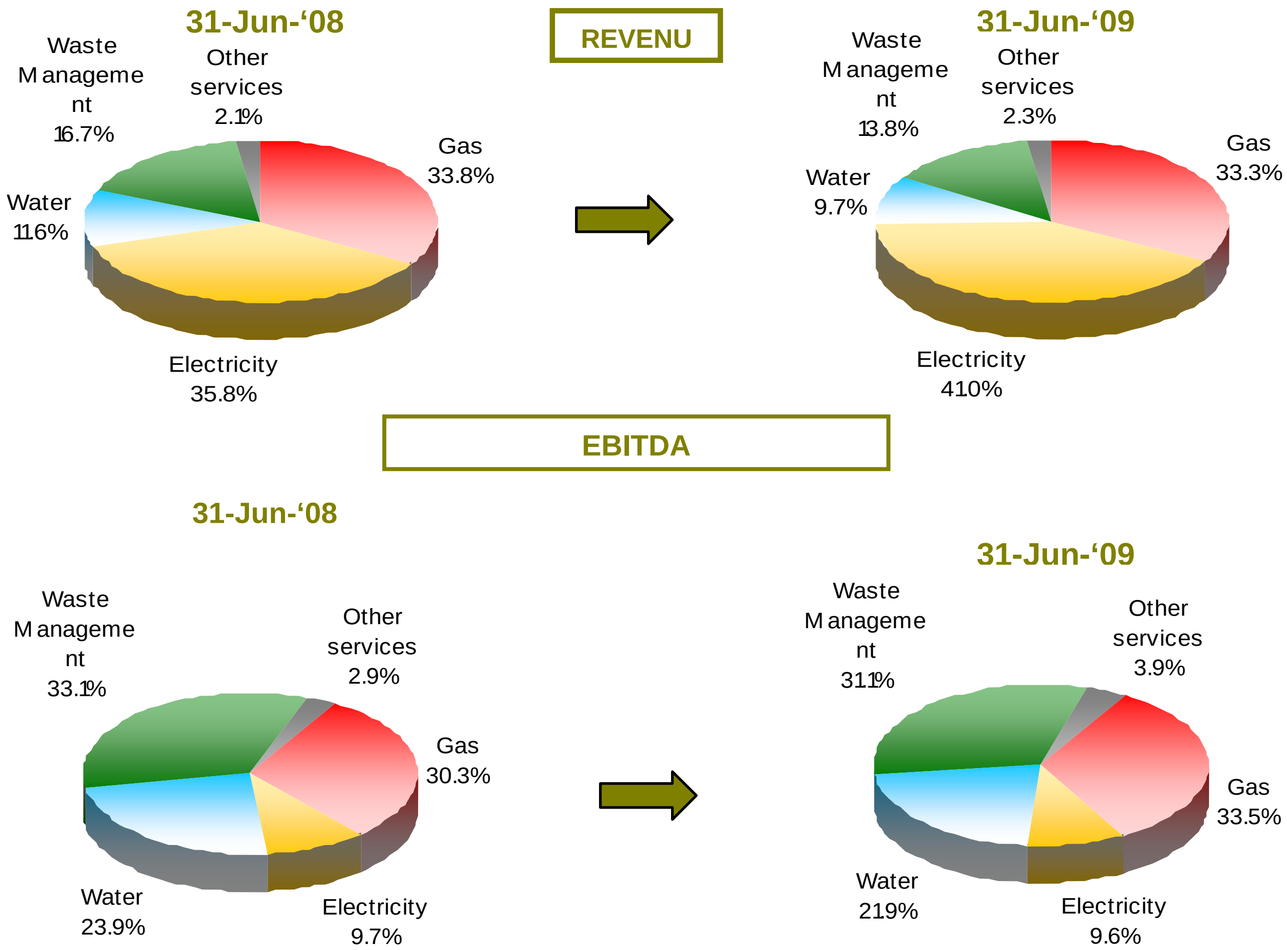
1.07.03 Analysis by business segment

Starting from 2009, the Hera Group has revised the configuration of its business segments to better bring its own industrial structures into focus. Specifically, in the Gas area the District Heating and Heat Management business segments have been taken from the Other Services area, and the Industrial Micro-cogeneration activity, previously part as well of the Other Services area, has been assigned to the Electricity area.

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

In view of what is reported, the analysis by the various business areas in which the Group operates compared with the data of the same period of 2008, reclassified according to the criteria for allocating business segments to the activity areas, is shown below in order to provide the necessary in-depth information on the trend of the first half of 2009. The composition and the evolution in time, in terms of Revenues and EBITDA, is outlined in the graphs below:

Breakdown of the business portfolio



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.

Analysis of the Gas Area

In the first six months of 2009, the importance of the Gas segment, which includes methane gas and LPG sales and distribution activities, district heating and heat management services, increased, when compared with the same period last year, by approximately three percentage points in terms of margin contribution.

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

(Euro millions)	30-Jun-08	30-Jun-09	Abs. Change	Change %
Area EBITDA	**77.9**	**90.9**	**+13.0**	**+16.7%**
Group EBITDA	257.6	271.3	+13.7	+5.3%
Percentage	30.3%	33.5%	+3.2 p.p.	

The first six months of 2009, compared to the same period of the previous year, were influenced by the effects of AEEG resolution 159/08, which established that the gas year of application of the tariffs is to correspond with the solar year, in actual fact bringing the economic competence of the fixed rates to the first half of the year as compared to the previous system.

The following table reports the main quantitative indicators in the segment:

Quantitative data	30-Jun-08	30-Jun-09	Abs. Change	Change %
Gas volumes distributed (millions of m3)	1,360.7	1,349.6	-11.1	-0.8%
Gas volumes sold (millions of m3)	1,478.2	1,483.7	+5.5	+0.4%
- of which Trading volumes	182.1	230.2	+48.2	+26.4%
Heat volumes delivered (Gwht)	255.0	271.7	+16.8	+6.6%

Distributed volumes dropped from 1,360.7 million cubic metres in the first half of 2008 to 1349.6 million in the same period 2009, with a 0.8% decrease. On the other hand, sold volumes rose from 1,478.2 million cubic meters in 2008 to 1,483.7 million cubic meters in 2009, with an increase of 0.4%. The heat volumes delivered rose from 255.0 Gwht in 2008 to 271.7 in 2009, marking a 6.6% increase.

The substantial stability of these values is the result of two negative effects: on the one hand, average temperatures in 2009 were lower than in 2008; and on the other, average unitary consumption was lower due to the economic crisis being experienced.

These factors contributed to the financial results summarised below:

Income Statement (Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	Abs. Change	Change %
Revenues	625.4		756.6		+131.2	+21.0%
Operating costs	(551.1)	-88.1%	(665.9)	-88.0%	+114.8	+20.8%
Personnel costs	(25.9)	-4.1%	(28.0)	-3.7%	+2.1	+8.1%
Capitalised costs	29.6	4.7%	28.2	3.7%	-1.4	-4.8%
EBITDA	**77.9**	**12.5%**	**90.9**	**12.0%**	**+13.0**	**+16.7%**

The revenues from the Gas Area rose by 21.0%, from Euro 625.4 million in 2008 to Euro 756.6 million in 2009, mainly as regards the higher unit price of raw material, which weighs in for more than Euro 110 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 13.0 million, from Euro 77.9 million to Euro 90.9 million, with a slight decrease of the percentage profit, which falls from 12.5% in 2008 to 12.0% in 2009, due to the higher weight of raw material. About one-third of this result is connected with the sales activity and the remainder with the distribution activity.

Analysis of the Electricity Area

The Electricity Area contributes about 40% to the overall Group turnover with a contribution to overall profit bordering on 10%, as shown in the table below:

(Euro millions)	30-Jun-08	30-Jun-09	Abs. Change	Change %
Area EBITDA	**25.1**	**26.0**	**+0.9**	**+3.6%**
Group EBITDA	257.6	271.3	+13.7	+5.3%
Percentage	*9.7%*	*9.6%*	*-0.1 p.p.*	

At the end of the first half of 2009 the area registered growth of Euro +0.9 million of the EBITDA, going up from Euro 25.1 million in 2008 to Euro 26.0 million in 2009.

An analysis of the electricity segment results is given below:

Income Statement (Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	Abs. Change	Change %
Revenues	662.3		931.6		+269.4	+40.7%
Operating costs	(637.7)	-96.3%	(906.3)	-97.3%	+268.6	+42.1%
Personnel costs	(10.9)	-1.6%	(11.6)	-1.2%	+0.7	+6.6%
Capitalised costs	11.4	1.7%	12.3	1.3%	+0.9	+7.8%
EBITDA	**25.1**	**3.8%**	**26.0**	**2.8%**	**+0.9**	**+3.6%**

Revenues went up from Euro 662.3 million in the first half of 2008 to 931.7 million in 2009, with a 40.7% increase. This was due to the greater intermediate volumes and the higher cost of energy raw material.

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

(Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	Abs. Change	Change %
Revenues from sales	263.7	39.8%	327.6	35.2%	+63.9	+24.2%
Revenues from distribution	22.2	3.4%	22.9	2.5%	+0.7	+3.1%
Trading / other	376.4	56.8%	581.2	62.4%	+204.8	+54.4%
Total revenues	**662.3**	**100.0%**	**931.6**	**100.0%**	**+269.4**	**+40.7%**

Sales revenues increased by +24.2% 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	30-giu-08	30-giu-09	Abs. Change	Change %
Volumes sold (Gw/h)	2.438,3	3.190,3	+752,0	+30,8%
Volumes distributed (Gw/h)	1.121,1	1.063,6	-57,5	-5,1%

The fall in distributed volumes in connection with the lower consumption associated with the economic crisis in progress is to be pointed out. As far as the volumes sold are concerned, the increase is instead the result of the good sales campaign performance.

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 3.8% of the first half of 2008 to 2.8% of 2009.

Labour costs increased compared to the first half of 2008 due to the higher sales costs, while capitalised costs for investments on Group networks are up over the previous year by 7.8%, rising from Euro 11.4 million for the first six months of 2008 to Euro 12.3 million for 2009. The increase is to be mainly attributed to the electronic meter replacement programme.

As at 30 June 2009, the EBITDA recorded an increase compared to the first half of 2008, from Euro 25.1 million to Euro 26.0 million, with a 3.6% increase.

Analysis of the 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, Forli-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.

In the first six months of 2009, the Integrated Water Cycle area shows an drop in its results compared with the same period of the previous year:

(mln/€)	30-Jun-08	30-Jun-09	\bs. Change	Change %
Area EBITDA	**61.6**	**59.5**	**-2.1**	**-3.4%**
Group EBITDA	257.6	271.3	+13.7	+5.3%
Percentage	23.9%	21.9%	-2.0 p.p.	

The results show performance slightly down, mostly connected with the lower volumes distributed, fewer works and connections, and the extraordinary effect from which the first half of 2008 benefitted.

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

Income Statement (Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	\bs. Chang	Change %
Revenues	215.2		219.6		+4.4	+2.0%
Operating costs	(169.1)	-78.6%	(161.5)	-73.6%	-7.6	-4.5%
Personnel costs	(52.3)	-24.3%	(51.8)	-23.6%	-0.5	-1.0%
Capitalised costs	67.9	31.5%	53.2	24.2%	-14.7	-21.6%
EBITDA	**61.6**	**28.6%**	**59.5**	**27.1%**	**-2.1**	**-3.4%**

Revenues, equal to Euro 219.6 million, are up 2.0% over the first half of 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 half of 2008:

Quantitative data	30-giu-08	30-giu-09	Abs. Change	Change %
Volumi venduti (milioni di mcubi)				
Aqueducts	122,0	120,7	-1,3	-1,1%
Sewerage (*)	106,8	104,5	-2,3	-2,2%
Purification	107,0	104,5	-2,5	-2,4%

(*) for homogeneity of comparison, the 30-06-2008 figure was reclassified considering, compared to the previous report, 3.3 million m3 concerning the industrial sewerage service

The volumes distributed, down 1.1% compared to the first half of the previous year, shown signs of recovery with respect to the first quarter figures, which show a drop of about 3.6%.

The EBITDA at the end of the first half of 2009 decreased by Euro 2.1 million, passing from Euro 61.6 million in 2008 to Euro 59.5 million in 2009 (-3.4%). When analysing this result, it should be kept in mind that the first half of 2008 benefitted from extraordinary income of the Marche Multiservizi Group amounting to about Euro 3 million. Net of this effect and despite the decreased volumes and works, the area's result would be up Euro 0.9 million, equal to 1.4%

Analysis of the Waste Management Area

The Waste Management Area is the one that is mostly affected by the overall economic crisis and shows a margin that fell compared to the first six months of 2008, as seen in the following table:

(Euro millions)	30-Jun-08	30-Jun-09	Abs. Change	Change %
Area EBITDA	**85.4**	**84.3**	**-1.1**	**-1.3%**
Group EBITDA	257.6	271.3	+13.7	+5.3%
Percentage	33.1%	31.1%	-2.0 p.p.	

For some time now, the Hera Group has been the most important integrated operator in the sector at European level, 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.

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

Income Statement (Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	Abs. Change	Change %
Revenues	309.9		313.3		+3.4	+1.1%
Operating costs	(159.1)	-51.3%	(163.5)	-52.2%	+4.4	+2.8%
Personnel costs	(73.6)	-23.8%	(74.6)	-23.8%	+1.0	+1.3%
Capitalised costs	8.2	2.6%	9.2	2.9%	+1.0	+11.8%
EBITDA	**85.4**	**27.5%**	**84.3**	**26.9%**	**-1.1**	**-1.3%**

Revenues at the end of the first half of 2009 show a 1.1% increase, up from Euro 309.9 million of 2008 to Euro 313.3 million of the same period of this year. This increase is linked to the higher urban hygiene revenues due to tariff adjustments obtained to cover the further services requested, partially reduced by the decreased volumes of treated special waste.

In terms of percentage impact on total volumes collected, separate collection reached 44.8% at the end of the first half of 2009.

The table below demonstrates the decreased amount of waste disposed of, 6.2% less than the first six months of 2008:

Quantitative Data (thousands of tonnes)	30-Jun-08	Inc%	30-Jun-09	Inc%	\bs. Chang	Change %
Municipal waste	859.4	35.6%	877.4	36.3%	+18.0	+2.1%
Waste from the market	957.6	39.6%	826.7	34.2%	-130.9	-13.7%
Sold waste	**1,816.9**	**75.2%**	**1,704.1**	**70.5%**	**-112.8**	**-6.2%**
By-products of plants	600.1	24.8%	712.1	29.5%	+112.0	+18.7%
Waste treated by type	**2,417.0**	**100.0%**	**2,416.3**	**100.0%**	**-0.7**	**-0.0%**
Landfills	772.1	31.9%	647.5	26.8%	-124.6	-16.1%
Waste-to-Energy plants	282.9	11.7%	368.1	15.2%	+85.2	+30.1%
Selection plants	173.1	7.2%	141.5	5.9%	-31.6	-18.3%
Composting plants	159.5	6.6%	174.0	7.2%	+14.5	+9.1%
Inert. and chemical plants	525.3	21.7%	561.1	23.2%	+35.8	+6.8%
Other	504.1	20.9%	524.1	21.7%	+20.0	+4.0%
Waste treated by plant	**2,417.0**	**100.0%**	**2,416.3**	**100.0%**	**-0.7**	**-0.0%**

From the analysis of the quantitative data shown above, we see an increase in municipal waste and also a strong decrease of waste from the market. On the other hand, on the plant level we note a heavy drop in the use of landfills while the use of waste-to-energy, composting and stabilization plants has gone up, also thanks to the start-up of the new plants.

In short, the economic results of the Waste Management area are positively affected by the start-up of the new plants and, to a limited extent, by the increase in urban hygiene services supplied. To the contrary, the effects of the economic crisis that bring about a decrease in treated special waste volumes and prices of materials earmarked for disposal through separate collection have made a negative impact.

The EBITDA of the Waste Management Area fell from Euro 85.4 million in the first half 2008 to Euro 84.3 million in the corresponding period of 2009, with an decrease of 1.3%.

Analysis of the other services segment

Following the reorganisation of the Group's activities that brought about placing the District Heating, Heat Management and Industrial Micro-generation services under the Gas and Electricity areas, the Other Services Area has focused on the Public Lighting and Telecommunications services. The result of the first half of 2009 presents an increase over the first half of 2008:

(Euro millions)	30-Jun-08	30-Jun-09	Abs. Change	Change %
Area EBITDA	**7.6**	**10.7**	**+3.1**	**+40.4%**
Group EBITDA	257.6	271.3	+13.7	+5.3%
Percentage	2.9%	3.9%	+1.0 p.p.	

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

Income Statement (Euro millions)	30-Jun-08	Inc.%	30-Jun-09	Inc%	Abs. Change	Change %
Revenues	39.2		53.0		+13.8	+35.2%
Operating costs	(22.5)	-57.2%	(31.5)	-59.4%	+9.1	+40.4%
Operating costs	(10.1)	-25.8%	(12.4)	-23.4%	+2.2	+22.0%
Capitalised costs	0.9	2.3%	1.5	2.9%	+0.6	+68.4%
EBITDA	**7.6**	**19.3%**	**10.7**	**20.1%**	**+3.1**	**+40.4%**

As was already mentioned in the foregoing paragraphs, the Group consolidated the companies Acantho Spa, Satcom Spa and Modena Network Spa, which operate in the telecommunications sector. With their contribution to the result, equal to Euro 4.9 million, they compensate the decrease tied to several minor services disposed of during 2008. The companies in question manage more than 3000 km of fibre optic and more than 7,200 customers.

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

Quantitative Data	30-Jun-08	30-Jun-09	Abs. Change	Change %
Public lighting				
Light point (thousands)	326.5	331.5	+5.0	+1.5%
Municipalities served	62	62	+0	+0.0%

1.08 Commercial Policy and Customer Care

As regards the accessibility of contact channels, despite some minor decreases, the high performance already posted in previous periods was confirmed, in particular:

- ✓ Mass market call centre: answered 92.4% of all calls with an average time of 43.7 seconds*;
- ✓ Business call centre: answered 90% of all calls with an average time of 34.7 seconds;
- ✓ Branches: average waiting times were less than 16 minutes.

The average waiting time at the mass-market call centre continued to improve during the first half of 2009, confirming the trends already in place during the second half of 2008.
The average waiting time at the branches during the first half of 2009 reflects an improvement of 22% compared to average times achieved by June 2008.

For the first half of the year, the client base on unregulated markets showed a positive balance in terms of the number of supply points:

Supply points	30-Jun-2009	31-Dec-2008	Supply points delta (no.)	Supply points delta (%)
Gas**	1,064,600	979,455	85,145	8.7%
Electricity	320,403	283,314	37,089	13.1%

The impact of commercial activity on volumes distributed during the first half of 2009 may be summarized as follows:

- ✓ Electricity: (Hera Comm & Hera Comm Mediterranea): went from 2,438 GWh in the first half of 2008 to 3,190 GWh in the first half of 2009, an increase of 30.8% in spite of the impact of the crisis (consumption down -8.2% nationally; source: Terna), which bears witness to the intense marketing activity conducted during the period.
- ✓ Gas: (Hera Comm, Hera Comm Marche & Aspes Gas): went from 1,297 million cubic meters in the first half of 2008 to 1,252 million cubic meters in the first half of 2009, a decrease of 3.5%, also caused mainly by the effects of the economic downturn on industrial clients, on merchants and on small businesses.

Notes:

*The average time, TM, is calculated only on answered calls in which the customer chooses to speak to the operator, at the beginning of the conversation with the operator.
TMA: To align with AEEG regulations, TMA measures the average time between the beginning of the call until the operator answers or the customer rings off, for calls in which the customer chooses to speak with the operator. Compared to 2008 measurements, that is to the TM, this includes the IVR time and abandoned calls. The general standard expected by the AEEG is <240 seconds, calculated using an arithmetic mean. The TMA for the mass market call centre for the half year was 90.2 seconds; for the business call centre it was 66.5 seconds.
**The supply points indicated include the gas supply points of Hera Comm Marche and Aspes Gas, which were not present in the 2008 data.

1.09 Trading and Procurement Policy

As far as gas is concerned, the first six months of 2009 were dedicated, on the one hand, to balancing the contract portfolio and optimizing the short-term position and on the other hand to finalizing new contracts for the 2009-2010 heating season.

Shipping activities conducted by Hera Trading experienced the normal impact of winter weather, essentially in line with the forecasts made at the beginning of the heating season while assembling the trading portfolio. The necessary periodical adjustments were made through purchase or sale settlements at the Virtual Point of Exchange, at conditions in line with or more favourable than the provisions of the budget.
What required focused and unexpected management attention was a drastic reduction in gas consumption in the thermoelectric sector, toward which Hera Trading was especially exposed on the sales side. This problem was resolved positively from the first warning signs, by sending most of the winter gas originally reserved for thermoelectric sector to the civil market (with ENI taking over a portion intended for REMI of Bologna).

During May, Hera acted before most other operators to remove the risk of expected action by the AEEG on the updating procedures for the Wholesale Marketing Component (CCI), by finalizing gas purchases intended for REMI under conditions that made the expected AEEG action irrelevant to Hera Comm. The delivery was been divided between two major national operators. At the same time, base load supplies were also finalized.

Concerning the Transitgas import contracts with VNG expiring next 30 September, technical and economic renewals terms were agreed in March, for 80 million m³ per year. At the same time, technical and economic terms were agreed to for providing Baumgarten with 120 million m³ per year using available capacity at Hera Trading.

As regards electricity, the first six months of 2009 were characterized by the management/optimization of Hera Comm's purchase portfolio through transactions carried out on the Stock Exchange and on bilateral and settlement platforms, by the optimization activities on the Day Ahead market of the Teverola and Sparanise plants, and on the Dispatching Service Market of the Teverola plant, achieving results significantly better than the provisions of the budget.

Very satisfactory were also the origination and trading activities in energy and environmental certificates, used not only for the brokerage activities in the short term, but also to reduce the exposure of Hera Comm.

As a result of participation in tenders at the end of 2008 and in 2009, Hera Trading remains one of the Sole Purchaser suppliers for the non-eligible market.

As regards management of the commodity and exchange risk, operations during the first half of 2009 were particularly intense and effective. They have now been consolidated in both the gas and electricity sectors through a concentrated risk portfolio, which provides for destructing formulas and for netting of positions and hedging of volumes. Hera Trading activated this instrument at the beginning of 2007 to manage hedging activities; today it is proving essential for dynamically and adequately operating on the wholesale and retail markets.

1.10 Financial Policy and Rating

During the first half of the 2009, in spite of the difficult financial situation, the Group managed to contain the noticeable increase in the cost of money and at the same time not suffer impacts from the general reduction of available cash.

This objective was achieved mainly thanks to financial transactions closed before the crisis revealed itself. These transactions allowed us to maintain a solid and competitive financial structure and to avoid the need to turn to the market to finance maturing debt.

At the same time, the company continued to pursue its own financial policy objectives as follows:

1. **Interest Rate Risk**: definition and application of a strategy for hedging the interest rate risk, which is accurate and consistent with consequent total coverage of the long-term debt at a fixed rate.
2. **Debt Quality:** consolidation of the short-term debt in favour of the long-term portion.
3. **Credit Facilities**: attainment of abundant uncommitted and committed credit facilities, so as to ensure sufficient liquidity to cover each financial commitment at least over the next two years.
4. **Financial Charges**: reduction of the cost of money.

In this light, the following was carried out during the first half of 2009:

1. **Interest Rate Risk**: all hedging transactions in place are perfectly consistent with the underlying debt and in compliance with IAS/IFRS. The long-term variable rate transactions were simultaneously hedged at a fixed rate.

2. **Debt Quality:** during the first half of 2009, the long-term portion of the debt accounted for about 90% of the total.
   To maintain its objective of consolidating short-term debt in favour of the long-term portion, during the first half, a 15-year refinancing transaction was prepared, then closed on 24 July 2009, which will help sustain the debt quality of the Group.
   In detail, this involved a bond issue with a maturity of 15 years for a total of 20 billion Japanese yen, completely underwritten by a single investor, to be repaid with a six-month, fixed-rate 2.925% coupon. At the same time, the bond was hedged for about Euro 150 million, thus eliminating the exchange rate risk and obtaining a competitive rate approximately equivalent to a 7-10-year Eurobond transaction (3-month EURIBOR + 238 bps). During its life, this operation does not have options. In addition, there are no financial covenants except that of a lower limit on the corporate rating, even by a single agency, of "Investment Grade" (BBB-).

   It should be remembered that Hera SpA has an outstanding bond of Euro 500 million with a fixed-rate coupon 4.125% and a maturity of February 2016, and other puttable bond issues for a total of Euro 500 million with various maturities over time. Concerning the latter, it is not believed that there would be a potential implicit refinancing risk if the put option were exercised by the lenders. This because (i) the loans in question can be considered similar to 3- or 5-year loans with bullet repayment, (ii) in any case, their expiration dates are not concurrent, but vary over time, (iii) the business plan approved by the Board of Directors does not highlight a worsening of credit; therefore, difficulties accessing the capital markets in the coming years are not expected; and (iv) Hera SpA has backup, irrevocable and completely available lines of credit for Euro 480 million, with which to meet potential maturities.

3. **Credit Facilities:** the credit facilities and the related financial activities are not concentrated with any specific financial backer but are distributed equally among leading Italian and international banks with a drawdown lower than 30% of the total available.

4. **Financial Charges**: in spite of the considerable increase of rates and spreads, Hera has been able to keep the cost of money at an overall average level of 4.5%, below the market level. With the objective of containing the cost of money, concerning the 200-million-euro extendable put bond, during the first half, Hera SpA signed an agreement with the investors, which modifies some contractual terms, using the volatility of the market at the time. The agreement provides for a reduction of the fixed rate (continuation rate) that will regulate the bond beginning in 2012. From 8 August 2012 until 7 August 2016, the coupon will go from 4.85% (plus the Hera credit spread) to 3.15% (plus the Hera credit spread). The transaction also provides for shifting the final maturity of the Bond from 8 August 2027 to 8 August 2034, it being understood that from 2016 until maturity, the continuation rate will remain 4.85% plus the credit spread.

Hera Spa's long-term ratings are confirmed as A2 negative from Moody's and A-negative from Standard & Poor's. The Group intends to continue to commit itself to maintain these outstanding ratings in the future.

1.11 Research and Development

The Hera Group's research activities in the first half of 2009 chiefly concerned the development of environmental monitoring and control technologies, energy efficiency, optimization of the networks, and the technological development of renewable sources.
Leading research projects were:

CO2 Project. This project was started up in 2005, with the objective of reducing sludge from wastewater treatment and greenhouse gas emissions. It involves experimenting with an innovative technology to capture carbon dioxide (CO2) from exhaust gas produced by combustion processes and to use it in the process of anaerobic digestion of sewage sludge. In 2006 and 2007 a series of experimental activities were carried out at an especially built pilot plant. The tests performed evidenced a good capacity in capturing the CO2 and a considerable increase of the specific production of biogas. In 2008, experimental activity continued, aimed at improving the anaerobic process, with the first industrial application project using a full-scale plan to verify its yield. During the first half of 2009, some aspects concerning the use of new process co-adjuvants were studied.

Emerging Pollutants Project. In 2007, Hera launched a research project to identify Emerging Pollutants (mainly drugs and drug metabolites) in water systems, especially natural water intended to be used for drinking. Hera takes an active part in the study group "Interfering Endocrines and Water Intended for Human Consumption" (www.edinwater.com) promoted by the AMGA Foundation of Genoa (www.fondazioneamga.it). Other Italian multiutilities, various university departments and the Italian Institute of Health are members of the study group. At the beginning of 2008, cooperation was initiated also with the Centro Ferrara Ricerche and with the Mario Negri Institute to investigate wastewater.
During 2009, the Group acquired some analytical methodologies and tested them in Group laboratories, and also performed some analyses on natural drinking water. Other analyses were performed on wastewater samples in collaboration with the Mario Negri Institute.

Environmental Catalysis Project. The project, started in 2007 with the collaboration of the University of Bologna and with the participation of the Istituto Superiore di Sanità (ISS) [*Italian Institute of Health*], plans to try using traditional catalytic converters used to abate nitrogen oxide emissions also to abate dioxins. During 2007, several commercial catalytic converters were characterized with outstanding results, above all for those used on the Group's plants. During 2008, a new filter prototype was designed and plans were made for detailed sampling and characterization of emissions by means of analyses by Group laboratories in collaboration with the ISS. During the first half of 2009, the ISS began taking samples at the new WTE plant at Forlì.

Automatic Leakage Detection Project. The project has come about as a natural development of the remote reading of drinking water meters. It consists of studying innovative systems for automatically locating water leaks, to be used with the remote reading system. A test site was set up in 2007, and tests under different environmental conditions were carried out. The first experimental results were very interesting.

In 2008, investigative techniques were refined by 1) developing a device for automatic unsupervised data acquisition in the field, 2) developing a statistical analysis tool on the MatLab® platform and 3) designing a device to simulate water leaks.

During the first half of 2009, the device for simulating leaks was realized. It should be installed in the network at the beginning of the second half.

Energy Efficiency Benchmarking Project. The aim of the project is to supply tools to improve the energy efficiency of integrated water service systems. Through benchmarking and appropriate flow-charting of plant processes, it will be possible to measure and monitor the energy efficiency of each plant. The activity will initially involve the water treatment plants. The project is coordinated by the Water Research Centre of Swindon (UK) and various European multiutilities take part in it. The activity, started in 2007, continued in 2008 with the characterization of energy consumption at the water treatment plant of Cervia (Ravenna province) and with the definition of the metering points to verify the actual efficiency improvement.
Activity continues in 2009 together with the Water Research Centre workgroup, to fine-tune the energy model for the pilot plant.

Automatic Plant Operation Project. The project, developed in cooperation with ENEA, involves the development of a system for the automatic management of the main function parameters in the water supply service plants. The system shall maintain the process conditions of a specified plant within its maximum efficiency, based on the composition of the incoming wastewater (treatment plants) or of the incoming raw water (drinking water treatment plants). The objectives are to guarantee the quality of the final product and to reduce energy consumption. Work began in 2008 on the water treatment plant at Calderara di Reno (Bologna province), which will be used as the test site. During the first half of 2009, the analysis and inspection instrumentation was installed at the site.

Modelling Project for Plants of the Water Cycle. The project expects to develop mathematical models for the purpose of hydraulic and process simulation of wastewater plants. The objective is to acquire the tools and know-how needed coordinate mathematical modelling of the plants of the Integrated Water Cycle. This asset will operate alongside the already consolidated network models to support operating and strengthening the plants and increasing their efficiency. The project is being carried out in collaboration with ENEA. In 2009, preliminary activity to develop a model of the sample site and to select off-the-shelf calculation software began.

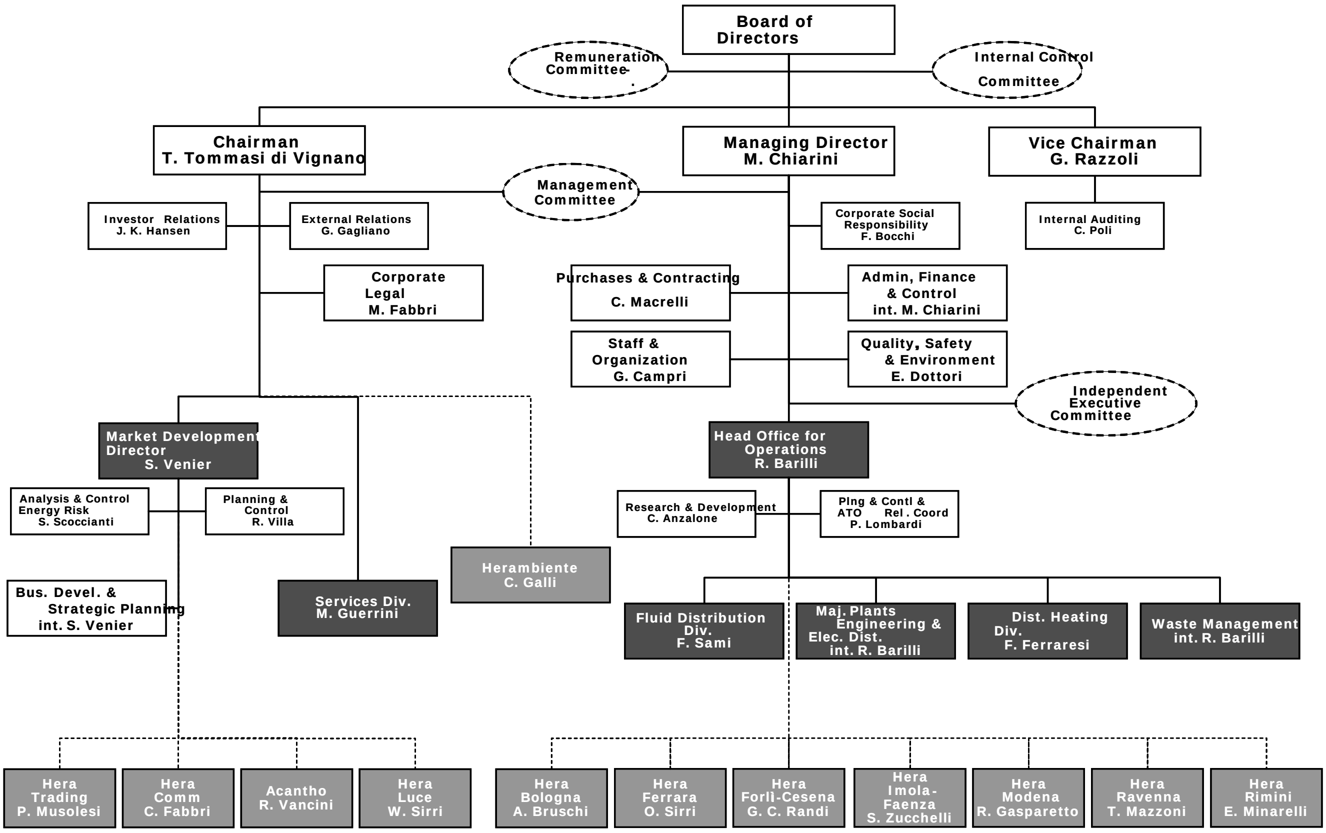
Energy Laboratory. In 2008, a feasibility study was completed to develop an experimental centre for applied research into technologies for producing energy from renewable and alternative sources. The final plan was completed in the first half of 2009.

Geothermal Reservoirs Project. Following up on the technological progress in the sector of exploiting natural resources that were considered inadequate or not cost-effective in the past, the Group has launched a research project to characterize potential geothermal reservoirs with low and medium enthalpy that might be useful for district heating. The project is being carried out in collaboration with the Consorzio Ferrara Ricerche and with the support of the Seismic and Geological Department of the Emilia Romagna Region.

Measurement Strategy Project. Meeting regulatory requirements for remote reading and remote operation of utility meters in the short and medium term in the sector of gas distribution has accelerated the evaluation of systems for Advanced Metering Infrastructures (AMI), particularly those that may provide multiservice synergy. In the first half of 2009, an initial analysis to define system requirements and evaluate off-the-shelf solutions was developed in collaboration with the Consorzio Romagna Innovazione and Polytechnic University of Milan.

1.12 Human Resources and Organization

The Organizational Macrostructure



Human Resources

As at 30 June 2009, the Hera Group had 6,550 employees (consolidated companies), with the following breakdown by role: managers (128), middle managers (323), employees (3,152), and workers (2,947). This workforce was the result of the following changes: arrivals (+119), departures (-67), changes in scope of consolidation: (+107 related to the consolidation of Acantho and Satcom). It should also be noted that hiring was essentially aimed at changing the employee mix by increasing the number of qualified staff. There was an overall increase in the number of university graduates compared to 2008. This went from 12% of all permanent employees in 2008 (792 people) to 13% in the first half of 2009 (848 people), net of changes to the scope of consolidation.

Organization

The first half of 2009 brought important organizational refinements tied to new aspects introduced to the organization of the Group in 2008.

With regard to AEEG Decision No. 11/07 requiring multiservice companies to separate sales and distribution activities for electricity and gas services, the activity begun in 2008 continued intensely to reinforce further the internal operating mechanisms in the area of General Operations and to optimize cross-processes that provide interaction between sales and distribution organizations.

In the marketing area, the focus of organizational activity on one hand has been finding a way to improve effectiveness in customer relations processes and on the other hand reinforcing oversight of the marketing input to existing services.

Effective 1 July 2009, HERAmbiente was definitively established by transferring the Waste Management Division business branch related to plant operation (and the subsidiary companies that it coordinated) to Ecologia Ambiente and the simultaneous merger by incorporation of Recupera. From an organizational point of view in the area of Production Management (waste treatment and waste disposal plants), this operation involves changing from a territorial arrangement to an industry-segment arrangement, with consequent specialization of the management of the various types of plants. From a marketing point of view in the area of market management, this organizational arrangement assures dedicated and focused oversight of the unregulated market activities of waste management (special waste).

The finalization of important activity rationalization projects continues and, due to their technical, technological and management complexity, requires a long-term implementation phase. Specifically:

- Rationalization of analysis laboratories: in the context of the implementation of the project, the plans to concentrate staff and assets into the facilities at Bologna, Ravenna and Forlì were concluded;
- Centralization of remote control of fluids: following the realization of the single remote control centre for the fluid networks (water cycle, gas and district heating) of the Hera Group at Forlì, officially opened in May 2008, the scheduled plan to transfer the staff and assets is now under way.

Industrial Relations

With regard to the provisions of the Group Supplementary Collective Labour Agreement dated 22 March 2006, a review of the reporting system was initiated, which takes into account the multi-regional and national scope of the Group, for the purpose of improving its effectiveness.
Trade union activity developed and concluded the discussion on public contracts, particularly considering the state of the art in applying the guidelines to all the territories of the Group.
Organization of the responsibility for maintenance of the plants of the Waste Management division, now Herambiente S.r.l., was harmonized.
Final negotiations were launched to reorganize work shifts at the WTE plants to achieve consistency.
Union procedures were initiated and completed for the purpose of transferring company personnel of the Waste Management plants, Herambiente S.r.l.

Training

During 2009, we continued to strengthen the Trade School model by publishing two more Training Notebooks covering Back Office and Call Centre activities. As usual, upon completion of the work sites, the training of internal trainers was realized, which involved workers from the different geographical areas of the Group.

Between the end of 2008 and early 2009, the first worksites of the Community Practices project were realized in Ferrara and Rimini, aimed at improving customer relations management by strengthening the collective knowledge base needed to confront and resolve work problems.

In the marketing area, training was completed of all call centre and customer service staff, aimed at developing a customer orientation and specific techniques for managing the relationship.
In the area of managerial and institutional development, additional individual coaching courses were realized for executives and managers. In June the third edition of the Upper University Training Course "Regulation and Markets in Public Utilities" was launched in collaboration with the Alma Mater Foundation, which is involving the staff of the Potential Development Project.
In addition, a segmented course was designed and started in collaboration with the Alma Graduate School to strengthen and develop managerial leadership and skills.
In May and June, the 2009 Orientation Course was held for personnel hired under the University Graduate Program; the same personnel will be involved in the "Fundamentals of Company Management" course in September.

During the first months of the year, the training course was concluded on data processing systems, aimed at integrating personnel coming from SAT (Customer Management and Networks area). Specific training and information activities facilitated the implementation and development of e-procurement and cost control projects.

Following the entry into force of the Consolidated Act on health protection and safety in workplaces (Legislative Decree No. 81/2008), the training and information programme continued. During the first half of 2009, the programme included specific sessions on regulatory updates for those who had been identified as managers or supervisors for the purposes of this Decree. Activity will continue during the second half, with training sessions held by the various managers (RSPP) on applying Legislative Decree No. 81/08 to the corporate reality, with particular reference to the risk assessment documents that are specific to each context. Furthermore, the training activities in compliance with the legal requirements (fire fighting, first aid, etc.) continued.

A total of 70,163 person-hours (see the table below) were put in by approximately 5,558 people (~88% of staff), for a total of more than 17,700 cases of attendance at professional training events/refresher courses.

Investment for the period, net of costs for non-production, stands at more than Euro 466,000.

Training Area	Person-hours
Professional and specialist training	29,065
Quality, Safety and Environment	22,533
Institutional and Managerial Training	14,471
Data Processing	4,094
Total	70,163

1.13 Information systems

During the first half of 2009, Hera Group information systems continued the course laid out earlier, operating in accordance with the following guidelines: efficiency in satisfying business needs, capacity to strengthen the operating efficiency of the companies and organizations of the Hera Group, promptness in updating information systems to sector regulations.

With regard to the internal efficiency of information systems, objectives were the improvement of information technology services provided, strengthening data processing architectures in line with the technologies available on the market and optimizing the operating and organizational work model.

Significant indicators of the contribution of information systems to the business activities of the Hera Group include the following:

- About 8 million utility bills issued;
- About 1.6 million service requests, handled through four channels:
    - Call centre;
    - Physical branches;
    - Mail;
    - Internet.

During the first half of 2009, information systems managed about 35 projects, classified by the following types:

Supporting new business needs and satisfying sector regulatory requirements:

- Implementation of the changeover plan for information systems with regard to the requirements of the unbundling legislation. In particular we point out the following projects:
    - Gas Internet Portal with the distributor schedule;
    - Dialogue system with the distributors of Hera Comm;
- Completion of the planning activities to integrate the companies SAT and Riccione Gas into the Group information systems;
- Updating of management information systems to meet various rules, both fiscal and regulatory, for example:
    - AEEG Decisions;
    - Specific reporting requirements of the AEEG and the Autorità Garante della concorrenza e del mercato [*antitrust authority*];
    - Changes to the tariff schedule for electricity;
- Realization of the Integrated Work Journal, which replaced the payroll records, personnel registration and other mandatory journals, effective 19 February 2009.

Improvements in the operating process efficiencies of the Hera Group:

- Launching a project to develop a Help Desk for suppliers of the e-Procurement system;
- Updating management systems to implement a control mechanism for allocating expenses versus budget;
- Increasing efficiency in the invoicing and collection processes;
- Implementing a new Risk management process, used by Hera Trading;
- Optimizing the interfaces between front office and back office, reducing errors in data handling;
- Changing over information systems for managing the Emergency Services process for the remote control of fluids and launching the Emergency Services project for the electricity network;
- Continuing basic and subject-oriented mapping and charting for gas, water, electricity, district heating and public lighting networks.

Reduction of technical risk and improving the operational security and efficiency of information systems:

- Implementation of the update plan for the technical and application infrastructure, by migrating new releases for the principal management information systems (e.g., SAP ISU);
- Continuing strengthening and upgrading the technical infrastructure to support the constant increase in business volume and to increase the reliability of services provided (e.g., centralization of the Energy Data Management system, storage and remote backup);
- Launching the Identity Access Management (IAM) project, to automate the lifecycle of the identity of users who access the Hera Group information systems.

During the first half of 2009, a project was launched to review the operating and organizational work model of Hera information systems, in order to identify the optimal structure to support the Industrial Plan of the Group.

1.14 Quality, Safety and Environment

During the first half of 2009, the objectives scheduled by the Central Office for Quality, Safety and Environment (DCQSA) were pursued with excellent results.
Specifically, there were three principal targets: OHSAS I certification, which involved the Management System of the Spa, local Waste Management Services, Headquarters and the local departments of the District Heating Division.
On 8 April 2009, the Hera Group achieved its first OHSAS 18001:2007 certificate.

The second and third expiration for renewing ISO 9001 and ISO 14001 certification.
In both cases, upon completion of the two certification processes, the company recorded better results than previous experiences: zero major nonconformities and the minor nonconformities were reduced to one third of preceding years.

In addition, during the first half, in accordance with OdS No. 7, on 11 February, the Privacy Coordination Unit came under the direct control of DCQSA and the Director became the "Holder" pursuant to Legislative Decree No. 196/03. This consolidated the role of governance and control of company management systems under DCQSA.

During April, manager training activity on Health and Safety was completed at the worksites. At the same time, a tiered training course for supervisors and workers was given, which involved more than 5000 people.
During the first part of 2009, a significant impulse was given to the computerization of the management aspects of occupational medicine, documenting risk assessment and individual protective equipment.

All these activities were in addition to the ordinary activities of maintaining the Management System, such as reviews of procedures in place, internal and external inspections of suppliers, support activities for Local Operating Companies and Management Reviews.

All of these activities were in addition to the ordinary activities that DCQSA plans and executes to maintain the Integrated Management System of the Group. Obtaining certifications certainly takes a maximum effort, but this does not relieve us of the obligation to ensure continued improvement, a prescription in all three certification standards that we have adopted: 9001, 14001 and 18001.

Among the principal ordinary activities carried out, during the first half of 2009, DCQSA was mainly involved in

- ⇒ QSA inspections to ensure compliance of procedures and instructions prepared by various company organizations: during the first half of 2009, 33 procedures were submitted to DCQSA, for 31 of which a QSA compliance inspection was requested (93%).
- ⇒ Updating system documentation;
- ⇒ Supporting company points of contact in monitoring supplier services: to date 100% of the planned audits (17 of 17 supplier audits) have been conducted, that is, 50% of the audit plan for all of 2009.
- ⇒ Supporting Facility Management in inspecting area supervision of TOCs: to date 100% of the planned audits (5 out of 5) have been conducted, that is, 71% of the audit plan for all of 2009.
- ⇒ Conducting internal audits: to date 100% of the planned audits for the first half year (23/23) have been conducted, that is, 59% of the audit plan for 2009 (39 inspections).
- ⇒ Etc.

In addition to the previously mentioned activities, some initiatives should be noted aimed at strengthening involvement and sharing between the various parties of the group operating in the same sector:

- ⇒ The management of emissions trading certificates, for which a specific task force on the subject comes together annually to analyze common problems and to align procedures and actions.
- ⇒ The management of significant accident analysis processes, which, like the above, has the objective of aligning the various RSPPs and QSA on the subject through the organization of technical workshops to find common tools.

1.15 Relevant Events After the End of the Period and Business Outlook

Marche Multiservizi Spa

Effective 1 July 2009, the authorized share capital of Marche Multiservizi Spa, a company providing energy waste management services, was increased from Euro 13,055,799 to Euro 13,450,012, by a contribution in kind from the new member, Comunità Montana Alto e Medio Metauro, consisting of its business branch handling landfill and composting installations.
The share owned by Hera Spa dropped from 41.87% to 40.64%.

Recupera Srl / Herambiente Srl (formerly Ecologia Ambiente Srl)

Effective 1 July 2009, the merger by incorporation of Recupera Srl, a company providing technical consulting in the areas of ecology, chemistry and agriculture and the performance of related analyses, into Herambiente Srl, formerly Ecologia Ambiente Srl, was completed.
By means of this transaction, the share capital of Herambiente Srl went up from Euro 23,780,000 to Euro 36,000,000.

Herambiente Srl (formerly Ecologia Ambiente Srl)

Also effective 1 July 2009, at the same time as the merger of Recupera Srl into Herambiente Srl, the Sole Shareholder Hera Spa completed the contribution of its business branch containing the assets and equity investments of the Waste Management Division of Hera Spa to Ecologia Ambiente Srl, a company operating in the waste management sector. The contribution included equity investments held in Asa Spa, Feronia Srl, Frullo Energia Ambiente Srl, GAL.A Spa, Nuova Geovis Spa, Refri Srl, Romagna Compost Srl and Sotris Spa. By means of this transaction, the share capital of Ecologia Ambiente Srl went up from Euro 36,000,000 to Euro 351,000,000. The company also changed its name into Herambiente Srl.

Akron Spa

On 10 July 2009, Hera Spa transferred to its subsidiary Herambiente Srl its entire equity investment in Akron Spa, a company active in integrated waste management, equal to 57.50% of the share capital.

Gastecnica Galliera Srl / Hera Spa

Effective 15 July 2009, the merger by incorporation of Gastecnica Galliera Srl, a company distributing methane gas and other gases, into Hera Spa was completed.
This transaction costs caused no changes in the authorized share capital of Hera Spa, inasmuch as Gastecnica Srl was already wholly owned by Hera.

Hera Rete Modena Srl / Hera Spa

Effective 15 July 2009, the merger by incorporation of Hera Rete Modena Srl, a company selling and distributing electricity, into Hera Spa was completed.
This transaction caused no changes in the authorized share capital of Hera Spa, inasmuch as Hera Rete Modena Srl was already wholly owned by Hera.

Acantho Spa / Satcom Spa

On 22 July 2009, the preliminary sale contracts were completed for Infracom Italia Spa to transfer to Hera Spa an equity investment equal to 15% of the authorized share capital of Acantho Spa and Satcom Spa, companies operating in the telecommunications sector, and of which Hera Spa already held 47.457% and 47.5% of the share capital, respectively.
The final sale contracts will be signed by 30 November 2009 and on 1 January 2010, the merger by incorporation of Satcom Spa into Acantho Spa will also be completed.

The improvement in results for the half year was achieved with the contribution of the new production plants, increases in annual tariffs of regulated activities established by the Authorities, and through the increased efficiency in operational and management activities. At present, we consider that these growth factors, which are of a recurring nature, can result in positive growth of the consolidated results for 2009 compared to those of 2008, if there are no extraordinary, unforeseeable events, anomalous weather trends or significant changes in the macroeconomic trend.

ABBREVIATED HALF-YEAR FINANCIAL STATEMENTS

2

2.01 Income Statement

2.01.1 Consolidated Income Statement

€ /000	notes	1st Half-Year 2009 (6 months)	1st Half-Year 2008 (6 months)
Income Statement			
Revenues	4	2.146.047	1.752.381
Change in inventories of finished products and work in progress	4	796	2.202
Other operating revenues	5	31.011	29.593
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	6	-1.449.275	-1.096.444
Service costs	7	-367.199	-355.776
Personnel costs	8	-178.362	-172.895
Amortisation, depreciation and provisions	9	-127.680	-114.904
Other operating costs	10	-16.020	-19.519
Capitalised costs	11	104.344	118.033
Operating profit		**143.662**	**142.671**
Portion of profits (losses) pertaining to associated companies	12	2.012	697
Financial income	13	5.771	11.309
Financial charges	13	-59.602	-63.572
Total financial operations		**-51.819**	**-51.566**
Other non-operating costs	14	-2.729	-5.611
Pre-tax profit		**89.114**	**85.494**
Tax in the period	15	-37.293	-35.909
Net profit for the period		**51.821**	**49.585**
Attributable to:			
Shareholders of Parent Company		46.769	41.202
Minority shareholders		5.052	8.383
Earnings per share	15.1		
base		0,045	0,040
diluted		0,045	0,040

Pursuant to Consob resolution 15519 of 27 July 2006, the effects of dealings with related parties on the income statement are indicated in paragraph 2.05 of these abbreviated consolidated half-year financial statements.

2.01.2 Aggregate Income Statement

€ / 000	30/06/09	30/06/08
Net profit (loss) for the year	**51.821**	**49.585**
- change in cash flow hedge reserve (net of tax effect)	-2.069	4.442
- change in cash flow hedge reserve of companies valued at equity (net of tax effect)	-331	373
Total overall profit (loss) for the year	**49.421**	**54.400**
Attributable to:		
Shareholders of Parent Company	44.491	45.923
Minority shareholders	4.930	8.477

This statement is presented for the first time based on the requirements of IAS 1 Revised. Specifically, this standard requires that several components recorded as an offsetting entry directly in shareholders' equity be highlighted. It is important to note that these items refer to unrealised profits/losses as at 30 June 2009, as they were generated by the measurement of full hedge derivatives.

2.02 Consolidated Balance Sheet

€ /000	notes	30/06/09	31/12/08
ASSETS			
Non-current assets			
Tangible fixed assets	16	3.027.965	2.889.134
Intangible assets	17	200.937	197.190
Goodwill and consolidation difference	18	374.671	372.696
Equity investments and securities	19	90.091	98.524
Financial assets	20	9.143	8.597
Deferred tax assets	21	66.372	60.329
Derivative financial instruments	22	532	241
		3.769.711	**3.626.711**
Current assets			
Inventories	23	45.801	60.735
Trade receivables	24	1.108.729	1.161.295
Contract work in progress	25	20.706	21.704
Financial assets	26	12.642	7.655
Derivative financial instruments	22	257.092	300.387
Other current assets	27	169.896	133.625
Cash and cash equivalents	28	157.623	193.635
		1.772.489	**1.879.036**
TOTAL ASSETS		**5.542.200**	**5.505.747**

cont.d

Pursuant to Consob resolution 15519 of 27 July 2006, the effects of dealings with related parties on the balance sheet are indicated in paragraph 2.06 of these abbreviated consolidated half-year financial statements.

€ /000	notes	*30/06/09*	*31/12/08*
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and provisions			
Share capital	29	1.032.738	1.032.738
- Reserve for treasury shares - par value		-2.080	-2.300
Reserves		430.519	413.301
-Reserve for treasury shares value exceeding par value		-1.256	-1.529
Reserves for derivative instruments valued at fair value		-21.107	-16.125
Retained earnings (losses)		2.061	4.383
Profit (loss) for the period		46.769	94.765
Group shareholders' equity		**1.487.644**	**1.525.233**
Minority interest share		52.306	53.892
Total shareholders' equity		**1.539.950**	**1.579.125**
Non-current liabilities			
Loans - maturing beyond the next year	30	1.549.705	1.560.658
Employee leaving indemnity and other benefits	31	104.299	105.788
Provisions for risks and charges	32	205.390	193.789
Deferred tax liabilities	33	129.384	121.454
Payables for financial leases - maturing beyond the next year	34	13.805	11.175
Derivative financial instruments	22	34.264	23.571
		2.036.847	**2.016.435**
Current liabilities			
Banks and other borrowings - maturing within the next year	30	398.127	204.818
Payables for financial leases - maturing within the next year	34	6.197	4.737
Trade payables	35	913.783	1.084.427
Income taxes payable	36	190.611	119.173
Other current liabilities	37	233.030	201.723
Derivative financial instruments	22	223.655	295.309
		1.965.403	**1.910.187**
Total liabilities		**4.002.250**	**3.926.622**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5.542.200**	**5.505.747**

Pursuant to Consob resolution 15519 of 27 July 2006, the effects of dealings with related parties on the balance sheet are indicated in paragraph 2.06 of these abbreviated consolidated half-year financial statements.

2.03 Consolidated Cash Flow Statement

Consolidated cash flow statement (*)	**30/6/2009**		**30/6/2008**	
Operating assets				
Cash flow				
Net profit pertaining to Group and minority shareholders	51.821		49.585	
Depreciation and writedowns of tangible fixed assets	85.103		73.799	
Amortisation and writedowns of intangible assets	22.342		21.063	
Totale cash flow	**159.266**		**144.447**	
Changes in prepaid and deferred taxation	6.935		5.283	
Employee leaving indemnities and other benefits:				
Provisions / (uses)	(2.114)		(1.259)	
Provisions for risks and charges:				
Provisions / (uses)	11.420		8.384	
Total cash flow before changes in net working capital	**175.507**		**156.855**	
Working capital				
Change in trade receivables	40.220		74.197	
Change in inventories	16.418		(8.592)	
Change in other current assets	(31.887)		71.524	
Change in trade payables	(169.629)		(143.413)	
Change in tax liabilities	69.605		123.424	
Change in other current liabilities	27.772		(5.299)	
Change in financial instruments - derivatives	(28.359)		(11.909)	
Change in working capital	**(75.860)**		**99.932**	
Change in financial instruments - non-current derivatives	**5.420**		**(691)**	
Liquidity generated by management activities		**105.067** a)		**256.096** a)
Investment activities				
Disposal/(investment) in tangible assets, net				
of net investments/disinvestments	(181.442)		(183.099)	
Disposal/(investment) in intangible assets, net				
of net investments/disinvestments	(10.875)		(8.643)	
Goodwill	0		(707)	
Investments in equity investments net of disposals	(786)		(730)	
(Increase)/decrease in other investments	(5.533)		319	
Liquidity generated/(absorbed) by investment activities		**(198.636)** b)		**(192.860)** b)
Financing activities				
Medium/long-term loans	(30.879)		(26.668)	
Change in shareholders' equity accounts	(2.159)		7.578	
Change in short-term bank indebtedness	187.349		(22.281)	
Dividends paid out	(95.017)		(92.922)	
Change in financial leasing payables	(1.737)		(3.390)	
Liquidity generated/(absorbed) by financing activities		**57.557** c)		**(137.683)** c)
		(36.012) **(a+b+c)**		**(74.447)** **(a+b+c)**
Change in net financial position				
Cash and cash equivalents at the beginning of the year	193.635		211.014	
Cash and cash equivalents at the end of the year	157.623		136.567	
	(36.012)		**(74.447)**	

(*) In accordance with Consob Resolution no. 15519 of 27 July 2006, the effects of relations with associated parties on the cash flow statements are shown in the special cash flow statements on the pages that follow, and are further described under paragraph 3.05 of these financial statements.
The format reflects the approach regarding the hedging derivatives already adopted in building the net financial position; this is why the cash flow statement as at 30 June 2008 has been reclassified.

2.04 Statement of Changes in Consolidated Shareholders' Equity

	Share capital	Reserves	Reserves for derivative instruments measured at fair value	Profit for the year	Shareholders ' equity	Minority interest share	Total
Balance as at 31 December 2007	**1.016.135**	**375.154**	**4.365**	**96.246**	**1.491.900**	**46.692**	**1.538.592**
Profit for the period				41.202	**41.202**	8.383	**49.585**
Other components of the total result as at 30 June 2008:							
change in the fair value of derivatives for the period		3.393	1.328		**4.721**	94	**4.815**
Total Overall Profit for the period		**3.393**	**1.328**	**41.202**	**45.923**	**8.477**	**54.400**
treasury shares in portfolio	317	999			**1.316**		**1.316**
capital increase for incorporation of Sat - sharel	14.540	30.288			**44.828**		**44.828**
capital increase for conferral of assets in kind -	1.446	3.015			**4.461**		**4.461**
change in scope of consolidation		-3.816			**-3.816**	2.513	**-1.303**
other movements		-19			**-19**	53	**34**
Appropriation of profits for 2007:							
- dividends paid out				-82.518	**-82.518**	-10.404	**-92.922**
- allocation of undivided profits to reserves		4.666		-4.666	**0**		**0**
- allocation to other reserves		9.062		-9.062	**0**		**0**
Balance as at 30 June 2008	**1.032.438**	**422.742**	**5.693**	**41.202**	**1.502.075**	**47.331**	**1.549.406**

	Share capital	Reserves	Reserves for derivative instruments measured at fair value	Profit for the year	Shareholders ' equity	Minority interest share	Total
Balance as at 31 December 2008	**1.030.438**	**416.154**	**-16.125**	**94.766**	**1.525.233**	**53.892**	**1.579.125**
Profit for the period				46.769	**46.769**	5.052	**51.821**
Other components of the total result as at 30 June 2009:							
change in the fair value of derivatives for the period		2.704	-4.982		**-2.278**	-122	**-2.400**
Total Overall Profit for the period		**2.704**	**-4.982**	**46.769**	**44.491**	**4.930**	**49.421**
treasury shares in portfolio	220	274			**494**		**494**
change in perimeter		724			**724**	-5.859	**-5.135**
change in scope of consolidation		-807			**-807**	11.900	**11.093**
other movements		-1			**-1**	-30	**-31**
Appropriation of profits for 2008:							
- dividends paid out		-2.322		-80.168	**-82.490**	-12.527	**-95.017**
- allocation of undivided profits to reserves		10.243		-10.243	**0**		**0**
- allocation to other reserves		4.355		-4.355	**0**		**0**
Balance as at 30 June 2009	**1.030.658**	**431.324**	**-21.107**	**46.769**	**1.487.644**	**52.306**	**1.539.950**

2.05 Related Parties Income Statement Pursuant to Consob Resolution 15519/2006

			of which Related							*of which Related*					
€/000	*Notes*	t Half-Year 20	A	B	C	D	Total	%	t Half-Year 20	A	B	C	D	Total	%
Income Statement															
Revenues	4	2,146,047		8,526	42,563	2,677	53,766	2.5	1,752,381	19	13,513	38,591	837	52,960	3.0
Change in inventories of finished products and work in progress	4	796							2,202						
Other operating revenues	5	31,011	14	36	25	239	314	1.0	29,593	199	317	154	67	737	2.5
Use of raw materials and consumables									-1,096,444		-37,575		-11,720	-49,295	4.5
(net of changes in inventories of raw materials and stock)	6	-1,449,275		-11,799	-1,055	-15,495	-28,349	2.0	-355,776	-2,087	-11,359	-5,205	-19,720	-38,371	10.8
Service costs	7	-367,199	-74	-5,653	-5,857	-21,086	-32,670	8.9	-172,895				-1,324	-1,324	0.8
Personnel costs	8	-178,362							0						
(of which non-recurring)															
Amortisation, depreciation and provisions	9	-127,680							-114,904						
Other operating costs	10	-16,020			-294	-262	-556	3.5	-19,519		-2,966	-359	-257	-3,582	18.4
Capitalised costs	11	104,344							118,033						
Operating profit		143,662	-60	-8,890	35,382	-33,927	-7,495		142,671	-1,869	-38,070	33,181	-32,117	-38,875	
Portion of profits (losses) pertaining to associated companies	12	2,012		2,012			2,012	100.0	697		656			656	94.1
Financial income	13	5,771		194		18	212	3.7	11,309		258		18	276	2.4
Financial charges	13	-59,602		-14			-14	0.02	-63,572			-666		-666	1.0
Total financial operations		-51,819	0	2,192	0	18	2,210		-51,566	0	914	-666	18	266	
Other non-operating costs	14	-2,729							-5,611						
Pre-tax profit		89,114	-60	-6,698	35,382	-33,909	-5,285		85,494	-1,869	-37,156	32,515	-32,099	-38,609	
Taxes for the period	15	-37,293							-35,909						
Net profit for the year		51,821	-60	-6,698	35,382	-33,909	-5,285		49,585	-1,869	-37,156	32,515	-32,099	-38,609	
Attributable to:															
Shareholders of Parent Company		46,769							41,202						
Minority shareholders		5,052							8,383						
earnings per share	15.1														
base		0.045							0.040						
diluted		0.045							0.040						

Legend of headings of "related parties" columns:

A subsidiaries B associated companies C related companies with significant influence D other related parties

2.06 Related Parties Balance Sheet Pursuant to Consob Resolution 15519/2006

		of which Related							of which Related						
€/000	*Notes*	30/06/09	A	B	C	D	Total	%	31/12/08	A	B	C	D	Total	%
ASSETS															
Non-current assets															
Tangible fixed assets	15	3,027,965							2,889,134						
Intangible assets	16	200,937							197,190						
Goodwill and consolidation difference	17	374,671							372,696						
Equity investments and securities	18	90,091	16	58,865		29,893	88,774	98.5	98,524	16	67,967		29,288	97,271	98.7
Financial assets	19	9,143		8,618			8,618	94.3	8,597		8,466			8,466	98.5
Deferred tax assets	20	66,372							60,329						
Derivative financial instruments	21	532							241						
		3,769,711	16	67,483		29,893	97,392		3,626,711	16	76,433		29,288	105,737	
Current assets															
Inventories	22	45,801							60,735						
Trade receivables	23	1,108,729	-88	4,009	10,707	15,536	30,164	2.7	1,161,295	741	38,561	12,506	13,371	65,179	5.6
Contract work in progress	24	20,706							21,704						
Financial assets	25	12,642							7,655						
Derivative financial instruments	21	257,092							300,387						
Other current assets	26	169,896	0	-2	695	14,914	15,607	9.2	133,625	182	-1	879	17,510	18,570	13.9
Cash and cash equivalents	27	157,623							193,635						
		1,772,489	-88	4,007	11,402	30,450	45,771		1,879,036	923	38,560	13,385	30,881	83,749	
TOTAL ASSETS		5,542,200	-72	71,490	11,402	60,343	143,163		5,505,747	939	114,993	13,385	60,169	189,486	

cont.d

Legend of headings of "related parties" columns:
A subsidiaries B associated companies C related companies with significant influence D other related parties

		of which Related							*of which Related*						
€/000	*Notes*	30/06/09	A	B	C	D	Total	%	31/12/08	A	B	C	D	Total	%
SHAREHOLDERS' EQUITY AND LIABILITIES															
Share capital and provisions	28														
Share capital		1,032,738							1,032,738						
- Reserve for treasury shares at par value		-2,080							-2,300						
Reserves		430,519							413,301						
- Reserve for treasury shares value exceeding par value		-1,256							-1,529						
Reserves for derivative instruments valued at fair value		-21,107							-16,125						
Retained earnings (losses)		2,061							4,383						
Profit (loss) for the period		46,769							94,765						
Group shareholders' equity		1,487,644							1,525,233						
Minority interest share		52,306							53,892						
Total shareholders' equity		1,539,950							1,579,125						
Non-current liabilities															
Loans - maturing beyond the next year	29	1,549,705							1,560,658						
Employee leaving indemnity and other benefits	30	104,299							105,788						
Provisions for risks and charges	31	205,390							193,789						
Deferred tax liabilities	32	129,384							121,454						
Payables for financial leases - maturing	33	13,805							11,175						
Derivative financial instruments	21	34,264							23,571						
		2,036,847							2,016,435						
Current liabilities															
Banks and other borrowings - maturing within the next year	29	398,127							204,818						
Payables for financial leases - maturing	33	6,197							4,737						
Trade payables	34	913,783	33	5,756	6,999	31,505	44,293	4.8	1,084,427	499	36,115	7,886	15,895	60,395	5.6
Income taxes payable	35	190,611							119,173						
Other current liabilities	36	233,030	0		894	6,259	7,153	3.1	201,723	1		1,598	3,306	4,905	2.4
Derivative financial instruments	21	223,655							295,309						
		1,965,403	33	5,756	7,893	37,764	51,446		1,910,187	500	36,115	9,484	19,201	65,300	
Total liabilities		4,002,250	33	5,756	7,893	37,764	51,446		3,926,622	500	36,115	9,484	19,201	65,300	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		5,542,200	33	5,756	7,893	37,764	51,446		5,505,747	500	36,115	9,484	19,201	65,300	

Note 1.
column A: the decreases in value of the Income Statement and Balance Sheet items compared to the previous periods are due to placing Consorzio Frullo and Calorpiù Italia Scarl in liquidation, now no longer operational; furthermore, several of the companies of which the Group held an investment deemed insignificant for consolidation are sold.

Note 2.
Column B: the decreases in value of the Income Statement and Balance Sheet items compared to the previous periods are due to the full consolidation of the company Acantho Spa, previously consolidated using the Equity Method.

Legend of headings of "related parties" columns:

A subsidiaries B associated companies C related companies with significant influence D other related parties

2.07 Related Parties Cash Flow Statement Pursuant to Consob Resolution 15519/2006

	30-June-2009		of which Related Parties
Operating assets			
Cash flow			
Net profit pertaining to Group and minority shareholders	51.821		
Depreciation and writedowns of tangible fixed assets	85.103		
Amortisation and writedowns of intangible assets	22.342		
Totale cash flow	**159.266**		
Changes in prepaid and deferred taxation	6.935		
Employee leaving indemnities and other benefits:			
Provisions / (uses)	(2.114)		
Provisions for risks and charges:			
Provisions / (uses)	11.420		
Total cash flow before changes in net working capital	**175.507**		
Working capital			
Change in trade receivables	40.220		7.386
Change in inventories	16.418		
Change in other current assets	(31.887)		2.963
Change in trade payables	(169.629)		256
Change in tax liabilities	69.605		
Change in other current liabilities	27.772		2.248
Change in financial instruments - derivatives	(28.359)		
Change in working capital	**(75.860)**		
Change in financial instruments - non-current derivatives	**5.420**		
Liquidity generated by management activities		**105.067**	
Investment activities			
Disposal/(investment) in tangible assets, net of net investments/disinvestments	(181.442)		
Disposal/(investment) in intangible assets, net of net investments/disinvestments	(10.875)		
Goodwill	0		
Investments in equity investments net of disposals	(786)		(722)
(Increase)/decrease in other investments	(5.533)		(152)
Liquidity generated/(absorbed) by investment activities		**(198.636)**	
Financing activities			
Medium/long-term loans	(30.879)		
Change in shareholders' equity accounts	(2.159)		
Change in short-term bank indebtedness	187.349		
Dividends paid out	(95.017)		(21.315)
Change in financial leasing payables	(1.737)		
Liquidity generated/(absorbed) by financing activities		**57.557**	
		(36.012) (a+b+c)	
Change in net financial position			
Cash and cash equivalents at the beginning of the year	193.635		
Cash and cash equivalents at the end of the year	157.623		
	(36.012)		

2.08 Explanatory Notes

2.08.01 Consolidated Explanatory Notes

Accounting principles and valuation criteria

These half-year financial statements as at 30 June 2009 have been prepared pursuant to Art. 154 ter of the Legislative Decree no. 58/98 and the international accounting standards (IFRS) issued by the International Standard Board (IASB) and approved by the European Union, as well as pursuant to orders issued in application to Art. 9 of the Legislative Decree no. 38/2005.

The same accounting criteria applied to the consolidated financial statements as at 31 December 2008 were adopted in the drawing up of these consolidated half-year financial statements, prepared according to IAS 34 – Interim Financial Statements. As for a more thorough description, refer to the financial statements as at 31 December 2008, except for information given in section "Accounting principles, amendments and interpretations applied on 1 January 2009".

The preparation of the half-year 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 evaluation, should differ from the actual circumstances, they will be amended accordingly to represent the actual situation.

It should be also noted 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 definitely at the time the annual financial statements are prepared, except when there are indications of impairment requiring an immediate valuation of any losses in value.

Corporate income tax is entered according to the best estimate of the weighted average tax rate expected for the full-year.

The figures in these abbreviated half-year financial statements are comparable with those of previous years. In some cases, it was deemed suited to reclassify some items in the income statement related to the first half of 2008 and the balance sheet as at 31 December 2008 in order to supply a more analytical information. All necessary information is given in the notes hereunder.

A comparison of single items in the balance sheet and the income statement must take into consideration the changes to the scope of consolidation indicated in the specific section.

Consolidated Financial Statements Format

The formats used are the same as those applied for the consolidated financial statements as at 31 December. In particular, the formats used for the income statement are "scaled down" with single items analysed in kind. We believe that this type of disclosure, which is also used by major competitors, is in line with international practice and the best representation of company results. It should be noted that item “other operating costs” referring to taxes of previous years was added for a more precise information; to this purpose, reference is made to note 14) in the income statement. The balance sheet table is presented with the distinction between current and non-current assets and liabilities. The statement of changes in the shareholders’ equity was prepared according to IAS 1. The cash flow statement was drawn up using the indirect method in accordance with IAS 7. It is also worth noting that, with reference to the Consob Resolution no. 15519 dated 27 July 2006 regarding the balance sheet formats, specific additional tables were included in the income statement, balance sheet and cash flow statement, while highlighting the most significant relations with related parties, in order not to alter the overall clarity of the balance sheet tables.

Scope of Consolidation

These abbreviated half-year 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, so as to obtain benefits for the company’s activity.

Small-scale subsidiaries and those in which the exercise of voting rights is subject to a 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 are 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 half of 2009, compared with the consolidated financial statements as at 31 December 2008 are shown below.

Subsidiaries

Companies included in the scope of consolidation	Companies excluded from the scope of consolidation	Notes
Acantho Spa		Fully consolidated. Reference is made to note 19) Equity Investments.
Satcom Spa		Fully consolidated. Reference is made to note 19) Equity Investments.
Modena Network Spa		Fully consolidated. Reference is made to note 19) Equity Investments.

On 15 January 2009, Hera Spa purchased the shareholding held by Engineering Spa (40%) in Famula OnLine Spa, thus becoming the sole shareholder of the company.

Associated Companies

Companies included in the scope of consolidation	Companies exclued from the scope of consolidation	Notes
	Agess Scarl	On 1 December 2008, the Shareholders' Meeting of Agess S.c.a.r.l. resolved a share capital increase reserved to new shareholders. Follwing to this resolution, the percentage held by Hera Spa decreased from 21.44% to 17.19%. Therefore the Hera Group lost its significant influence over this company, which has been deconsolidated and classified under "other companies"
	Acantho Spa	Consolidated line-by-line. Reference is made to note 19) Equity Investments.
	Modena Network Spa	Consolidated line-by-line. Reference is made to note 19) Equity Investments.
	Satcom Spa	Consolidated line-by-line. Reference is made to note 19) Equity Investments.

On 8 May 2009, Hera Spa acquired a further portion of equity investment in the company Pri.Ge.A.S. Srl from the municipality of Prignano sulla Secchia, thus becoming the sole shareholder; the equity method has been maintained.

A list of the companies included in the scope of consolidation is provided at the end of these notes.

Seasonal effects on business.

This aspect regards above all the Water and Energy sectors, with reference to summer and winter season peaks. As for the January-June six-month period, however, the economic effects are comparable with those regarding the entire year by reason of the fact that the economic trend for the period reflects, in overall, the trend of the entire year. Conversely, equity figures, as described in the following notes, highlight a decrease in trade payables at end of June, above all with respect to the timing of raw materials supply.

Other information

Information regarding the company's activity and significant events occurred after year end are included in a special section of this report.

These half-year financial statements as at 30 June 2009 were approved by the Board of Directors on 27 August 2009.

Accounting standards, amendments and interpretations applicable from 1 January 2009

On 1 January 2009, the Hera group adopted the following accounting standards, amendments and interpretations issued by IASB and adopted by the European Union:

IFRS 8 – Operating Segments. Applicable from 1 January 2009, supersedes the previous IAS 14 – Segment Reporting. The new standard requires disclosing greater and more thorough information on data divided by business sectors, as well as identification criteria of operating segments. Information supplied is the same as information taken as reference by the corporate management to take operating decisions.
IAS 23 Revised – Borrowing Costs. Applicable from 1 January 2009. Borrowing costs due to investments in assets for which a period of time is required to make them ready for use or sale shall be capitalised, while the previous version of the standard provided only the faculty to capitalise said charges. This standard was further amended following the issue of improvements: in particular, a new definition of borrowing costs was included for capitalisation purposes. The adoption of this standard has no accounting effects on the Hera Group.
IAS 1 Revised – Presentation of the Financial Statements. Applicable from 1 January 2009. According to the new standard, the statement of changes in shareholders' equity must reflect only transactions made with shareholders who act as shareholders. Meanwhile, all transactions carried out with third parties (comprehensive income) shall be included in the statement of comprehensive income. The new standard set out the possibility to disclose either one single format of income statement, or two separate formats immediately consecutive (separate income statement and statement of other components of comprehensive income). The Group adopted this second possibility and also resolved, as provided for by the standard, to disclose the other components of the comprehensive income statement net of taxation.

Amendments to IAS 27 – Cost of an Investment in a Subsidiary, joint venture and associated company. Applicable from 1 January 2009. The definition of “cost method” is eliminated from IAS 27. Therefore the company shall disclose all dividends of a subsidiary, joint venture or associated company as assets in the separate balance sheet, even if dividends are paid as reserves prior to the acquisition. Amendments to IAS 27 also clarify the methods to determine the cost of an investment when a Parent Company reorganizes the operating structure of its Group.

It is worth noting that, effective on 1 January 2009, standards IFRIC 13 “Customer Loyalty Programmes”, IFRIC 14 “Defined Benefit Assets and Minimum Hedging Criteria”, the amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards”, the amendment to IFRS 2 “Vesting Conditions and Cancellations” and the amendment to IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 1 “Financial Statements: Presentation” regarding puttable financial instruments and bonds in case of liquidation, entered into force. However, the above-mentioned standards and amendments, have not, up to date, been applied by the Hera Group.

In May 2008, the International Accounting Standards Board (IASB) published “Improvements to the International Financial Reporting Standards”, subsequently adopted by the European Union with Regulation 70/2009. These Improvements include 35 amendments to the existing international accounting standards, divided in two parts: Part I includes amendments which entail changes in presentation, disclosure or measurement, while Part II regards amendments as to terminology or drawing-up. With reference to the first type of changes, the only improvements are reported hereunder that are applicable to the financial statements of the Hera Group, based on accounting cases existing now and occurred in the past:

Improvement IAS 1 – Presentation of the Financial Statements. The update requires that assets and liabilities resulting from derivative financial instruments that are not held for trading are classified in the balance sheet by making a distinction between current and non-current assets and liabilities. The adoption of the standard has no accounting effect on the financial statements, as the accounting practice adopted by the Hera Group was already aligned to the new provisions.

Improvement IAS 19 – Employee Benefits. The improvement clarifies the definition of past service costs and sets out that, in the event of a reduction in a plan, the effect to be immediately recorded to income statement shall only include the reduction in benefits regarding future periods, while the effect resulting from any reductions connected with past service periods shall be considered as negative cost related to past services. The adoption of this standard had no accounting effects on the Group financial statements.

Improvement IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. This improvement, applicable in the future, sets out that benefits arising from loans granted by public bodies at an interest rate lower than the market rate shall be deemed as government grants and therefore be subject to provisions set out by IAS 20. The previous version of the standard prevented, in case of special rate loans, to record any benefit. At the date of the half-year financial statements, the adoption of this standard had no accounting effects on the Group financial statements.

Improvement IAS 23 – Borrowing Costs. The improvement introduces a definition of financial charges to be considered for the purposes of capitalisation. The adoption of the standard has no accounting effect on the financial statements, as the accounting practice adopted by the Hera Group was already aligned to the new provisions.

Improvement IAS 28 – Investments in Associates. The amendment sets out that, in case of equity investments measured using the equity method, any impairment shall not be allocated to the single assets (including goodwill) which make up the value of the investment, but rather to the value of the investment in its entirety. Therefore, in the future, these assets may be written up entirely, if original conditions are restored.

Improvement IAS 36 – Impairment of Assets. This improvement sets forth that additional information should be given if the company defines a recoverable value of cash generating units by using the method of cash flow discounting.

Improvement IAS 38 – Intangible Assets. This standard sets out that promotional and advertising costs must be recognised to income statement (if an intangible assets cannot be entered) when the company has the faculty to use the assets, if the asset is purchased, or when the service is rendered, in the case of a purchase of services. The possible use of the method of units produces was also introduced to calculate the amortisation of intangible assets with a definite useful life. The adoption of the standard has no accounting effect on the Group financial statements.

Improvement IAS 39 – Financial instruments: Recognition and Measurement. The improvements clarifies some concepts already included in the standard: the definition of assets/liabilities held for trading, the prohibition to make reclassifications in the category of financial instruments with adjustment of fair value to income statement shall not be applied to derivatives, that can no longer be qualified as hedges, or become hedges, and the accounting ways of infra-group hedging transactions. The updating also clarifies how the new effective yield rate of a financial instrument must be calculated at the end of a fair value hedging. Finally, to avoid a conflict with the new IFRS 8 – Operating Segments, this version eliminates any reference to designation of a sector hedging instrument. The adoption of the standard has no accounting effect on the financial statements, as the accounting practice adopted by the Group was already aligned to the new provisions.

Improvement IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations. The improvement, applicable on and after 1 January 2010, sets out that if a company is involved in a selling plan resulting in a loss of control of one of its investees, all assets and liabilities of the subsidiary shall be reclassified under assets held for sale, also in the case that, after the sale, the company will still hold a minority interest in the subsidiary.

The accounting criteria already in force and not amended, adopted in the first half of 2009, are unchanged with respect to the previous year.

Accounting standards approved by the European Union but not yet compulsory

Starting from 1 January 2010, the following accounting standards and interpretations shall be compulsory as they have already concluded the EU endorsement process:

IFRS 3 Revised – Business Combinations. The amended standard introduces a number of significant novelties. Especially, the following can be highlighted: the possible entering of the goodwill is acknowledged, also with reference to third party portions (full goodwill method); recording ways of assets and liabilities are modified in case the subsidiary is acquired in more than one phase (goodwill is determined as the difference between the value of equity investments immediately before the acquisition, the amount of the transaction and the fair value of net assets acquired); moreover, recognition of all costs connected with the business combinations to income statement becomes mandatory.

IAS 27 – Consolidated and Separate Financial Statements. The amendment to IAS 27 sets out that modifications to investment share which do not result in a loss of control shall be considered as equity transactions and shall therefore have a counter-entry to shareholders' equity. The option of recording this transaction to income statement is therefore eliminated. It is also set out that, when the parent company sells the control in an investee, but still holds a minority interest in the company, this investment must be measured at fair value in the balance sheet and any profits or losses deriving from the loss of control shall be charged to income statement.

IFRIC 12 – Service Concession Arrangements. This standard describes the way to recognise the infrastructure subject to service concession arrangements in the financial statements of the entity holding the concession and clarifies the distinction between the various phases of an arrangement (construction/management) and the ways of recognising revenues and expenses in each single case. A distinction is made between two models (financial assets and intangible assets) to recognise the infrastructure and the related revenues/expenses, according to the level of uncertainty to which the holder of the concession is exposed as for future revenues. By analysing the different concessions in force, the Group is evaluating the possible effects that the application of this standard would involve and which might result in a reclassification from tangible to intangible assets.

IFRIC 15 – Agreements for the Construction of Real Estate. The interpretation supplies clarifications and inputs as to timing according to which revenues from the construction of real estate should be recognised, or whether an agreement for the building would be included in the application of IAS 11 Construction Contracts or IAS 18 Revenue.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation. The interpretation clarifies the application ways of the international accounting standards IAS 21 and IAS 39 in the cases in which an entity hedges the exchange risk deriving from own net equity investments in a foreign operation.

Accounting standards which are being adopted by the European Union

The following revisions of the IFRS standards (already approved by IASB), as well as the following interpretations and amendments are being adopted by the competent bodies of the European Union:

IFRS 1 Revised – First-time Adoption of International Financial Reporting Standards
IFRIC 17 – Distribution of Non-Cash Assets to Owners
IFRIC 18 – Transfers of Assets from Customers
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement
Amendments to IFRS 7 – Financial Instruments: Disclosures
Amendment to IFRIC 9 – Reassessment of Embedded Derivatives
Improvements to IFRS.

Content and main changes

4 Revenues

	1st half 2009	1st half 2008	Change
Revenues from sales and services	2,146,047	1,752,381	393,666
Changes in inventories of work in progress, semi-finished and finished products	-170	-218	48
Change in contract work in progress	966	2,420	-1,454
Other revenues and income	31,011	29,593	1,418
Total	**2,177,854**	**1,784,176**	**393,678**

Please see the report on operations and the note including information by business area for the analysis of sales trends by business sector.

5 Other operating income

	1st half 2009	1st half 2008	Change
Insurance reimbursements	2,734	2,423	311
Sale of materials and stock to third parties	242	409	-167
Portion of capital grants	1,724	1,335	389
Portion of operating grants and grants for separate waste collection	6,743	4,888	1,855
Leases	891	1,031	-140
Use of provisions	2,412	2,300	112
Gains from sale of assets	483	2,257	-1,774
Costs reimbursed	1,017	648	369
Other	14,765	14,302	463
Total	**31,011**	**29,593**	**1,418**

Item "Insurance reimbursements", measured during the six-month period, refer to:

- as for Euro 749 thousand, to the reimbursement received following the fire occurred in the CDR and IRE plants in Ravenna;
- as for Euro 285 thousand, to the reimbursement following the fire occurred in the Ferrara WTE plant;
- as for Euro 1,092 thousand, to reimbursements received for damages to other assets.

Item "Operating grants and grants for separated waste collection" shows an increase by Euro 1,855 thousand, mainly due to higher quantities of packages (paper, cardboard, glass, wood) coming from the separated waste collection sold to the Consortiums of the Conai Chain.

Item "Use of provisions", amounting to Euro 2,412 thousand is mainly composed of reallocations of the provision for the post.-closure of landfills and the provision for disposal of waste stored.

Item "Other", amounting to Euro 14,765 thousand, is mainly composed of:

- energy efficiency securities (white certificates), Euro 4,258 thousand;
- brokerage relating to waste processing for partner plants and other environmental services, Euro 6,055 thousand;
- revenues from the sale of electricity produced from biogas, Euro 1,000 thousand;
- recovery of costs for environmental services, Euro 1,098 thousand.

6 Use of raw materials and consumables (net of changes of raw materials and stock)

	1st half 2009	1st half 2008	Change
Electricity ready for sale	867.176	605.227	261.949
Methane ready for sale and LPG net of inventory changes	537.821	423.573	114.248
Charges and revenues from derivatives	-24.601	-6.921	-17.680
Fuel for heat generation	2.006	1.628	378
Water	15.865	12.578	3.287
Maintenance materials: handling and spare parts net of change in stock	27.681	31.525	-3.844
Electricity for industrial use	4.646	7.679	-3.033
Fuels and lubricants	5.618	7.428	-1.810
Methane for industrial use	2.563	4.685	-2.122
Chemical products	6.996	6.212	784
Consumables and sundry materials	3.504	2.830	674
Total	**1.449.275**	**1.096.444**	**352.831**

The analysis of the trend in costs for raw materials and consumables is described in the information contained in the Report on Operations.

7 Costs for services

	1st half 2009	1st half 2008	Change
Industrial utilities (water, methane, heat and electricity)	1,590	2,267	-677
Charges for works and maintenance	118,764	125,416	-6,652
Transport and storage	49,396	43,162	6,234
Insurance costs	6,412	6,491	-79
Cleaning and security costs	2,698	2,609	89
Waste transportation, disposal and collection services	76,003	66,208	9,795
Announcements, advertising and disputes	4,044	4,197	-153
Transportation	1,070	1,233	-163
Technical, organization, legal and tax assistance consultancy	17,175	14,296	2,879
Remuneration of Directors and Statutory Auditors	2,791	2,603	188
Meter reading	2,661	2,862	-201
Postal and telephone costs	2,988	5,642	-2,654
Recruiting, training and other staff costs	5,307	5,468	-161
IT and CED services	2,994	4,599	-1,605
Laboratory analyses	1,799	1,760	39
Bank fees and charges	3,455	3,220	235
Fees paid to local authorities	37,240	37,820	-580
Rents and leases payable	13,864	9,980	3,884
Rental expenses	1,579	1,656	-77
Other	15,369	14,287	1,082
Total	**367,199**	**355,776**	**11,423**

The most significant changes, with respect to the corresponding period of the previous year, are described hereunder:

- "charges for works and maintenance". The decrease is mainly due to the exit of some companies from the scope of consolidation;
- "transport and storage". The increase is attributable to higher volumes of electricity sold on third party networks;
- "waste transportation, disposal and collection services". The increase is due to the increase in environmental services required by some municipalities and included in the tariff;

- "postal and telephone costs". The decrease is due to the consolidation of the companies Acantho Spa and following elimination of the infragroup costs;
- "rents and leases payable". The increase is entirely due to the consolidation of the companies Acantho Spa and Satcom Spa.

Reclassifications made of some items related to the first half of 2008 are given hereunder:

	1st half 2008 disclosed	**reclassification**	**1st half 2008 reclassified**
Industrial utilities (water, methane, heat and electricity)	2,049	218	2,267
Charges for work and maintenance	120,966	4,450	125,416
Waste transportation, disposal and collection services	69,806	-3,598	66,208
Technical, organization, legal and tax assistance consultancy	13,377	919	14,296
Meter reading	1,957	905	2,862
Postal and telephone costs	2,063	3,579	5,642
Rents and leases payable	6,382	3,598	9,980
Other	24,358	-10,071	14,287
	240,958	**0**	**240,958**

8 Personnel costs

	1st half 2009	1st half 2008	Change
Wages and salaries	126,004	120,079	5,925
Social security contributions	41,934	38,735	3,199
Employee leaving indemnity	378	3,164	-2,786
Other costs	10,046	10,917	-871
Total	**178,362**	**172,895**	**5,467**

Items “Wages and salaries” and “Social security contributions” increased by Euro 9,124 thousand, with regards to contract acknowledgements and contributions “Insurance against involuntary unemployment”.

Conversely, as regards item “Employee leaving indemnity and other benefits”, the decrease by Euro 2,786 thousand is due to the adjustment of the benefit “Premungas” accounted for in the first half of 2008.

The average number of employees in the periods in question, analysed by category, is as follows:

	1st half 2009	1st half 2008	Change
Executives	127	120	7
Managers	323	299	24
White-collar	3,149	2,931	218
Blue-collar	2,964	3,173	-209
Average number	**6,563**	**6,523**	**40**

The total, average, per capita cost of labour as at 30 June 2009 was Euro 27 thousand, up by 2,5% with respect to the corresponding period of the previous year.

As at 30 June 2009, the effective number of employees was 6,550. This represents an increase of 96, compared with the same period of the previous year, mainly due to the consolidation of the companies Acantho Spa and Satcom Spa.

9 Amortisation, depreciation and allocations

	1st half 2009	1st half 2008	Change
Depreciation of tangible fixed assets	85,103	73,799	11,304
Amortisation of intangible fixed assets	22,342	21,063	1,279
Allocation to provisions for doubtful receivables	7,946	9,287	-1,341
Allocations to provisions for risks	12,289	10,755	1,534
Total	**127,680**	**114,904**	**12,776**

For further information on the items, please see comments under “tangible fixed assets”, “intangible assets”, “trade receivables” and “provision for risks and future liabilities”. The increase in depreciation of tangible fixed assets and amortisation of intangible fixed assets, compared to the corresponding period of the previous year, takes account of new investments made and, as for Euro 4,892 thousand, to the enlargement of the scope of consolidation to the companies Acantho Spa, Satcom Spa and Modena Network Spa.

10 Other operating costs

	1st half 2009	1st half 2008	Change
State rentals	2,201	1,998	203
Taxation other than income taxes	2,443	1,999	444
Membership fees and other fees	1,615	1,502	113
Special landfill levy	5,558	7,448	-1,890
Losses on the sale of assets	1,514	18	1,496
Losses on receivables	22	2	20
Other minor charges	2,667	6,552	-3,885
Total	**16,020**	**19,519**	**-3,499**

The most significant changes with respect to the corresponding period of the previous year are described hereunder:

- "Special landfill levy". The decrease, compared to the previous period, is mainly due to the closure of a landfill in the province of Modena and consequent lower levy;
- "Capital loss on the sale of assets". This is mainly due to damages incurred by some corporate assets, paid by insurance companies (reference is made to note 5 "Other operating revenues – insurance reimbursements);
- "Other minor charges". The change of Euro 3,885 thousand is mainly due to the consolidation of Acantho Spa and following elimination of infragroup relations.

11 Capitalised costs

	1st half 2009	1st half 2008	Change
Increases in fixed assets for internal works	104,344	118,033	-13,689
Total	**104,344**	**118,033**	**-13,689**

This item corresponds to investments carried out directly by regional operating companies and mainly comprises costs sustained by these companies. It also includes personnel costs and financial charges sustained by the Parent Company, as for Euro 2,383 thousand (Euro 2,270 thousand as at 30 June 2008) and Euro 5,264 thousand (Euro 5,427 thousand as at 30 June 2008), respectively. For the related analysis, reference is made to notes on the balance sheet assets (tangible and intangible fixed assets) and the Report on Operations.

12 Portion of profit (loss) pertaining to associated companies

	1st half 2009	1st half 2008	Change
Profits	2,296	925	1,371
Losses	-284	-228	-56
Total	**2,012**	**697**	**1,315**

The portions of “profits (loss) pertaining to associated companies” include the effects generated from measurement using the equity method.

13 Financial income and charges

Financial income	1st half 2009	1st half 2008	Change
Customers	2,135	456	1,679
Derivatives on rates	1,212	6,258	-5,046
Banks	606	2,147	-1,541
Capital gain on investments and dividends from other companies	38	881	-843
Other financial income	1,780	1,567	213
Total financial income	**5,771**	**11,309**	**-5,538**

Financial charges	1st half 2009	1st half 2008	Change
Bonds	23,620	20,034	3,586
Mortgage expenses	9,640	14,535	-4,895
Discounting of provisions and financial leases	8,462	7,587	875
Derivatives on rates	7,047	3,111	3,936
Overdrafts	5,013	10,699	-5,686
Capital losses and write-downs of equity investment	4	333	-329
Other financial charges	5,816	7,273	-1,457
Total financial charges	**59,602**	**63,572**	**-3,970**

The change in the total balance of the financial management is described in the Report on Operations.

Income and charges on rates highlight a negative net effect, amounting to Euro 5,835 thousand. To this purpose, see note 22 to the balance sheet.

The item "Other financial income" includes Euro 1,340 thousand of income generated by the renegotiation of the Put Extendable bond, totalling Euro 200 million.

Item "Bonds" comprises the following:

- Euro 18,382 thousand of bonds;
- Euro 5,238 thousand related to the application of amortised cost. With regard to the method used, please note that in the recalculation, the maximum duration for the financing was assumed, and also that the put options are not exercised for the duration of the same financing, within the contractually determined deadlines.

The increase, compared to the previous year, is mainly due to the conclusion of a new "put call reset bond" in the first half of 2009.

As for "Other financial charges", this item is broken down as follows:

- Euro 2,093 thousand related to charges paid following the recovery of the "tax moratorium". To this purpose, for a more thorough description see note 15 regarding taxes.
- Euro 3,043 thousand for charges on the assignment of receivables.

The item "Discounting of provisions and financial leases" is broken down as follows:

	1st half 2009	1st half 2008	Change
Restoration of third party assets	4,170	2,952	1,218
Post-closure landfills	2,343	1,673	670
Employee leaving indemnity and other benefits	1,453	2,479	-1,026
Financial leases	496	483	13
Total	**8,462**	**7,587**	**875**

14 Other non-operating costs

	1st half 2009	1st half 2008	Change
Other non-operating costs	2,729	5,611	-2,882
Total	**2,729**	**5,611**	**-2,882**

They refer to charges for taxes paid for the “tax moratorium” as per note 15 hereunder.

15 Income taxes

	1st half 2009	1st half 2008	Change
Prepaid, deferred and current taxes	37,293	35,909	1,384
Total	**37,293**	**35,909**	**1,384**

The impact of income taxes on profit before tax is 41.8%, compared to 42% of the first half of 2008. Calculation of tax burden also considered the additional 1% IRES, known as the “Robin Tax”, applicable to companies that operate in the sectors of production and/or sale of gas and electricity. This increase was set forth by Law no. 99 of 23 July 2009, published in the Official Gazette on 31 July 2009. The additional amount was therefore applied in the overall percentage of 6.5%.

While calculating taxes for the year, the effects resulting from the IAS tax reform introduced by Law no. 244 of 24 December 2007 were kept in duly consideration, and especially the derivation principle set out by Art. 83 of the Consolidation Act on Income Taxes which now sets out that for entities that apply international accounting standards, also notwithstanding provisions set out by the Consolidation Act on Income Taxes, “criteria regarding definition, time-based recognition and classification in the balance sheet, as set out by the above-mentioned accounting principles” shall apply.
As regards the real scope of the reform, and in particular the interpretation doubts on the area of application of the strengthened derivation principle, it must be noted that, although the Ministerial Decree no. 48 of 1 April 2009 was published in the Official Gazette, interpretations of the Inland Revenue office are still lacking. It is deemed, however, adequate that taxes were calculated based on the best interpretation of the current law, although with the limits highlighted above.

In accordance with Law Decree no. 10 of 15 February 2007, subsequently converted into Law no. 46 of 6 April 2007, governing the terms for reimbursement of government aids declared illegitimate by the Ruling of the European Commission no. 2003/193 dated 5 June 2002, Hera Spa was served the notices/orders issued by the Inland Revenue office responsible for the area, demanding the payment of a total amount of Euro 22,313 thousand for the four tax periods involved in the recovery. On 31 May 2007, Hera Spa lodged an appeal against these notices/orders to the Bologna Province Tax Commission, also asking for a suspension of the enforcement of the payment orders. On 6 July 2007 the Bologna Province Tax Commission issued the orders whereby the Company's request for suspension was accepted and the hearing regarding the issue was arranged to be held on 13 December 2007. On 19 April 2008, the notification of the ruling was sent which rejects the appeals, except for the 1997 tax period, for which the Commission acknowledged the legitimacy of the deduction of the withholding taxes suffered and the tax credits retained from previous years.

After the partial relief obtained on 2 May 2008 for taxes related to the 2007 tax period, following the approval of the above-mentioned withholding taxes and credits, equal to Euro 3,738 thousand, a payment was made for a total amount of Euro 17,400 thousand. Against the first instance judgement the appeals were proposed and the company is currently waiting for the hearing to be fixed.

It should be further noted that, in accordance with the provisions of the agreements between the shareholders entered at the moment of the merger, which led to incorporation of Hera Spa, and disclosed in the listing Prospectus, the local authorities undertook to “indemnify Hera Spa of any costs, losses or damages incurred by the latter with reference to binding regulatory measures which may annul the tax concessions from which the companies and the other participants to the merger have already benefited”. As a consequence, no cost to this purpose was recognised. As regards the above, it is worth noting that on 31 December 2007, some Municipality Shareholders set up suited guarantees in favour of the Company through the prepayments of amounts due to Hera Spa. Following the negative outcome of the first instance judgement and following payment of the tax assessments, debit/credit positions were therefore defined with respect to each Municipality. As at 30 June 2009, the remaining receivables to be collected amounted to Euro 1,151 thousand.

As regards the former Meta Modena, for which the above-mentioned indemnity is not provided, it should be noted that the Inland Revenue office of Modena notified to Hera Spa, on 11 May 2007, under the provisions of, and in compliance with, the legislative decree dated 15 February 2007, the notices-injunctions for the recovery of the State aid related to the 1998 and 1999 tax periods. On 6 June 2007, Hera Spa filed applications for the amendment (“*istanze di autotutela*”) of such notices-injunctions. On 11 June 2007, the Inland Revenue office of Modena issued partial self-defence measures relating to the communicated notices/orders, requesting the Company, as a way of settling the issue, the payment of a minimal amount resulting from the failure to acknowledge withholding taxes applied.

Moreover, it is noted that in the period from June 2007 to February 2008, the authority in charge of collection ordered Hera Spa to pay some tax assessments in order to recover the government aids referred to mortgage loans granted by Cassa Depositi e Prestiti to some companies/consortiums then transferred to Hera Spa. Total tax assessments amounted to Euro 3,024 thousand. Hera Spa objected the above-mentioned tax assessments before the Bologna Province Tax Commission, which deferred the parties before the Ordinary Court where the proceedings will be discussed. Hera also objected before the Lazio Regional Administrative Court a previous notice/order sent by the Treasury Department, in which the Minister legitimated its order upon the decision of the European Community dated 5 June 2002. As it is known, this decision declared that loans granted at low-interest rates by the bank Cassa Depositi e Prestiti to joint-stock companies established pursuant to 142/90 were incompatible with the common market. The above-mentioned amount, paid in various instalments over the period between January and April 2008 was recognised under financial charges.

Finally, it should be noted that, Art. 24 of the Leg. Decree no. 185 of 29 November 2008, converted with amendments into Law no. 2 of 28 January 2009, charged the Inland Revenue office to recover the aids equal to unpaid taxes and related interest permitted based on the tax moratorium, “in order to entirely implement” the aforementioned decision of the Commission of 5 June 2002. Based on the aforementioned order, on 30 April 2009, the Regional Management of Emilia Romagna issued two notices regarding the position of former Meta. On 8 May 2009, Euro 4,822 thousand were therefore paid, accounted for Euro 2,093 thousand in item 13) “Financial charges” and Euro 2,729 thousand in item 14) “Other non-operating costs”. On 7 July 2009, the company filed the oppositions against the recovery notices before the Bologna Province Tax Commission. The order is still pending.

As regards the former Seabo, on 12 June 2009 Hera filed, before the Inland Revenue office, office of Bologna 3 and the Regional Management of Emilia Romagna, a request of partial cancellation of the notifications/orders received in 2007 regarding tax recovery for years 1997, 1998 and 1999. The self-protection measures were filed in by reason of the fact that, in defining the taxable amount on which the Government aid actually used was calculated, different criteria, compared to criteria used in calculating the taxable position of the former Meta, were used. This petition is still pending.

15.1 Earnings per share

	2009 1st half 2009	2008 1st half 2008
Group earnings (loss) for the year (A) (amounts in thousands of euro):	46,769	41,202
Average weighted number of outstanding shares for the calculation of earnings (loss) per share:		
base (B)	1,030,236,331	1,032,251,610
diluted (C)	1,030,236,331	1,032,251,610
Earnings (loss) per share (in euro)		
- base (A/B)	0.045	0.040
- diluted (A/C)	0.045	0.040

Base earnings per share are calculated according to the profit attributable to holders of ordinary capital instruments of the Parent Company entity. Diluted earnings per share are equal to base earnings per share because no other categories of share, apart from ordinary shares, exist, and nor do any instruments convertible to shares. The average weighted number of the outstanding shares in the first half of 2009, compared to the corresponding period of the previous year, decreased due to the increased purchase of own shares on the market.

16 Tangible fixed assets

Tangible assets are shown net of accumulated depreciation. Their composition and changes in the period are as follows:

		Land and buildings	Plants and machinery	Other moveable assets	Work in progress and accounts	Total tangible fixed assets
Acquisition cost						
Balance as at	**31/12/2008**	**362,519**	**2,545,647**	**307,542**	**620,453**	**3,836,161**
Increases		4,169	25,715	8,814	147,266	185,964
Disposals		(1,142)	(15,293)	(10,635)	(1,258)	(28,328)
Changes in scope of consolidation		3,012	29,224	27,607	236	60,079
Other changes		25,397	138,367	- 105	(157,644)	6,015
Balance as at	**30/06/2009**	**393,955**	**2,723,660**	**333,223**	**609,053**	**4,059,891**
Accumulated depreciation						
Balance as at	**31/12/2008**	**63,463**	**687,477**	**196,087**	**-**	**947,027**
Depreciation for the year		4,083	67,409	13,611	-	85,103
Disposals		(498)	(15,028)	(8,278)	-	(23,804)
Changes in scope of consolidation		188	5,833	14,046	-	20,067
Other changes		686	2,847	-	-	3,533
Balance as at	**30/06/2009**	**67,922**	**748,538**	**215,466**	**-**	**1,031,926**
Net value						
Balance as at	**31/12/2008**	**299,056**	**1,858,170**	**111,455**	**620,453**	**2,889,134**
Balance as at	**30/06/2009**	**326,033**	**1,975,122**	**117,757**	**609,053**	**3,027,965**

The item "Land and buildings", amounting to Euro 326,033 thousand as at 30 June 2009, mainly relate to company-owned properties**.** Increases are mainly due to extraordinary maintenance works on corporate headquarters and masonry works regarding plants.

The item “Plant and machinery”, amounting to Euro 1,975,122 thousand as at 30 June 2009, mainly relates to the water, gas and electricity distribution networks and waste disposal, purification and composing plants. This item, in addition the costs for improvement to third party assets, also includes expenses incurred for the road system outside the plants and amounts due from Asset Companies. The increase for the year is mainly due to the reclassification of values from item “Franchises” included under intangible fixed assets, as a result of the expiry of some concessions relating to gas and purification services in some municipalities of the Bologna area (reference is made to description of intangible fixed assets).

Item “Other moveable assets”, equal to Euro 117,757 thousand as at 30 June 2009, include equipment, waste disposal bins, furniture, electronic machines, cars and motor vehicles. The change, compared to the previous period, is mainly due to the combined effect of decreases for sale of bins and motor vehicles used for environmental services (Euro 2,357 thousand), and increases for changes in the scope of consolidation (Euro 13,561 thousand).

The item “Work in progress and accounts”, equal to Euro 609,053 thousand as at 30 June 2009 is mainly composed of costs borne for the construction of new networks and enlargement of waste disposal plants in Forlì, Rimini, Modena, as well as for the cogeneration power plant in Imola. The decrease is mainly due to the “Canal Bianco” plant, in Ferrara, that underwent its final test at the beginning of 2009 and started to be depreciated in the same period.
The other plants will undergo final tests in the second half of 2009 and their depreciation will start from that period. It should be noted that a partial reconversion plan of a portion of the same is being approved to use biomass as fuel. This change in destination, as highlighted by special surveys of third parties, will not result in reductions in usage value of these plants.

Tangible fixed assets recorded an overall increase of Euro 138,831 thousand compared to 31 December 2008. This value includes the following:

- “net change in scope of consolidation”, totalling Euro 40,012 thousand, regarding the companies Acantho Spa, Modena Network Spa and Satcom Spa;
- “other net changes”, amounting to Euro 2,482 thousand, attributable to some reclassifications of assets from tangible fixed assets.

As for the analysis of investments for the period, reference is made to the Report on Operations.

17 Intangible fixed assets

Intangible fixed assets comprise:

		Patents and know-how	Licences, trademarks and similar rights	Other	Works in progress and advances	Total intangible assets
ACQUISITION COST						
Balance as at	**31/12/2008**	**133,108**	**242,288**	**31,430**	**33,251**	**440,077**
Increases		391	130	3,455	7,177	11,153
Disposals		(692)	(11)	(4,126)	-	(4,829)
Changes in scope of consolidation		328	4,264	32,204	41	36,837
Other changes		13,283	(6,072)	158	(13,656)	(6,287)
Balance as at	**30/06/2009**	**146,418**	**240,599**	**63,121**	**26,813**	**476,951**
ACCUMULATED AMORTISATION						
Balance as at	**31/12/2008**	**90,940**	**131,039**	**20,908**	**-**	**242,887**
Amortisation for the year		12,151	7,311	2,880	-	22,342
Disposals		(692)	(7)	(4,120)	-	(4,819)
Changes in scope of consolidation		71	3,687	15,386	-	19,144
Other changes		-	(3,626)	86	-	(3,540)
Balance as at	**30/06/2009**	**102,470**	**138,404**	**35,140**	**-**	**276,014**
Net value						
Balance as at	**31/12/2008**	**42,168**	**111,249**	**10,522**	**33,251**	**197,190**
Balance as at	**30/06/2009**	**43,948**	**102,195**	**27,981**	**26,813**	**200,937**

The item "Patents and know-how", totalling Euro 43,948 thousand as at 30 June 2009, mainly relates to costs incurred for the purchase and implementation of IT systems SAP ECC6 and related application systems. These costs are amortised over five years.

The item “Licences, trademarks and similar rights” amounts to Euro 102,195 thousand as at 30 June 2009 comprises the following:

- Euro 94,315 thousand from the value of franchises granted by the Parent Company Hera Spa related to plants for the supply of gas, water and purification plants. The decrease in this item is mainly due to the changeover from concession to ownership of assets related to the purification services in the Municipalities of San Pietro in Casale, Castel di Casio, Malalbergo and Crespellano, as well as assets related to the gas service in the Municipalities of Baricella, Castenaso, Galliera, Granarolo, Malalbergo, Pianoro e Monzuno, as provided under the related contracts on reaching the expiry dates of said concession;
- Euro 6,332 thousand from licences, trademarks and similar rights granted by the Parent Company;
- Euro 885 thousand from the value of concessions granted to the subsidiary Fea Srl following the agreement with GRTN for the acquisition of the 20 MW CIP 6/92. This amount will be amortised according to the length of the incentive period of the agreement.

Item “other intangible fixed assets”, equal to Euro 27,981 thousand as at 30 June 2009, mainly relate to the expenses incurred for the mapping, Geographical Information System (GIS), other sundry long-term charges, rights of use of networks and infrastructures for the passage and laying of optical fibre telecommunication networks.
The increase of this item, equal to Euro 17,459 thousand compared to 31 December 2008, is mainly attributable to the change in the scope of consolidation (Acantho Spa, Modena Network Spa and Satcom Spa).

The item “Work in progress”, equal to Euro 26,813 thousand as at 30 June 2009, essentially represents the costs incurred for still incomplete IT projects at the date of this report. The decrease, compared to the previous year, related to the implementation of some projects, such as the upgrade of the SAP R/3 ECC6 platform, as it can be inferred from the increase in item “Patents and know-how”.

18 Goodwill and difference in consolidation

	30/06/09	31/12/08	Change
Goodwill	318,343	318,175	168
Difference in consolidation	56,328	54,521	1,807
Total	**374,671**	**372,696**	**1,975**

Items “Goodwill” and “Difference in consolidation” as at 30 June 2009 amount to Euro 374,671 thousand. The main figures are broken down as follows:

- residual goodwill from the 2002 integration resulting in the creation of Hera Spa, amounting to Euro 81,258 thousand;
- goodwill relating to the integration of Agea Spa in 2004, Euro 41,659 thousand. Said goodwill represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of the Hera Spa shares issued following the increase in capital from the merger by incorporation of Agea, in accordance with IFRS 3, the share value was calculated starting from the date that control was taken of Agea Spa (1 January 2004);
- goodwill and difference in consolidation, related to the integration operation of the Meta Group, Euro 117,686 thousand. This goodwill, entered in assets and initially measured at cost, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of the Hera Spa shares issued following the increase in capital from the merger by incorporation of Meta Spa, this value was calculated as of the end of 2005, essentially accepted as the effective date of control takeover of Meta Spa;
- goodwill relating to the integration of Geat Distribuzione Gas Spa into Hera Spa. This goodwill, equal to euro 11,670 thousand, represents the additional value of the purchase cost compared to the Group Fair value of the assets and liabilities recognised for the Group as at 1 January 2006 (date in which the actual control by Hera Spa started);

- goodwill relating to the integration of Sat Spa. This goodwill, equal to Euro 54,883 thousand, represents the additional value of the purchase cost compared to the fair value of the assets and liabilities recognised for the Group. Specifically, with regard to the fair value of the Hera Spa shares issued following the increase in capital from the merger of by incorporation Sat Spa, this value was determined referring to 1 January 2008, day in which the transaction was actually concluded.

The main “differences in consolidation” result from the following fully consolidated companies:

- Marche Multiservizi Spa, Euro 20,790 thousand;
- Asa Spa, Euro 2,789 thousand;
- Hera Luce Srl, Euro 2,328 thousand;
- Medea Spa, Euro 3,069 thousand;
- Nuova Geovis Spa, Euro 1,775 thousand;
- Gastecnica Galliera Srl, Euro 2,140 thousand;
- Hera Comm Marche Srl, Euro 4,565 thousand.

The increase in the difference in consolidation, equal to Euro 1,807 thousand, compared to the previous year, is attributable to the enlargement of the scope to companies Acantho Spa, Modena Network Spa and Satcom Spa. In particular, differences in consolidation, generated from the elimination of the investments of the above-mentioned companies, are as follows:

- Acantho Spa, Euro 441 thousand;
- Modena Network Spa, Euro 607 thousand;
- Satcom Spa, Euro 759 thousand.

:

The residual items of goodwill and differences in consolidation regard other minor transactions.

19 Equity Investments

	30/06/09	31/12/08	Change
Not consolidated subsidiaries			
Calor Più Italia Scrl	7	7	0
Consorzio Energia Servizi	5	5	0
Consorzio Frullo	4	4	0
Total	16	16	0
Associated companies			
Acantho Spa	0	6.658	-6.658
Agea reti Srl	7.603	7.665	-62
Feronia Srl	908	927	-19
Dyna Green Srl	181	140	41
FlamEnergy Trading Gmbh	1.883	1.786	97
Modena Network Spa	0	694	-694
Refri Srl	2.440	2.518	-78
Set Spa	29.741	30.018	-277
Sgr Servizi Spa	10.211	10.147	64
Satcom Spa	0	1.992	-1.992
Sei Spa	702	702	0
So.Sel Spa	394	408	-14
Tamarete Energia Srl	4.284	4.330	-46
Other minor companies	518	494	24
Total	58.865	68.479	-9.614
Other companies			
Ambiente Mare Spa	300	300	0
Calenia Energia Spa	9.073	9.073	0
Energia Italiana Spa	13.233	13.233	0
Galsi Spa	8.022	6.981	1.041
Other minor companies	582	442	140
Total	31.210	30.029	1.181
Total investments	90.091	98.524	-8.433

Equity investments in associated companies

The main changes, compared to 31 December 2008, are due to the full consolidation of the companies Acantho Spa, Modena Network Spa and Satcom Spa, measured at equity up to 31 December 2008.

It is worth noting that Infracomm Spa, shareholder of Acantho Spa with 47.478%, during the first half of 2009, expressed its willingness to exercise the put option set forth by Art. 8 of the shareholders' agreements subscribed by the shareholders of the same Achanto Spa.
The agreement made sets out the sale of 30% share capital of Acantho Spa, 15% each in favour of Hera Spa and Conami Srl. This intention of Infracomm Spa, according to which Hera Spa achieved the actual control of Acantho Spa on 1 January 2009 already, was followed by the conclusion of a preliminary sale contract, binding for the parties, signed on 24 July 2009.
The same proceeding was followed also for the company Satcom Spa, of which Infracomm Spa holds 47.5%. In this case, as well, the exercise of the put option, on 30% share capital in equal portions in favour of Hera Spa and Conami Spa allowed exercising an effective control on the company, preliminary to the line-by-line consolidation.

After achieving the control of Acantho Spa, the investee company Modena Network Spa is no longer an associated company but is a subsidiary company, as the Hera Group is now holding a share of nominal influence of 62% share capital (32% held by Hera Spa, 30% held by Acantho Spa).

Equity investments in other companies

The increase in this item is mainly due to the equity investment held by the company Galsi Spa after the share capital increase resolved by the Extraordinary Shareholders' Meeting on 27 April 2009.

20 Financial assets

	30/06/09	31/12/08	Change
Loan receivables from associated companies and other	8,618	8,466	152
Receivables for mortgages to be collected and advanced commissions	503	109	394
Fixed income securities	22	22	0
Total	**9,143**	**8,597**	**546**

The item "loan receivables from associated companies and other" comprises the following loans, non-interest bearing or regulated at rates in line with the market, granted by the Parent Company to the following companies:

- Set Spa, Euro 4,815 thousand;
- Oikothen Scarl, Euro 1,804 thousand;
- Sei Spa, Euro 1,999 thousand.

The increase of Euro 152 thousand compared with 31 December 2008 is due to the increase in the loan granted to associated company Sei Spa.

"Receivables for mortgages to be collected and advanced commissions" relate to the Parent Company and the increase compared with the previous year is due to the recording of receivables for advanced payments of bank commissions (upfront fees) to some banks.

21 Deferred tax assets

	30/06/09	31/12/08	Change
Prepaid tax assets	53,064	48,571	4,493
Receivables for prepaid tax assets due to IAS/IFRS	13,308	11,758	1,550
Total	**66,372**	**60,329**	**6,043**

As at 30 June 2009, deferred tax assets amount to Euro 66,372 thousand (Euro 60,329 thousand as at 31 December 2008). Prepaid tax assets are generated from the temporary differences between balance sheet profit and taxable income, mainly on the taxed provision for bad debts, write-down of investments and taxed provisions for risks and charges.

Receivables for prepaid tax assets due to IAS/IFRS effects are reported separately. In particular, the following should be noted:

	30/06/09	31/12/08	Change
IAS 38 Intangible Assets	584	911	-327
IAS 37 Restoration of third party assets and post-closure landfills	1,157	1,201	-44
IAS 16 Fixed Assets	199	186	13
IAS 17 Financial leasing	16	16	0
IAS 19 Employee leaving indemnity and employee benefits	1,095	1,125	-30
IAS 39 Derivatives	10,257	8,319	1,938
Total	**13,308**	**11,758**	**1,550**

22 Financial instruments - derivatives

Non-current Assets / Liabilities € / 000	Underlying asset/liability hedged	No. active contracts	Notional	Fair Value Assets	Fair Value Liabilities
Interest rate hedges					
- Interest Rate Swaps	Loans	5	61.5 m	532	
- Interest Rate Swaps	Loans	21	743.4 m		34,264
Total				**532**	**34,264**

Current Assets / Liabilities € / 000	Underlying asset hedged	No. active contracts	Notional	Asset Fair Value	Liability Fair Value
Derivatives on commodities					
- Swaps	Energy price	84	6,62,1,592 MWh	72.311	
- Swaps	Fuel formula	10	961,915 MWh	12.910	
- Swaps	Energy price	94	7,172,663 MWh		61.131
- Swaps	Fuel formula	12	979,260 MWh		8.711
- Swaps	Crude oil	12	315,000 BBL	2.509	
- Swaps	Commodities	60	284,300 TON	14.663	
- Swaps	EUR/USD exchange rate	10	32,200,000 USD	1.743	
- Swaps	Foreign Gas Hubs	2	158,748 MWh		3.554
- Swaps	Crude oil	43	337,100 BBL		2.003
- Swaps	Commodities	106	345,600 TON		15.109
- Swaps	EUR/USD exchange rate	31	102,900,000 USD		5.024
- Swaps	Electricity formulas	1	468,202 MWh	5.010	
- Swaps	Energy price	74	3,150,972 MWh	9.187	
- Swaps	Energy price	183	9,647,693 MWh	109.226	
- Swaps	Energy price	195	11,105,128 MWh		119.865
- Swaps	Energy price	41	2,589,495 MWh		8.181
- Swaps	Electricity formulas	336	1,743,364 MWh	26.329	
- Swaps	Gas formulas	35	28,842,522 MC	3.204	
- Swaps	Electricity formulas	5	2,495 MWh		8
- Swaps	Gas formulas	5	3,425,998 MC		69
Total				**257.092**	**223.655**

Derivative financial instruments classified under non-current assets total Euro 532 thousand (Euro 241 thousand at 31 December 2008), and are all interest rate derivative instruments. Derivative financial instruments classified under non-current liabilities total Euro 34,264 thousand (Euro 23,571 thousand at 31 December 2008) and are also interest rate derivatives.

The reduction in the fair value compared with the previous year is predominantly due to the especially unfavourable trend (in the context of hedges entered into) in interest rates.

Derivative financial instruments classified under current assets total Euro 257,092 thousand (Euro 300,387 thousand at 31 December 2008), and refer to the positive fair values derived from the valuation of derivative contracts on commodities existing at the period end date and adjustment to the fair value of physical contracts related to said derivative contracts.
Derivative financial instruments classified under current liabilities total Euro 223,655 thousand (Euro 295,309 thousand at 31 December 2008), and refer to the negative fair values derived from the valuation of derivative contracts on commodities existing at the date of the period in question and adjustment to the fair value of physical contracts related to said derivative contracts.

The significant increase in the value of assets and liabilities compared with 31 December 2008 is attributable to various factors: while activities relating to the concentrated risk portfolio (initiated to manage commodity and exchange rate risk hedging activities through the de-structuring of formulas, netting of positions and macro-hedging) stabilised after the considerable increase in the past year, the need to maintain electricity trading activity at the same levels was re-confirmed, with contracts with a yearly duration, expiring by the end of the financial year. As a result these operations were open at 30 June 2009 and were valued accordingly.
The increase in the fair value of contracts valued under hedge accounting is due to the new contract with GSE relative to CIP 6, issued in the first quarter of the year, which generated positive fair values up until the end of the period.

The fair value used as the basis for the valuations of interest rate swaps derives from market prices; in the absence of market prices, the method of discounting back future cash flows is used, taking the interest rate curves as reference. The fair value of the derivative contracts on commodities are calculated in accordance with market prices. All derivative contracts stipulated by the Group are with leading institutional counterparties.

The interest rate derivatives in existence as at 30 June 2009 can be divided into the following classes (amounts in thousands of €):

Interest rate hedges	Underlying	Notional	Asset Fair Value	Liability Fair Value	Income	Charges
- Hedge Accounting	Loans	670.3 m	0	32,738	667	6,266
- Non Hedge Accounting	Loans	134.6 m	532	1,526	545	781
Total			**532**	**34,264**	**1,212**	**7,047**

The interest rate derivatives in the form of interest rate swaps recorded under hedge accounting have a residual notional amount of Euro 670.3 million against variable rate mortgage loans of a similar amount. Income and charges associated with interest rate derivatives in the hedge accounting mainly relate to realised cash flows. As already illustrated previously with regard to the reduction in fair value, the increase in net financial charges compared with the same period in the previous year (see note 13 Financial income and charges) is predominantly due to the unfavourable trend (in the context of hedges entered into) in interest rates.

The inefficiency portion for this class of interest rate derivatives led to the recording of net charges totalling Euro 216 thousand in the income statement. All the hedging relationships between the aforementioned derivatives contracts and the related underlying liabilities are qualified as "Cash Flow Hedges". A dedicated provision of Euro 21.1 million has been posted in the shareholders' equity. The remaining interest rate derivatives not in the hedge accounting have a notional residual value of Euro 134.6 million; most of these contracts are the result of mirroring operations carried out in previous years as part of a restructuring of the derivatives portfolio.

Please refer to the explanations in note 30 with regard to the incorporated derivatives.

The derivatives on commodities as at 30 June 2009 can be divided into the following classes (amounts in thousands of €):

Derivatives on commodities	**Asset Fair Value**	**Liability Fair Value**	**Income**	**Charges**
- Hedge Accounting	5,010	0	429	2,012
- Non Hedge Accounting	252,082	223,655	218,252	192,068
Total	**257,092**	**223,655**	**218,681**	**194,080**

The derivatives on commodities recorded in the hedge accounting are represented by one swap contract on electricity prices and has a residual notional amount of 468,202 MWh.

Derivatives on commodities recorded in non-hedge accounting also include contracts entered into with substantial hedging objectives. These contracts, which under strict criteria set down in the international standards cannot be dealt with under hedge accounting, nevertheless generate income and charges relating to the higher/lower costs of purchasing raw materials and as such are classified as operating costs.

In total, these derivatives generated Euro 218,681 thousand in income and Euro 194,080 thousand in charges in the first six months of 2009, with a positive net effect on the income statement of Euro 24,601 thousand.

Interest rate risk

The Group's financial requirements are met also by turning to outside resources in the form of debt. The cost of the various forms of borrowing can be affected by the changes of the market interest rates, with a consequent impact on the entity of the net financial charges.

To mitigate the interest rate volatility risk, the Group has stipulated derivative instruments on rates against part of its financial liabilities.

Market risk

In relation to the wholesale activities carried out by the subsidiary Hera Trading Srl, the Group must handle the risks associated with the misalignment between the index-linking formulas relating to the purchase of gas and electricity and the index-linking formulas linked to the sale of said commodities, including therein fixed price contracts stipulated.

With reference to those risks, the Group objective is to lessen the risk of fluctuation in the forecast budget margins. The instruments used for managing price risk, both with regards to the price of the goods and the related Euro/Dollar exchange rate, are carried out through commodity-swap agreements, aimed at pre-establishing the effects on the sales margins irrespective of the changes in the afore-mentioned market conditions.

Even though these transactions are basically put in place as hedges, they do not always comply with the strict requirements of IAS 39 and cannot be accounted for under hedge accounting.

23 Inventories

	30/06/09	31/12/08	Changes
Raw materials and stocks	39,045	54,194	-15,149
Semi-finished products	116	247	-131
Finished products	610	218	392
Advance payments	6,030	6,076	-46
Total	**45,801**	**60,735**	**-14,934**

The inventories as at 30 June 2009 are stated net of the obsolescence allowance amounting to Euro 562 thousand (Euro 702 thousand as at 31 December 2008). Inventories of raw materials and stocks are made up mainly of spare parts and equipment used for the maintenance and running of operating plants and gas stocks. The decrease compared with 31 December 2008 is due to lower stocks of natural gas due to the seasonal nature of the business.

The item “Advance payments", amounting to Euro 6,030 thousand, relates to advance payments on gas supply.

24 Trade receivables

	30/06/09	31/12/08	Changes
Receivables from customers	617,751	506,534	111,217
Receivables from customers for invoices to be issued	486,970	616,201	-129,231
Receivables from associated companies	4,008	38,560	-34,552
Total	**1,108,729**	**1,161,295**	**-52,566**

As at 30 June 2009, trade receivables stood at Euro 1,108,729 thousand (Euro 1,161,295 thousand at 31 December 2008) and include estimated consumption for the portion pertaining to the period, relating to bills and invoices that will be issued after 30 June 2009. The balances are shown net of provisions for doubtful receivables of Euro 58,219 thousand (Euro 52,010 thousand at 31 December 2008), which is considered to be appropriate and prudent in relation to the presumed realisable value of said receivables.

The following shows changes to provisions for doubtful receivables during the year.

	31/12/08	Change in the scope of consolidation	Provisions	Uses and other movements	30/06/09
Provision for doubtful receivables	52,010	218	7,946	-1,955	58,219

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on historic analyses of the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the next paragraph “credit risk”.

The change in the scope of consolidation for Euro 218 thousand includes:

- Euro 75 thousand, Acantho Spa;
- Euro 143 thousand, Satcom Spa.

The item “receivables from associated companies” fell by Euro 34,552 thousand compared to 31 December 2008.

The most significant changes relate to companies Acantho Spa, Satcom Spa and Modena Network Spa, amounting to Euro 27,629 thousand and Set Spa for Euro 5,832 thousand.

Credit risk

The carrying amount of trade receivables in the annual report is the theoretical maximum exposure to credit risk of the Group as at 30 June 2009. Even if not standardised, there is a procedure for providing credit to customers that provides for individual evaluations to be made. This modus operandi makes it possible to reduce the concentration and exposure to credit risk posed by both “business” and “private” customers.

Analyses are periodically made of the credit standings still open so as to single out any critical issues. If the single positions are fully or partially non-recoverable, they will be written down. With regard to the receivables that do not undergo individual write-downs, allocations are made on the basis of historic analysis for the receivables regarding the general body of the customers (in relation to the aging of the receivables, the type of recovery action undertaken and the status of the creditor).

25 Contract work in progress

	30/06/09	31/12/08	Change
Contract work in progress	20,706	21,704	-998
Total	**20,706**	**21,704**	**-998**

Contract work in progress relates to long-term orders for plant works.

26 Financial assets

	30/06/09	31/12/08	Change
Receivables for mortgages to be collected	372	407	-35
Financial receivables from associated companies	4,898	0	4,898
Securities in the portfolio and financial policies	6,794	6,794	0
Receivables for loans granted to others	578	454	124
Total	**12,642**	**7,655**	**4,987**

The item "financial receivables from associated companies" comprises the following interest-bearing loans granted by the Parent Company to the following companies:

- Set Spa, Euro 152 thousand;
- Tamarete Emergia Srl, Euro 4,722 thousand;
- Sei Spa, Euro 24 thousand.

The item "securities in the portfolio and financial policies" comprises insurance and investment policies totalling Euro 2,789 thousand and subscriptions of bonds and other securities amounting to Euro 4,005 thousand.

27 Other current assets

	30/06/09	31/12/08	Change
Guarantee deposits	21,935	20,960	975
VAT, excise duties and additional payments	5,680	10,723	-5,043
Energy efficiency bonds and emissions trading	33,495	22,352	11,143
Equalisation fund for the gas and electricity sector for standardisation and continuity income	9,822	7,625	2,197
Advances for direct taxes	10,077	3,271	6,806
Withholdings on interest	208	115	93
Sundry tax receivables	8,605	5,180	3,425
Contributions	6,842	8,233	-1,391
Advances to suppliers/employees	6,033	6,093	-60
Receivables from social security institutions	553	986	-433
Insurance reimbursements	11	144	-133
Other receivables	66,635	47,943	18,692
Total	**169,896**	**133,625**	**36,271**

Guarantee deposits include:

- the deposit made to Acosea Impianti Srl for Euro 12,000 thousand;
- other lesser amounts to public bodies and companies for Euro 2,247 thousand;
- deposits to the Ufficio Tecnico Erariale (Fiscal Office – Technical Division) for Euro 2,095 thousand;
- deposits to the GSE for Euro 5,028 thousand.

With regards to VAT receivables for excise duties and additional payments, as at 30 June 2009 a decrease was noted when compared with 31 December 2008.

In particular, VAT which showed a net credit at Group level at 31 December 2008 amounting to Euro 3.6 million, showed a debt of Euro 12 million as at 30 June 2009.

With regards to gas and electricity excise duties (and additional components), the net debt position at Group level increased from Euro 52.5 million at 31 December 2008 to Euro 75.4 million at 30 June 2009.

To understand these changes, particularly with regards to excise duties and additional components, note must be taken of the procedures that regulate financial relations with the Tax Authorities. In particular, advance payments during the year were calculated according to quantities of gas and electricity billed in the previous year. Using these methods, credit/debt positions can be generated with differences that are also significant between one period and another. In addition, as at 30 June, with regards to gas, the debt position felt the effects of quantities invoiced in the winter period. Considering the aforementioned and also taking into consideration the increase compared with the corresponding period in the previous year, in terms of volumes of electricity sold, the aforementioned changes can be explained.

The item “Energy efficiency bonds and emissions trading” is composed of:

- green certificates, Euro 12,673 thousand;
- white certificates, Euro 16,514 thousand;
- grey certificates, Euro 4,308 thousand;

The increase compared with 31 December 2008 is due mainly to the green certificate category, as a result of higher quantities of electricity produced by waste-to-energy plants.

With regards to the position concerning the “equalisation fund of the electricity sector”, the increase in receivables is related to the new tariff system, as part of gas distribution activities, introduced by Resolution 158/08. Based on said procedure, the recovery of revenues has been forecast, deriving from the comparison between the restriction on permitted revenues, regardless of the volumes supplied, and quantities actually invoiced.

The item “Advances for direct taxes” (IRES and IRAP – Corporate Income Tax and Regional Income Tax) amounting to Euro 10,077 thousand are made up mainly of advance payments made.

"Sundry tax receivables”, totalling Euro 8,605 thousand, primarily comprise tax receivables relating to district heating. The increase over 31 December 2008 is attributable to the fact that, based on art. 1, paragraph 52 of Law no. 244 dated 24 December 2007, as of 1 January 2008, said receivable can be used up to the annual limit of Euro 250,000; the excess can be compensated from the third year after the year in which the surplus was generated.

“Receivables for contributions”, amounting to Euro 6,842 thousand, chiefly relate to payments to a sinking fund by various Entities, but still to be collected.

"Other receivables" for Euro 66,635 thousand, predominantly include the following amounts:

Other	30/06/09	31/12/08	Change
Advance costs for substitution taxes	4.532	5.431	-899
Receivables from CCSE for advance payments on electrical components	12.623	10.254	2.369
Insurance costs	619	2.884	-2.265
Consorzio Ami (Ami Consortium)	2.318	2.318	0
Advance costs for charges, bank commissions and surety expenses	1.247	1.458	-211
Receivables from communes for tax moratorium	1.151	1.783	-632
Receivables of assets from associated companies	1.731	1.731	0
Advance costs for purchase of raw materials	1.581	1.635	-54
Receivables for disposal of equity investments	1.380	1.123	257
Rent liabilities and taxes for occupation of spaces and public areas	535	7	528
Rent liabilities and and rent for network services under concession	6.515	1.268	5.247
Suspended costs for wages, salaries, indemnities and contributions	7.104	475	6.629
Suspended costs for waste disposal	1.527	1.243	284
Suspended costs for "door to door" and "waste management system" campaign	917	1.101	-184
Suspended costs for services, external works and organisational consultancy	2.175	1.295	880
Receivables from Federambiente and Federgasacqua	510	390	120
Other receivables	20.170	13.547	6.623
Total	**66.635**	**47.943**	**18.692**

The most significant changes compared with 31 December 2008 relate to:

- "suspended costs for wages, salaries, indemnities and contributions" regarding the accrual of the fourteenth month payment, not accrued in past periods;
- "rent liabilities and rent for network services under concession", relating to rentals debited by the ATOs, not accrued in past periods.

The reclassification carried out during the first half of 2009 within certain items in the "other current assets" table is shown below:

	31/12/2008 published	reclassification	31/12/2008 reclassified
Equalisation fund for the gas and electricity sector for standardisation and continuity income	11,715	-4,090	7,625
Energy efficiency bonds and emissions trading	0	22,352	22,352
Advances to suppliers/employees	5,856	237	6,093
Other receivables	66,442	-18,499	47,943
Total	**84,013**	**0**	**84,013**

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28 Cash and cash equivalents

Cash and cash equivalents totalled Euro 157,623 thousand as at 30 June 2009 (Euro 193,635 thousand as at 31 December 2008) and include cash, cash equivalent effects, bank cheques and drafts held in central and decentralised accounts for a total of Euro 230 thousand, plus bank and financial institution deposits available for current transactions and post office accounts totalling Euro 157,393 thousand.
With regards to the change compared with 31 December 2008, refer to the cash flow statement.

29 Share capital and reserves

Share capital

The share capital as at 30 June 2009 amounts to Euro 1,032,737,702, is fully paid in and is represented by 1,032,737,702 ordinary shares with a par value of Euro 1 each.

Provision for treasury shares

The item "provision for treasury shares at par value" exhibited a negative value of Euro 2,080 thousand; it represents the number of treasury shares in the portfolio as at 30 June 2009 and is to be considered to reduce share capital. The "reserve for gains/losses on sale of treasury shares" and "provision for treasury shares exceeding par value" are recorded among the shareholders' equity reserves for a positive value of Euro 180 thousand and a negative value of Euro 1,436 thousand, respectively. These reserves, established in compliance with the accounting standards of reference, reflect the treasury shares owned as at 30 June 2009. The change during the year generated losses amounting to Euro 625 thousand, attributed directly to shareholders' equity reserves.

Provisions

The provisions item, for Euro 430,519 thousand, includes the following provisions:

- "legal", Euro 22,928 thousand,
  "extraordinary", Euro 13,593 thousand,
  "revaluation", Euro 2,885 thousand,
- "share premium", Euro 15,269 thousand,
  "capital account payments", Euro 5,400 thousand,
- "retained earnings", Euro 59,270 thousand,
- "share swap surplus", Euro 42,408 thousand,
- "IFRS 3 provision", Euro 180,076 thousand, deriving from the operations to integrate Agea SpA, Meta SpA, Geat Distribuzione Gas SpA and Sat SpA;
- "IAS/IFRS provisions", Euro 88,432 thousand, generated after adoption of international accounting standards;
- "reserve for dividends received on treasury shares", Euro 258 thousand.

Cash Flow Hedge Provision

As at 30 June 2009, this was a negative Euro 21,107 thousand due to changes brought about by the valuation at fair value of reference derivatives.

The statement of changes in shareholders' equity is shown in section 2.04 of these consolidated financial statements.

30 Banks and medium/long and short-term loans

At 30 June 2009, medium/long-term loans stood at Euro 1,549,705 thousand (Euro 1,560,658 thousand at 31 December 2008), mainly represented by mortgages and loans for Euro 547,531 thousand and bonds for Euro 1,002,174 thousand.

Medium/long-term amounts due to banks also include loans subscribed by the subsidiary Fea Srl for a total of Euro 71,000 thousand. These loans are guaranteed by mortgages and special privileges for the banking pool underwriting the loan. Repayment, due on 30 June 2019, is established under contract in half-yearly floating rate instalments indexed to the 6-month Euribor rate.

The list below shows the main mortgages existing as at 30 June 2009:

Lender	***Residual amount 30/06/2009***	***Portion due within the year***	***Portion due by the 5th year***	***Portion due after the 5th year***
UNICREDIT BANCA	41.050	5.550	14.050	21.450
BANCA INTESA	16.420	2.220	5.620	8.580
BANCA INTESA	8.210	1.110	2.810	4.290
BANCA POPOLARE DI MILANO	16.420	2.220	5.620	8.580
BANCA INTESA	5.938	594	5.344	0
EFIBANCA	6.197	1.033	4.132	1.033
CASSA DI RISPARMIO DI CENTO	5.510	518	2.395	2.597
BANCA DI ROMAGNA	2.532	375	2.157	0
BANCA DI IMOLA	1.640	576	1.064	0
CASSA DI RISPARMIO DI CESENA	738	91	332	314
BANCO DI SARDEGNA	9.864	921	5.185	3.758
CASSA DEPOSITI E PRESTITI	173	14	84	74
BANCA INTESA	3.505	235	1.275	1.996
CARIM S.P.A.	3.870	385	2.195	1.290
BANCA DELLE MARCHE	16.659	801	4.056	11.802
BANCA DELL'ADRIATICO SPA	755	161	275	319
CARIFANO SPA	935	174	761	0
B.CR. COOPERATIVO DEL METAURO	410	83	327	0
BANCA NAZIONALE DEL LAVORO	12.000	1.500	6.000	4.500
B.CR. COOPERATIVO RAVENNATE E IMOLESE	5.109	2.356	2.078	675
B.CR. COOPERATIVO RAVENNATE E IMOLESE	1.916	167	790	959
BANCA DI BOLOGNA	820	76	744	0
UNICREDIT	4.210	593	2.568	1.049
BANCA POP. VERONA E NOVARA	360	360	0	0
UNICREDIT	375	125	250	0
UNICREDIT	1.900	1.900	0	0
BANCA INTESA	12.000	1.050	10.950	0
BANCA DELLE MARCHE	412	201	211	0
BANCA INTESA	74.377	26.342	39.289	8.746
BANCA POP RAVENNA	44	44	0	0
BANCA POP. VERONA E NOVARA	1.199	799	400	0
BEI	180.000	0	0	180.000
CARISBO	4.202	894	3.308	
CASSA DEPOSITI E PRESTITI	21.792	3.627	9.349	8.816
CASSA DI RISPARMIO DI CESENA	2.106	263	1.014	828
CASSA DI RISP. DI RAVENNA	1.751	99	387	1.265
DEXIA CREDIOP	35.714	7.143	25.000	3.571
FON SPA	3.726	607	2.367	752
ISTITUTO SAN PAOLO	1.450	352	252	846
MONTE DEI PASCHI DI SIENA	5.730	2.240	3.491	0
UNICREDIT BANCA	3.385	1.891	1.494	0
Total	**515.404**	**69.690**	**167.624**	**278.090**

On 16 February 2006, Parent Company Hera Spa issued a Euro 500 million 10-year eurobond repayable in full on maturity. The loan is regulated by 4.125% fixed rate annual warrants.

The Parent Company also issued or underwrote the following bonds or loans.

- 17 May 2007, Euro 100 million put bond, entirely underwritten by Deutsche Bank AG London;
- 2 August 2007, an extendable put bond for Euro 200 million, entirely underwritten by BNP Paribas;
- 13 November 2007, an extendable step-up put loan for Euro 50 million with Royal Bank of Scotland Plc;
- 28 November 2007, an extendable step-up put loan for Euro 50 million with Barclays Bank Plc.

In 2008 Hera Spa issued another bond defined as “puttable, callable, resettable bond” in agreement with Banca Imi, Bnp Paribas and The Royal Bank of Scotland, for Euro 200 million, which can be increased to Euro 250 million, expiring in 2031. For a more complete picture of said operations, refer to the information in the chapter "financial policy and ratings" in the report on operations. The terms of exercising the put and call options set out in the structure and given to third parties, show how the operation on the whole is, in substance, a fixed-rate loan, both in the first three years, and subsequent years in the event of exercise of the call option, without prejudice to the possibility of early redemption in the event of exercise of the put option by bondholders. The contractual terms of said bond are therefore similar to other “put bonds” stipulated by the Group; thus it was necessary to record said loan at amortised cost in line with the same methods adopted for the abovementioned and essentially similar loans.

The abovementioned bonds and loans also include put options with the requisite features not to be valued autonomously, in accordance with IAS 39, paragraph AG30, point g. Given this, valuation according to the amortised cost of these operations led to the posting of interest liabilities of Euro 5,238 thousand.

As at 30 June 2009, short-term loans totalled Euro 398,127 thousand (Euro 204,818 thousand as at 31 December 2008) and include payables to banks and other lenders.

Liquidity risk

Liquidity risk consists of the impossibility to cope with the financial obligations taken on due to a lack of internal resources or an inability to find external resources at acceptable costs.
Liquidity risk is mitigated by adopting policies and procedures that maximise the efficiency of management of financial resources. For the most part, this is done with the centralised management of incoming and outgoing flows (centralised treasury service); in the prospective assessment of the liquidity conditions, in obtaining adequate lines of credit and preserving an adequate amount of liquidity.
Current cash and cash equivalents and credit facilities, in addition to the resources generated by the operating and financing activities are deemed sufficient to meet future financial needs. As at the balance sheet date, there are unused credit lines totalling Euro 929,047 thousand.

31 Provision for employee leaving indemnity and other similar benefits

This includes allocations to employees for leaving indemnity and other contractual benefits, net of advances paid, and payments made to social security institutions in accordance with the law in force. The calculation is made using actuarial methods and discounting future liabilities at the date of the balance sheet. These liabilities comprise the matured receivables of the employee at the presumed date of leaving the company.

The item “gas discount” represents annual indemnities provided to Federgasacqua employees, hired prior to January 1980, which may be transferred to their heirs. Premungas is a supplementary pension fund for Federgasacqua employees recruited before January 1980. This fund was closed with effect from January 1997 and changes quarterly to settle payments made to eligible retirees. For both cases, recalculations have been made, using the same actuarial techniques applied for employee leaving indemnity.

The tariff reduction provision has been provided to cover the charges deriving from the acknowledgement to retired staff of tariff concessions for electricity consumption.

	31/12/08	Provisions		Uses and Other Movements	Changes in the scope of consolidation	30/06/09
		provisions	financial charges			
Employee leaving indemnity provision	96,906	288	1,342	-3,428	626	95,734
Gas discount	2,690	4	38	-141		2,591
Premugas Fund	2,787	86	56	-226		2,703
Provision for tariff reduction	3,405	70	68	- 272		3,271
Total	**105,788**	**448**	**1,504**	**-4,067**	**626**	**104,299**

The item “changes in the scope of consolidation” includes the value of employee leaving indemnity to 1 January 2009 of companies Acantho Spa and Satcom Spa, consolidated on a line-by-line basis.

The item “Uses and other movements” mainly includes the amounts paid to employees.

The main assumptions made in the actuarial estimate of employee benefits are as follows:

	30/06/09	31/12/08
Discounting rate, average	4.86%	4.68%
Rate of increase in the cost of labour, average	3.50%	3.50%

32 Provisions for risks and charges

	31/12/08	Provisions		Uses and Other Movements	Changes in the scope of consolidation	30/06/09
		Provisions	Financial charges			
Provision for restoration of third party assets	80.476	7.250	3.898	-2	-	91.622
Landfill closure and post-closure costs provision	79.266	1.608	2.614	-2.549	-	80.939
Provision for staff disputes and legal costs	14.856	368	-	-551	-	14.673
Other provisions for risks and charges	19.191	3.093	-	-4.309	181	18.156
Total	**193.789**	**12.319**	**6.512**	**-7.411**	**181**	**205.390**

The **provision for the restoration of third party assets** equal to Euro 91,622 thousand includes the provisions made in relation to the legal and contractual restrictions encumbering the Parent Company and subsidiary Marche Multiservizi Spa in their capacity as leaseholders of the distribution networks owned by the asset companies. The provisions have been made on the basis of the normal depreciation rates envisaged for the assets in question; rates established contractually for the purpose of compensating the lessor companies for the wear and tear of the assets used for the business activities, applied to the value of the assets received under lease.

In observance of the matters laid down by IAS 37, the provision reflects the current value of these outlays which will be determined in future periods (as a rule on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted back, and the financial charges which reflect the element deriving from the discounting back of the flows on an accruals basis.

The **landfill closure and post-closure costs provision**, equal to Euro 80,939 thousand, represents the amount set aside by the Group to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently in use. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted back in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component inferred from the discounting back procedure, while the uses represent the effective outlays which came about during the year.

"Uses and other movements" recorded a decrease of Euro 2,549 thousand relative to the use of the provision set up for closed landfills.

The **provision for staff disputes and legal costs** amounting to Euro 14,672 thousand reflects the assessments of the outcome of lawsuits and disputes brought by employees.

The provision also includes Euro 5,721 thousand relating to ongoing litigation with the INPS (national social welfare institute) over the payment of contributions on social security benefits (CIG, CIGS, mobility) and on the reduction of contribution rates for family allowances (CUAF) and for the maternity contribution with regard to employees governed by the electricity sector collective labour agreement in the Modena area.

Developments in the INPS dispute are shown below.

Involuntary unemployment. Regarding involuntary redundancy, the Employment Ministry issued a decree on 7 March 2008 granting an exemption from payment of this contribution by Hera SpA and all its subsidiaries, with effect from the date of Hera's creation (1st November 2002). In line with the Decree, the INPS offices in Forlì, Ferrara, Rimini and Modena are providing for the relief of files still suspended regarding the portion of unemployment contributions they contain; the relief granted up to now stands at Euro 1,600 thousand. The risk of payment to the INPS of unemployment contributions was therefore eliminated, at least up until the end of 2008. In this light, provision has been made in the course of 2008 to reduce the provision of Euro 515 thousand already set aside as at 31 December 2007. With effect from 1 January 2009, Legislative Decree 112/2008 waived all exemptions potentially conceded and the Hera Group will therefore have to pay the contribution.

Sick-leave for blue collar workers. The aforementioned Legislative Decree 112/2008 gives an authentic interpretation of Law 138/1943, article 6, according to which all lawsuits to date are considered null and void. This means that all claims filed by the INPS are no longer valid, given that the Hera Group began paying sickness contributions at 1 January 2005. As a result, during 2008, provision was made to reduce the provision already set aside as at 31 December 2007 by Euro 327.5 thousand.

CIG, CIGS and mobility. In relation said instruments, the exclusion is supported not only by specific legal norms but by the fundamental consideration that the social security benefits are effectively unusable since the Hera Group runs essential services which must be constantly ensured. By contrast, the INPS believes that the transformation into a joint-stock company and the transfer to private parties of even a portion of the share capital, supports the belief that the contributory obligation is enforceable. The Group claim was accepted in 2004 by order of the Court of Genoa, but was later overturned by the court of appeal in November 2005. In December 2006 the Ravenna Employment Tribunal upheld two petitions for Hera Ravenna Srl and Hera Spa and declared the contributions for involuntary unemployment, CIG, CIGS and mobility to be not due, unlike what INPS claimed.

The claim before the Court of Cassation is pending for Hera Spa following an inspection Amir Spa promoted in 2000. We await the publication of the judgment.

With its message no. 18089 of 10 July 2007, INPS ordered that, according to the principles stated in circular no. 63/2005, the contribution obligation for CIG, CIGS and mobility was to go into effect on the very date the circular was issued, i.e. May 2005. This is in compliance with the orientation the Council of State expressed (opinion no. 65 of 8 February 2006 referring to Enel Spa) regarding the non-retroactivity of the contribution obligations referred to in the circular. Actually, despite the fact that the literal tone of the message seems to undoubtedly regard the industrial companies of the public institutions (former municipal enterprises) as well, INPS - in latching on to circular 63/2005 – maintained that the message takes on its area of application, thereby referring only to Enel Spa, and asserts this in court. Afterwards, on 5 February 2008, the Employment Ministry intervened with a message addressed to the INPS General Management. It stated that the conclusions the Council of State reached regarding the non-retroactivity prior to May 2005 of the contribution obligation for CIG, CIGS and mobility by necessity are general and unequivocal in order to protect the unavoidable principle of “par condicio” amongst market operators. Therefore, they also apply to the industrial companies of the public institutions (which the Hera Group also is part of).

Family allowances (CUAF) and maternity contribution. The contribution differential that service companies have to pay for personnel registered with INPDAP is equivalent to a total of 4.29% more than what has to be paid for INPS personnel.
This higher rate is a serious penalisation for the “former municipal enterprises” with respect to other market operators. On several occasions, Confservizi has brought this lack of contribution harmonisation, which is a consequence of Law 335/1995, to the attention of the Ministry of Labour, which in turn consulted the Council of State. The Council deemed a special legislative initiative necessary (circular no. 88 of 31 May 2004), which rules out the possibility of an administrative solution. In spite of Confservizi’s efforts to push through this legislative initiative, as of today no result is yet to be seen.

With regard to only the INPDAP personnel regulated by the electricity sector collective labour agreement, litigation consequent to interpretation of art. 41 of Law 488/1999 (Finance Law of 2000) is pending. The litigation concerns only the Modena territory, as it arises from Meta Spa. Following a comparison made at the time with the Modena INPS Insurance Positions Management Office, the former Meta Spa applied reduced rates starting in 2001, at the same time it requested reimbursement of the greater contributions it had paid in, but which were not due, regarding financial year 2000 (reimbursement that then was actually made between 2001 and 2002).
As from November 2003, however, INPS served the notices by means of which it requested the payments of the contributions at the full rate, completely amending the interpretative position previously adopted, deeming that the reduction of the CUAF and maternity rates owed by the electricity sector was not applicable for the workers enrolled with INPDAP. On the other hand, this reduction is peaceably applied for the Enel Spa Group companies.

In view of the information reported in this paragraph, and in particular the positive developments regarding the “involuntary unemployment and sick-leave” contribution, a fund has been set aside of Euro 5,721 thousand to cover liabilities deriving from files already paid and suspended files amounting to roughly Euro 20 million; this amount does not include the files received for unemployment and sick-leave contributions. This fund is deemed to be appropriate, in view of both the likely development of the litigation and the opinions of the appointed legal advisors.

The **provision for risks and charges**, amounting to Euro 18,156 thousand, comprises provisions made against sundry risks. A summary breakdown of the main items is shown below:

- Euro 7,343 thousand, relate to the portion of MIS, continuity expenses and standardisation of the electricity service, for Euro 2,147 thousand on spending on restoration of freely transferable assets of the Rosola aqueduct system under concession, Valle Savio fund and other provisions for risks, for essentially a modest amount tied to environmental problems for Euro 3,980 thousand and to various other provisions amounting to Euro 1,216, all of a modest amount.

- Euro 2,788 thousand for "electricity tariff self-certification". This provision is calculated in accordance with Resolution 204/99 et seq. of the Gas and Electricity Authority, which stipulates that any operator, for any type of use, must self-certify the "surplus" revenues pertaining to the year, using a calculation procedure that will be determined by 31 July of the next year. These "surplus" revenues must then be reimbursed to customers.
- Euro 2,212 thousand, refers to the provision made in relation to the potential effects of resolution AEEG 89/08 (former 79/07), which stipulates, for any companies selling gas, a payment to former OTB end customers (basic tariff option), in the relevant period, i.e. the first half of 2006. Said companies are required to pay a portion of said expenses from wholesale sellers, in addition to the amount renegotiated with shippers regarding the pre-existing raw materials supply conditions. The amount set aside as at 30 June 2009 corresponds with the more prudential scenario, the decrease compared with the previous period is due to the repayments made to active customers.
- Euro 950 thousand relates to the provision for the cost of disposal of waste stored at some Group plants.

33 Deferred tax liabilities

	30/06/09	31/12/08	Change
Deferred tax payables	4,996	5,289	-293
Other deferred IAS/IFRS taxes	124,388	116,165	8,223
Total	**129,384**	**121,454**	**7,930**

Deferred tax liabilities are generated by temporary differences between balance sheet profit and taxable income. Deferred tax payables generated by IAS/IFRS effects are reported separately. These liabilities refer to application of the following standards:

	30/06/09	31/12/08	Change
IAS 37 Restoration of third party assets and post-closure of landfills	32,228	34,152	-1,924
IAS 16 Fixed assets	68,909	69,521	-612
IAS 17 Financial leasing	5,364	5,158	206
IAS 19 Employee leaving indemnity and employee benefits	5,258	5,185	73
IAS 39 Derivatives	12,629	2,149	10,480
Total	**124,388**	**116,165**	**8,223**

34 Financial leasing payables

	30/06/09	31/12/08	Change
Financial leasing payables	20,002	15,912	4,090
Total	**20,002**	**15,912**	**4,090**

The item includes leasing payables after booking of leasing operations using the financial method. The change compared with the previous year is due to the combined effect of:

- Euro 6,465 thousand, representing an increase, following the line-by-line consolidation of Acantho Spa;
- Euro 2,375 thousand, representing a decrease, following the payment of rentals accrued during the period.

The balance as at 30 June 2009 is shown below, broken down between the short-term and long-term portions.

	residual amount	short-term	long-term
Financial leasing payables	20,002	6,197	13,805
Total	**20,002**	**6,197**	**13,805**

35 Trade payables

	30/06/09	31/12/08	Change
Payables due to suppliers	496,279	494,966	1,313
Payables due to suppliers for invoices to be received	397,475	542,130	-144,655
Payables for advance payments received	13,652	10,717	2,935
Payables to non-consolidated subsidiaries	33	499	-466
Payables to associated companies	6,344	36,115	-29,771
Total	**913,783**	**1,084,427**	**-170,644**

“Payables to suppliers”, entirely commercial in nature and inclusive of sums set aside for invoices due, came in at Euro 893,754 at 30 June 2009, compared with Euro 1,037,096 thousand at 31 December 2008. The decline was mainly due to fluctuations caused by seasonal factors in purchases of raw materials.

The increase in the item “payables for advance payments received” is due mainly to the intensifying of commercial relations relating to tenders for environmental reclamation and gas supply contracts.

The main payables, all commercial in nature, to associated companies are as follows:

- Set Spa, Euro 1,955 thousand;
- Estense Global Service Scarl, Euro 933 thousand;
- Service Imola Srl, Euro 1,002 thousand;
- SoSel Spa, Euro 2,372 thousand.

The decrease compared with 31 December 2008 is due principally to the line-by-line consolidation of Acantho Spa, against which payables of Euro 16,527 thousand were recorded and the decrease in the debt owed to associated company Set Spa, for Euro 10,284 thousand.

36 Income tax liabilities

	30/06/09	31/12/08	Change
Income tax payables	60,113	27,486	32,627
Excise duties and additional payments	77,682	58,623	19,059
Employee withholdings	7,779	8,423	-644
Electricity service equalisation fund	5,163	371	4,792
VAT	15,385	997	14,388
Substitution tax	16,993	17,041	-48
Sewerage rentals	584	565	19
Other tax payables	6,912	5,667	1,245
Total	**190,611**	**119,173**	**71,438**

Comments on the main changes by comparison with the previous year are given below.

"Income tax payables" at 30 June 2009 were up compared with 31 December 2008, taking account of tax allocated to income generated during the half-year. Please also see note 15 to the income statement.

With regard to changes in payables for excise duties and additional payments, VAT, and the Electricity service equalisation fund, please refer to note 27 in assets, "other current assets". In particular, as regards the Electricity service equalisation fund, higher quantities of electricity sold in the half year should be noted.

The payable for "substitution tax", standing at Euro 16,993 thousand, reflects the option envisaged by art. 1, paragraph 48 of Law 244/2007 to which some Group companies have adhered since 31 December 2007. The decrease compared with the previous year is due to amounts paid during the year based on the payment instalment plan set out by law.

The "other tax liabilities" item refers to the ecotax amount due for the last quarter of 2008 paid in 2009.

37 Other current liabilities

	30/06/09	31/12/08	Change
Amounts due to social security institutions: INPS, INPDAP, INAIL	16,948	11,445	5,503
Other Institutions	6,725	6,136	589
Employees	25,598	21,152	4,446
Directors and Auditors	227	296	-69
Guarantee deposits	58,390	51,951	6,439
Customers	1,354	1,531	-177
Other payables	123,788	109,212	14,576
Total	**233,030**	**201,723**	**31,307**

Comments on the main changes by comparison with the previous year are given below.

“Amounts owed to social security institutions” recorded an increase compared with 31 December 2008, mainly due to the contributions set aside on wages accrued but still not paid.

“Payables to employees” take account of accrued leave not taken as at 30 June 2009, productivity bonuses and accrual of additional monthly salary payments. Likewise with social security payables, the increase compared with 31 December 2008 is predominantly due to the portions of wages accrued but still not paid.

“Payables for guarantee deposits” reflect the sums paid by customers for sub-administration gas, water and electricity contracts. The increase compared with 31 December 2008 was generated almost exclusively by payments made by customers of subsidiary company Hera Comm Srl.

The item other payables, amounting to Euro 123,788 thousand as at 30 June 2009, is mainly made up of debt positions with:

Other	30/06/09	31/12/08	Change
Equalisation fund for electricity standardisation	1.073	1.073	0
Amounts owed to shareholders in dividends	9.370	1.612	7.758
Municipalities for environmental inconvenience	4.151	3.473	678
Plant account contributions	64.102	59.979	4.123
Third party works for research/proj/cons.	4.075	4.429	-354
Other works and services	2.174	1.988	186
Insurance and exemptions	1.644	2.457	-813
Other payables	37.199	34.201	2.998
Total	**123.788**	**109.212**	**14.576**

IFRS 8: information for operational sectors

Income Statement June 2009

	Gas	En El	Water cycle	Environment	Other services	Structure	Total	Consolidated Financial Statements
Direct revenues	723,3	895,3	212,3	294,3	40,8	11,8	2.177,9	2.177,9
Infra-cycle revenues	28,8	34,0	3,7	16,7	11,6	1,5	96,2	
Total direct revenues	**752,1**	**929,3**	**216,0**	**311,0**	**52,4**	**13,3**	**2.274,1**	**2.177,9**
Indirect revenues	4,4	2,4	3,6	2,3	0,6	-13,3	0,0	
Total revenues	**756,5**	**931,7**	**219,6**	**313,3**	**53,0**	**0,0**	**2.274,1**	**2.177,9**
GOM	**90,9**	**25,9**	**59,5**	**84,3**	**10,7**	**0,0**	**271,3**	**271,3**
Amort. and dir. Prov.	26,8	9,9	25,7	38,0	8,9	18,3	127,7	127,7
Amort. and indir. Prov.	3,9	2,6	5,3	5,7	0,9	-18,3		
Total amort. and prov.	**30,7**	**12,5**	**31,0**	**43,7**	**9,8**	**0,0**	**127,7**	**127,7**
O.I.	**60,2**	**13,5**	**28,4**	**40,7**	**0,9**	**0,0**	**143,7**	**143,7**

Income Statement June 2008

	Gas	En El	Water cycle	Environment	Other services	Structure	Total	Consolidated Financial Statements
Direct revenues	601,7	631,2	206,0	285,3	36,8	22,8	1.783,7	1.783,7
Infra-cycle revenues	19,0	29,4	4,0	13,7	2,1	0,2	68,3	
Total direct revenues	**620,6**	**660,6**	**209,9**	**299,0**	**38,8**	**23,0**	**1.852,0**	**1.852,0**
Indirect revenues	4,7	1,6	5,3	10,9	0,4	-23,0	0,0	
TOTAL REVENUES	**625,4**	**662,3**	**215,2**	**309,9**	**39,2**	**0,0**	**1.852,0**	**1.852,0**
GOM	**78,0**	**25,1**	**61,6**	**85,4**	**7,6**	**0,0**	**257,6**	**257,6**
Amort. and dir. Prov.	25,9	8,4	24,0	35,0	4,2	17,4	114,9	114,9
Amort. and indir. Prov.	3,8	2,4	5,1	5,3	0,7	-17,4	0,0	
Total amort. and prov.	**29,7**	**10,8**	**29,1**	**40,4**	**4,9**	**0,0**	**114,9**	**114,9**
O.I.	**48,2**	**14,3**	**32,5**	**45,0**	**2,6**	**0,0**	**142,7**	**142,7**

Balance Sheet June 2009

	Gas	En. El.	Water cycle	Environment	Other services	Structure	Consolidated Financial Statements
Net Working Capital	8.6	-17.0	-6.5	44.7	11.4	0.0	41.1
Net Fixed Assets	737.6	494.0	1,008.9	1,072.6	162.6	250.7	3,726.3
Provisions	-121.2	-74.3	-72.2	-154.8	-13.6	-3.0	-439.1
Hera Net Invested Capital	**625.0**	**402.7**	**930.3**	**962.4**	**160.3**	**247.7**	**3,328.4**
Shareholders' equity							**1,540.0**
Net Financial Position							**1,788.4**

Reclassified Balance Sheet December 2008

	Gas	En. El.	Water cycle	Environment	Other services	Structure	Consolidated Financial Statements
Net Working Capital	-78.5	-24.0	13.4	53.3	13.0	0.0	-22.9
Net Fixed Assets	715.6	479.2	987.7	1,029.4	115.2	267.5	3,594.5
Provisions	-108.8	-70.3	-71.3	-155.4	-12.3	-2.9	-421.0
Hera Net Invested Capital	**528.3**	**384.8**	**929.7**	**927.3**	**115.9**	**264.6**	**3,150.6**
Shareholders' equity							**1,579.1**
Net Financial Position							**1,571.5**

2.08.02 Explanatory notes for related parties pursuant to Consob resolution no. 15519/2006

Service management

The Hera Group, through Parent Company Hera Spa, holds concessions of local public services of economic interest (distribution of natural gas via local gas pipelines, integrated water service and waste management services, including sweeping, collection, transport and waste recovery and disposal) in a large amount of its territory of competence and in almost all of the shareholder municipalities (provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna and Rimini). The electricity distribution service has been carried out in the Imola district, in the municipality of Modena and in the municipalities of the province of Modena acquired from the previous operator (Enel Distribuzione) since 1 July 2006.

Other utilities (district heating systems, heat management and public lighting) are provided under market conditions, i.e. through special agreements with local authorities. Through special agreements with local authorities, Hera is responsible for the waste treatment and disposal service, excluded from the regulatory activity carried out by the environmental authorities (AATO), but subject to control by the Regional Authority for water services and urban waste management.

The AATO are responsible, under regional and national legislation governing the sector, for controlling and regulating tariffs for integrated water and urban cleaning services, which were formerly managed by the concession-granting municipal authorities. However, these authorities are represented at meetings of the AATO. The Hera Group, in accordance with the aforementioned regional legislation and applicable national regulations (notably article 113 of the Consolidated Act for local bodies and sector-based regulations relating to the transferral of services to exclusive systems), drew up the appropriate agreements with the AATO, which determine the implementation of technical and tariff planning.

It should be noted that during the year, the transfer to Romagna Acque of a business unit for the management of water production plants in the AATO territories of Forlì-Cesena, Ravenna, Rimini was completed. Said operation was made possible due to art. 14 of regional law no. 25 of 6 July 1999 which stipulates that, in the presence of a subject with majority shareholding in public entities that own collection, carrying and primary distribution plants, wholesale supplier of integrated water service to several local environmental authorities, said subject can assume the direct management of said plants and networks.

Energy Sector

The duration of the concessions for the distribution of natural gas via local pipelines, initially set in ten to thirty years from the original deeds of assignment signed with Municipal Authorities, has been reviewed under Italian Decree 164/2000 (the Letta Decree, in enactment of EC directive 98/30/EC) and subsequent reform of the energy markets, referred to in the "Regulation" section of the report on the financial statements. Hera has longer residual terms than those set out for managing entities that have promoted partial privatisations and mergers. The term of the distribution concessions is no less than that forecast at the time of the flotation.

The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. The gas distribution tariffs are set in accordance with the regulations in force and with the deliberations adopted from time to time by the Authority for Electrical Energy and Gas. The area in which Hera provides gas distribution services is subdivided into "tariff zones" in which uniform distribution tariffs are applied to various customer categories.

In relation to the electricity area, the contracts (with thirty-year duration and renewable pursuant to the legislation in force) relate to the distribution of energy, including management of the distribution network, operation of the plants, carrying out of ordinary and extraordinary maintenance and planning and identification of the development interventions. Interruption, or cancellation, of the license may occur according to the judgement of the sector's authorities, in the event of non-fulfilments and breaches attributable to the company awarded the concession that seriously, and on a wide-scale, jeopardise the electricity distribution service.

The company awarded the concession is obliged to apply the tariffs set by regulations in force and resolutions adopted by the Authority for Electrical Energy and Gas to the consumers. The regulatory tariffs in force at the time of the approval of the annual financial statements to which this report is attached are contained in resolution 348/2007 ("Supplementary text of provisions for the supply of transmission, distribution and measurement of electrical energy for the regulatory period 2008-2011 and of measures for economic conditions governing the supply of connection services"), which replaced the previous system of tariff options with a single national distribution tariff.

Water Sector

Hera manages the integrated water supply service under agreements with the AATOs of varying duration (normally twenty years), for water system services, sewerage and waste treatment services. Management of water supply services includes all capture, purification, distribution and sale of drinking water for civil and industrial use. The sewerage and purification services include management of sewage networks and plants and purification plants.
The agreements also make provision for planning and building new networks and the construction of new plants for use in service management.
Hera has exclusive responsibility for service management in the regions administered by the municipal authorities engaged in the various agreements. The municipal authorities are obliged not to allow third parties to lay pipelines underneath its property or government property without the company's prior consent.

In addition, the agreements regulate other aspects such as the methods of managing the services as well as reciprocal obligations between the parties principally relating to the charges for ordinary and extraordinary maintenance work on the networks and plants necessary for the functioning of the services. Technical and economical rules are also attached to the agreements governing the features of the service, mandatory quality levels and pricing. The tariffs, fixed annually (on the basis of economic agreements covering periods of several years) in accordance with law and, in particular, regional legislation (DPGR no. 49 of 13 March 2006), are determined by the AATOs.

The local authorities grant rights of use, even free of charge, to the operator for the integrated water service network and systems operations. In the majority of cases in areas managed by Hera, the local authorities transferred ownership of the networks and plants to the asset-holding companies, of which further mention will be made.
On termination of the concession, Hera is obliged to return any assets used in provision of the service to the asset companies or local authorities. Any works carried out for the innovation or improvement of the networks must be returned against payment of the residual value of those assets.
Hera's relationships with users are mainly governed by regulations applicable in the sector, measures laid out by the regional legislator and the agencies for the area. The operator's obligations in terms of service quality and resources, as well as the rights of users, are described in the relevant service charters drawn up by the operator, according to a scheme of reference approved by the Agencies.

Waste Management Sector

Hera manages the urban waste management service; the agreements stipulated with the AATOs regard the exclusive management of services in the urban waste sector (collection, waste transport, road sweeping and waste recovery and disposal, etc.).

The duration of the agreements is fixed by the regional regulations at ten years. The agreements regulate aspects of the relationship such as the forms of service management and reciprocal obligations between the parties. Technical rules are attached to the agreements governing, in detail, the technical content of the services provided and quality standards.

The payment due to the operator for services provided is defined annually (on the basis of long-term financial agreements), in line with the provision of DPR 158/1999, where the tariff is set.

For the running of waste treatment plants, the Hera Group must obtain authorisations from the authorities of the Italian provinces.

Management of networks, plant and equipment

The infrastructures required to carry out the services assigned, including the local gas pipelines and the water and sewerage networks are in part owned by Hera and in part by third parties (municipalities, consortia of municipalities, asset companies owned by local authorities). Relations between the service manager and the entities owning the operating assets are governed by specific agreements between the parties, as well as regional regulations. Economic relationships are governed, in some cases, by leasing agreements that fix the amount owed by the manager to the owners for the use of plant and networks.
These contracts oblige Hera to carry out routine and extraordinary maintenance and network extensions at its own expense and under its management, as required in the investments plan agreed to with the asset companies and, if significant, by the AATO area plans.

When the contract expires, Hera makes provision for restoration of the business unit, and at the same time a balance arises between the initial value of the goods at the time when the leasing contract was drawn up (equal to the value booked by the asset-owning company, minus the relative depreciation and the final value, equal to the initial value, minus accrued depreciation up until expiry of the contract, to which is added the value of investments, including extraordinary maintenance of assets received under lease, made by Hera net of accrued depreciation.

Agreements for the use of infrastructures instrumental to the provision of the service have been signed with the asset companies to which the municipalities (usually Hera's shareholders) have assigned the ownership of the assets. The asset-owning companies benefited, for the portion relating to capital goods, from the separations of business units carried out at the same time as the splitting off and merging of former local public service companies in favour of Seabo Spa. These operations gave rise to the creation of Hera SpA, to which, as a service concession holder, the management activity was transferred.
In the case of Conami, the spin-off of the business unit with transfer of the assets to the public consortium company took place before the spin-off and merger date of the former local public service companies into Hera.

The values shown in the table as at 30 June 2009 regard the related parties listed below:

Group A. Related parties (non-consolidated subsidiaries):
Calorpiù Italia Scarl in liquidazione (in liquidation);
Consorzio Energia Servizi Bologna in liquidazione (in liquidation);
Consorzio Frullo.

Group B. Related parties (associated companies):
Adriatica Acque S.r.l.;
Agea Reti S.r.l.;
Dyna Green S.r.l.;
Estense Global Service Scarl;
FlamEnergy Trading Gmbh;
Feronia S.r.l.;
Italcic Scarl;
Natura S.r.l.;
Oikothen Scarl;
Pri.Ge.A.S.S.r.l.;
Refri S.r.l.;
Sei S.p.a.;
Service Imola S.r.l.;
Set S.p.a.;
Sgr Servizi S.p.a.;
So.S.el S.p.a.;
Tamarete Energia S.r.l.

Group C. Related parties with significant influence:
Municipal authorities of Bologna
Municipal authorities of Modena

Group D. Other related parties:
Acosea Impianti S.r.l.;
Agess Scarl;
Azimut - assets;
Amir - assets;
Area - assets;
Aspes S.p.a.;
Calenia Energia S.p.a.;
Con.ami;
Energia italiana S.p.a.;
Fiorano Patrimonio S.r.l.;
Formigine Patrimonio S.r.l.;
Galsi S.p.a.;
Maranello Patrimonio S.r.l.;
MegasNet S.p.a.;
Romagna Acque S.p.a.;
Sassuolo Gestioni Patrimoniali S.r.l.;
Serramazzoni Patrimonio S.r.l.;
Società Italiana Servizi Spa (Sis) S.p.a.- Asset;
Team - assets
Unica reti – assets;
Wimaxer S.p.a.

2.09 Net Financial Indebtedness

	(€/millions)	30-Jun-09	31-Dec-08
a	**Cash**	**157.6**	**193.6**
b	**Other current loans**	**11.5**	**6.8**
	Current bank indebtedness	-316.0	-109.7
	Current portion of bank indebtedness	-66.8	-79.3
	Other current loans	-14.2	-15.0
	Due to financial leases coming due during the next financial year	-6.1	-4.7
c	**Current financial indebtedness**	**-403.1**	**-208.7**
d=a+b+c	**Net current financial indebtedness**	**-234.0**	**-8.3**
e	**Non-current loans**	**8.6**	**8.5**
	Non-current bank indebtedness	-427.0	-439.4
	Bonds issued	-1,002.2	-999.7
	Other non-current loans	-120.0	-121.4
	Due to financial leases coming due after the next financial year	-13.8	-11.2
f	**Non-current financial indebtedness**	**-1,563.0**	**-1,571.7**
g=e+f	**Net non-current financial indebtedness**	**-1,554.4**	**-1,563.2**
h=d+g	**Net financial indebtedness**	**-1,788.4**	**-1,571.5**

2.10 List of Consolidated Companies

Subsidiaries	Registered office	Share capital	Percentage held		Total	Overall share
			direct	indirect		
Parent Company: Hera Spa	Bologna	1,032,737,702				
Acantho Spa	Imola (Bo)	17,375,781	47.46%		47.46%	47.46%
Acque Srl	Pesaro	102,700		41.87%	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		41.87%	41.87%	41.87%
Ecologia Ambiente Srl	Ravenna	23,780,000	100.00%		100.00%	100.00%
Ecosfera Spa	Ferrara	1,000,000		57.50%	57.50%	57.50%
Eris Scrl	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 Marche Srl	Urbino	100,000		100.00%	100.00%	100.00%
Hera Comm Mediterranea Srl	Carinaro (Ce)	250,000		50.01%	50.01%	50.01%
Hera Comm Srl	Imola (Bo)	53,136,987	100.00%		100.00%	100.00%
Hera Energie Bologna Srl	Bologna	926,000		51.00%	51.00%	51.00%
Hera Energie Rinnovabili 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 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 Trading Srl	Imola (Bo)	2,600,000	100.00%		100.00%	100.00%
Herasocrem Spa	Bologna	2,218,368	51.00%		51.00%	51.00%
Here Rete Modena Srl	Bologna	22,221,850	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%
Modena Network Spa	Modena	3,000,000	32.00%	14.24%	46.24%	46.24%
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%
Satcom Spa	Sassuolo (Mo)	2,000,000	47.50%		47.50%	47.50%
Sinergia Srl	Forlì (Ce)	579,600		59.00%	59.00%	59.00%
SIS Società Intercomunale di Servizi Spa	Pesaro	103,300		17.48%	17.48%	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%

Subsidiaries	Registered office	Share capital	Percentage held		Total	Overall share
			direct	indirect		
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 Scrl	Ferrara	10,000		23.00%	23.00%	23.00%
Feronia Srl	Finale Emilia (Mo)	2,430,000	40.00%		40.00%	40.00%
FlamEnergy Trading Gmbh	Vienna	3,000,000		50.00%	50.00%	50.00%
Oikothen Scarl	Siracusa	1,101,730	46.10%		46.10%	46.10%
Pri.Ge.A.S. Srl	Sassuolo (Mo)	15,600	100.00%		100.00%	100.00%
Refri Srl	Reggio Emilia	6,800,000	20.00%		20.00%	20.00%
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%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%	29.61%
Tamarete Energia Srl	Ortona (Ch)	3,600,000	32.00%		32.00%	32.00%

DECLARATION PURSUANT TO LEGISLATIVE DECREE 58/98

3

Attesting declaration for the abbreviated half-year financial statements pursuant to article 154 b, paragraph 5, of Legislative Decree 58/98

1 – We the undersigned: Maurizio Chiarini, Managing Director, and Dario Farina, the Director responsible for preparing the corporate accounting statements of Hera SpA, hereby declare, in accordance with article 154 b, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998, that:

- the appropriateness for the nature of the company, and
- the effective application

of the administrative and accounting procedures for preparing the abbreviated half-year financial statements during the first half-year of 2009.

2 – We further declare that:

2.1 the abbreviated half-year financial statements:

a. were prepared in compliance with the applicable International Accounting Principles recognised by the European Community pursuant to Regulation 1606/2002 (EC) of the European Parliament and the Council of 19 July 2002;

b. accurately represent the figures contained in the accounting records;

c. provide a truthful and accurate representation of the balance sheet and income statement of the issuer and of all its consolidated companies;

2.2 the interim report on operations comprises a reliable analysis of the significant events that took place in the first six months of the year and their impact on the abbreviated half-year financial statements, and describes the main risks and uncertainties in the remaining six months of the year. The interim report on operations also includes a reliable analysis of the information on the significant transactions with related parties.

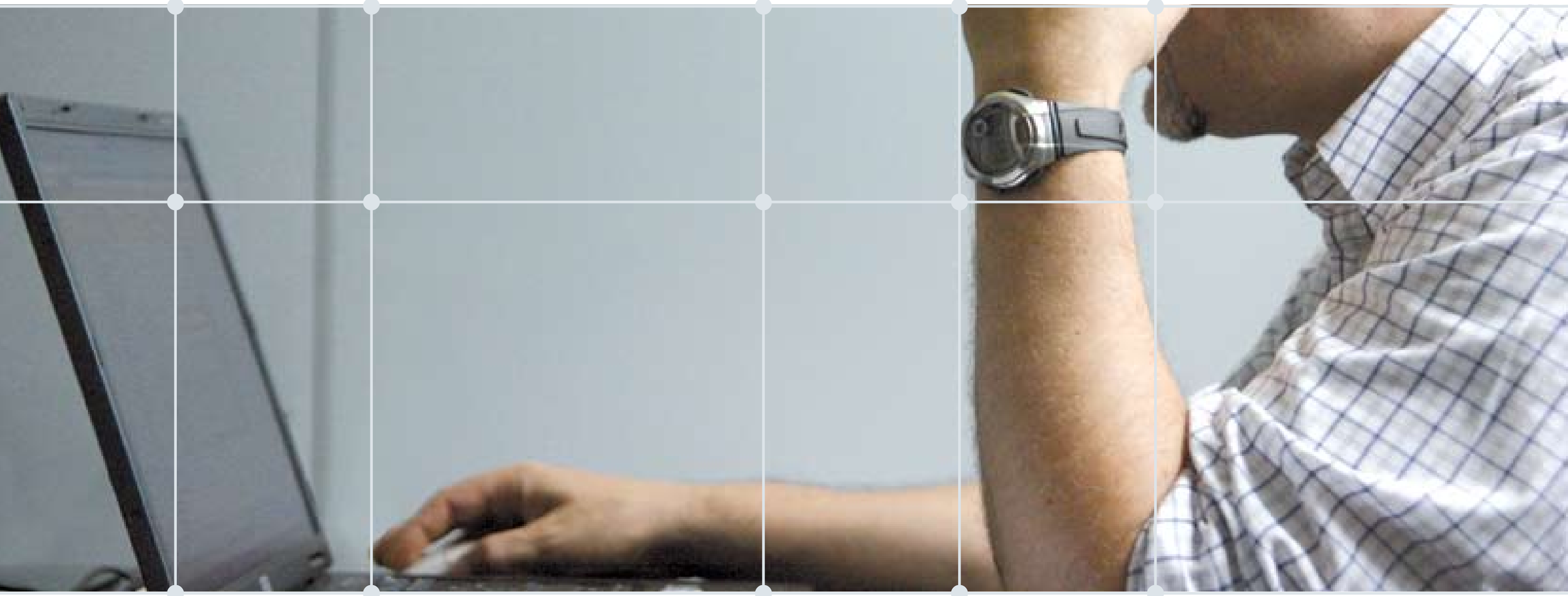
Bologna, 27 August 2009

Managing Director

Maurizio Chiarini

Director responsible for preparing the corporate accounting statements

Dario Farina



INDEPENDENT AUDIT REPORT

4

PRICEWATERHOUSECOOPERS

HERA SPA

AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

AUDITORS' REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

To the Shareholders of
Hera SpA

1. We have reviewed the condensed consolidated interim financial statements of Hera SpA and subsidiaries (Hera Group) as of 30 June 2009 and for the six months then ended, comprising the balance sheet, the income statement and the statement of comprehensive income, statements of changes in shareholders' equity, cash flows and related selected explanatory notes. Hera SpA's Directors are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2. Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

   Regarding the amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented for comparative purposes, reclassified to take into account the amendments introduced by IAS 1 (2007) to the financial

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statements presentation, reference should be made to our reports dated 10 April 2009 and dated 29 August 2008, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Hera Group as of 30 June 2009 have not been prepared, in all material respects, in accordance with the international accounting standard (IAS 34), applicable to interim financial reporting, as adopted by the European Union.

Rome, 28 August 2009

PricewaterhouseCoopers SpA

Signed by

Aurelio Fedele
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.

Reference in this report to the condensed consolidated interim financial statements refer to the condensed consolidated interim financial statements in original Italian and not to their translation. We have not examined the translation of the condensed consolidated interim financial statements referred to in this report.

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