Quarterly report as at 30^{th} september **'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	Daniele Montroni*
Director	Roberto Sacchetti
Director	Francesco Sutti
Director	Bruno Tani
Director	Paolo Trombetti**
Director	Stefano Zolea
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Fernando Lolli
Standing Auditor	Antonio Venturini
Alternate Auditor	Stefano Ceccacci
Alternate Auditor	Roberto Picone
Internal Audit Committee	
Chairman	Giorgio Razzoli
Member	Lanfranco Maggioli
Member	Daniele Montroni
Member	Stefano Zolea
Remuneration Committee	
Chairman	Giorgio Razzoli
Member	Piero Collina
Member	Mara Bernardini
Member	Francesco Sutti
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	
	Sergio Marzo

appointed since *07/20/2009* - ** appointed since *10/05/2009.

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Quarterly report on Hera Group as at 30 September 2009

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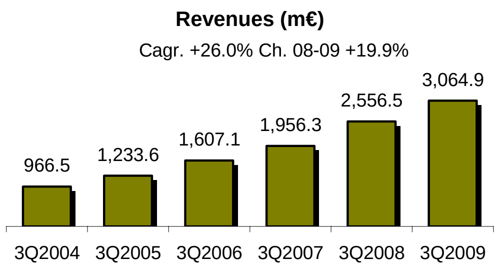
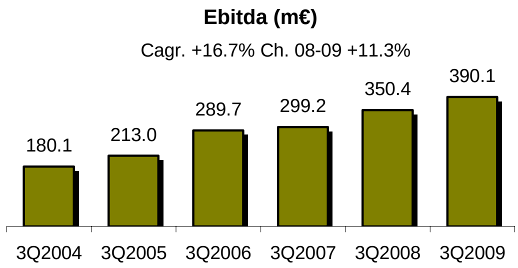
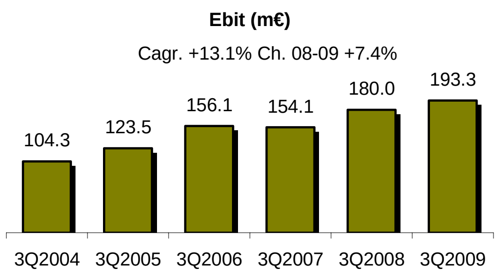
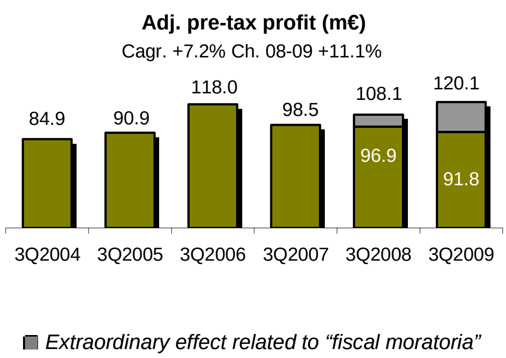
1 - Directors' Report

1.01 Summary data









1.02 Introduction

During the first part of 2009, the economic crisis continued to influence all sectors of the economy, including basic public services. In the current scenario Hera has continued to successfully pursue its growth strategies along all lines of development, achieving results which, despite the effects of the crisis, have led to an increase in EBITDA in the third quarter this year of around 28% compared to the third quarter 2008, doubling the positive growth rate recorded in the first six months of the year.
Indeed. Hera has pursued a **development strategy in unregulated markets** which has made it possible to achieve significant progress in the sales of electricity and offset the effects of the crisis on the consumption of its customers, while insofar as the processing of special waste the corporate rationalization undertaken with the establishment of Herambiente has made it possible to contain the effects of the crisis without deterioration compared to the levels recorded in the first semester, despite the very recent establishment of the company.

The growth strategy insofar as the licensed activities was pursued through the acquisition of gas and district heating networks in the territory for which a share capital increase will take place which will be limited to the public shareholders contributing the assets, as decided by the Shareholders' Meeting. This has contributed positively to the results for the period thanks to the leasing cost savings and the freeing up of the provision for the restoration of third party assets connected to the contributed assets. The results of the regulated activities reflect both the effects of the new tariff systems on the distribution of energy and the tariff adjustments agreed with the authorities insofar as the municipal waste and the integrated water services.

The **development strategy for new plants** has progressed significantly in the third quarter with the deployment of the 20 megawatt WTE at Modena, one of the Group's major plants, and the recent deployment of the 80 megawatt cogeneration plant at Imola which was inaugurated at the end of September and which is able to fulfil the city's electricity consumption and a significant portion of the heating requirements through the district heating network. To the deployment of these plants is added a new organic waste processing plant at Cesena for the production of renewable energy and recyclable organic material for agricultural uses, which became operational as from the end of the third quarter with a processing capacity of 40,000 tons of waste per year. To these projects is added the setting up of a joint venture for the construction of the new biomass thermoelectric plant in the region with 13.7 megawatts installed and pre-selected status in the final phase of the call for tenders for the construction and management of a WTE plant in the province of Florence.

The Group has also continued the **activities for improved efficiency** both in terms of deriving synergies from consolidated companies and in terms of reducing the costs connected to the Group's operating activities through organizational and corporate rationalisation and the implementation of new management systems. Examples of these activities are the reorganisation of the energy activities through the separation of the regulated and deregulated activities (unbundling) which affected the reorganisation of the centres of responsibility, the corporate rationalisation carried out with the establishment of Herambiente which made It possible to decrease the number of companies in the Group and finally the integration of customer management through integrated IT platforms which make it possible to reduce the service cost per customer. The prospects for further efficiency also derive from the future transformation of the regional operating companies into organisational units as approved by the Shareholders' Meeting of 21 October, which will make the organizational functions more efficient while allowing for savings of the administrative costs that are usual for legal entities.

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 (a put bond), the issuing of an additional, 15-year bond loan of Euro 150 million denominated in JPY with an attractive interest rate of 2.925% and the placement during the year of a further fixed rate bond issue of Euro 500 million is expected, due to the favourable conditions on the credit market.

The overall growth strategy followed is in line with the prospects set forth in the new industrial plan presented to the market in September 2009. The industrial plan does not include the **external growth potential** in its forecasts, though this remains one of the strong points of the Group's past growth and is strategically significant for the future. It was in this light that, following the closing of the third quarter, we proceeded with the acquisition of 25% of Aimag, a multi-utility company operating in the provinces of Modena and Mantova (in nearby Lombardy), with an expected EDITDA of approximately Euro 30 million in 2009.

At the end of September, a law decree imposed on the companies operating in the sector an extraordinary charge relating to the so-called "**fiscal moratorium**" which resulted in an unanticipated non-recurring cost amounting to Euro 23.5 million for Hera on account of an umpteenth reinterpretation of the laws by fiscal, government and community authorities insofar as the reimbursement of the tax benefits granted to companies in the sector at the end of the Nineties which were considered as forms of "state aid." This reimbursement had already caused Hera to incur extraordinary costs, including accumulated default interest, of Euro 11.2 million during 2008 and an additional Euro 4.8 million at the beginning of this year. The tax assessments to date have been paid, but the Group has proceedings underway for the recovery of a part of the amounts paid which are considered to be unjustified and incongruous.

Despite the significant impact of the economic crisis, net profit for the first nine months of the year has increased at a rate of about 19% as a result of the growth strategy adopted. These positive results have limited the negative, exceptional impact of the tax moratorium – which has caused a reduction in net profits compared to the previous year – to just 8.9%.

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 deregulated areas.

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 and was the winner of the auction in October: the acquisition of 25% of said company's share capital will be finalised by the middle of November.

Over the years, **single business** operations were also carried out with the sole strategic objective of strengthening the waste processing activity by taking advantage of particularly favourable market or energy conditions in order to carry out sales according to a balanced integration policy upstream of electricity generation.

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) and with the aforementioned acquisition of gas networks in the reference territory from municipalities that are already included in Hera's shareholding structure. In the electricity sector, Hera acquired 32% of Tamarete Energia, a company based in Ortona (Chieti) in 2008. Within the next bi-annual period this company will complete the construction of a combined cycle 100 megawatt plant.

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 is shared among all the Group's main components.

Since inception, Hera's has formalised its strategic objectives within the industrial plans which are 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 is aimed at pursuing a further increase of the Group's dimensions by expanding the market share in the deregulated activities, including in the upstream chain, re-confirming the attention to the extraction of cost and revenue synergies, development of new electricity generation plants from renewable sources (to consolidate presence in the alternative technologies, such as waste to energy, solar, bio-mass and vegetable oils) and pursuing creation of value for the shareholders and the main stakeholders.

These strategies aim to obtain increased results even without considering 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. The future objectives rest mainly on already consolidated factors (new plants commissioned and future tariffs agreed for the regulated water and waste businesses) and take into account the reflections shown to date from the negative macro-economic framework that nevertheless still makes the prospects difficult to determine.

The plan is supported by a five-year investment programme of approximately Euro 1.8 billion, totally financed by the cash flows, that are capable of sustaining a growing dividends policy and maintaining a solid financial structure for the entire period the plan covers.

1.04 Business Sectors

Hera has maintained balanced development in all its businesses, maintaining equilibrium 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 waste and public lighting) in terms of the contribution to the EBITDA.

The effectiveness and the low risk profile of this multi-business approach 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. Furthermore, Hera's "primary" services feature a countercyclical demand and therefore reflect the significant negative impact of the economic recession during the first nine months of 2009 to a lesser extent (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).

Beginning with the 2009 half-year report, there have been some reclassifications within Hera's 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 that are also built at the manufacturing sites of some customers).

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 above 100 MW, capable of producing above 500 Gwh per year. They have been expanded over the years to reach a waste disposal capacity of above 850 tons per year.

Plants	Installed capacity (MW)	Authorized quantity (ton)
Forlì WTE (New)	10,7	120.000
Ravenna WTE	6,2	56.500
Rimini WTE	10,3	150.000
Modena WTE	7,0	140,000*
Modena WTE (New)	30,0	
Ferrara WTE (New)	12,9	130.000
FEA WTE	22,0	220.000
Ecologia-Ambiente WTE	4,2	40.000
Total	**103,3**	**856.500**

** The authorization is extended to 240,000 tonnes as soon as the new WTE line of 30 MW installed capacity enters "officially" into full operation*

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, 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 under the parent company, Hera Spa.

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 of more than 25,000 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.

Further improvements in terms of operational efficiency are achievable thanks to the coming on stream of the remote control centre, inaugurated in Forlì in 2008, which permits remote control of all the Group's networks (57,000 thousand kilometres of water, gas and remote heating networks in the provinces where Hera operates), offers assistance and supervision to all the Group's plants and ensures the continuity and security of the service.

Energy

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 fourth largest in the country in terms of volumes sold.

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.

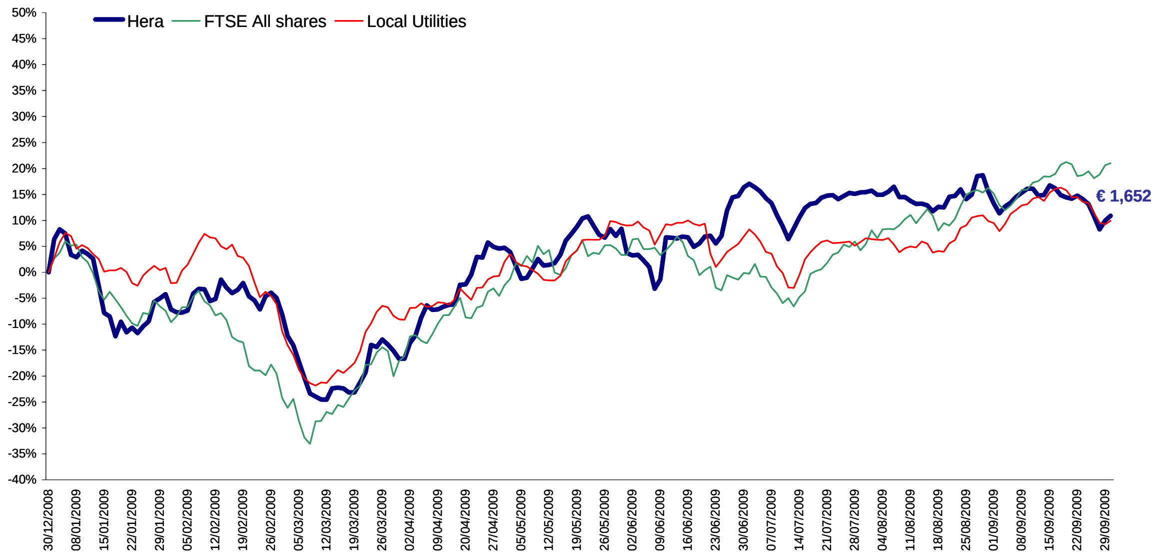
With the complete deregulation of the sales of energy products in Italy, during 2009 Hera has continued strong development in the electricity sector, which has almost compensated for the contraction in volumes associated with the difficult economic cycle.

The growth in electricity sales volumes in recent years has been concurrently accompanied over time by a balanced increase in the availability of energy through joint ventures for the acquisition of 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.

1.05 Hera on the Stock Exchange

The global economic crisis and the danger of recession even in the most advanced countries heavily affected the markets and the worldwide financial system both in 2008 and the initial months of 2009. Starting from March 2009, the markets began to counter the trend with signs of a slight rebound; in this framework, the sector of the local Italian utility companies followed the performance of the market, though posting as from the month of August a performance lagging behind that of the market, despite the traditional low risk profile that has always characterised the stocks issued by companies operating in this sector.

For a good part of 2009, the performance of the Hera share outperformed the market and the index for the sector, however in September it was heavily affected by the market's very slight interest towards the Italian utility sector, including in light of the negative and non-recurring impact of the fiscal moratorium. Hera's stock closed the first nine months of 2009 with a market price of Euro 1.652 and a positive performance (+10.9%) compared to the beginning of the year and in line with the index for the local Italian utilities (+9.9%), but lower than the market index (FTSE Italia All Share +21.0%).



Indices and baskets

The increase in liquidity and the list price of Hera shares from 2003 onwards 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 among the best picks. i.e., among the best investment opportunities, during the first nine months of 2009 by various research reports: in February by Unicredit, which began covering Hera in January 2009, in April by both Equita and Centrobanca, in July by Banca IMI and in September by Banca Leonardo. In October the Hera share continued to be among the best investment opportunities among local Italian utility companies according to Unicredit.
Hera was positively judged by the analysts with 9 Buy/Outperform/Undervalued and 3 Neutral/Hold/Underperform; the average target price over 12-18 months expressed by the valuations of the analysts is Euro 2.0 per share on the average (which implies a potential increase in the value of the Hera share over 12-18 months of +21% compared to the market price at 30 September).

Ratings

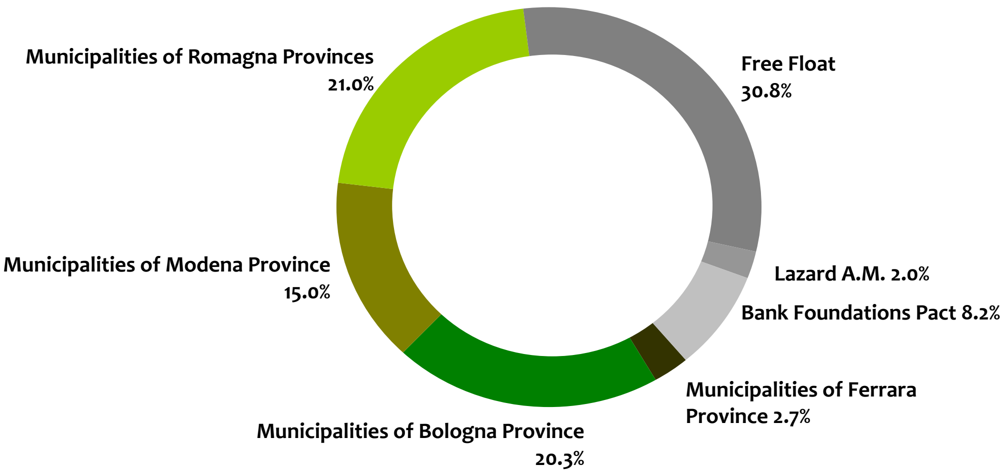
The financial debt is almost completely insured against fluctuations in interest rates. Average maturities are long-term (the portion maturing in the coming years is completely covered by available lines of credit). The debt is not encumbered by covenants. Moody’s and Standard & Poor's have issued positive 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 reasons 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 structure reached 1,032,737,702 ordinary shares with a par value of one euro each.

The Shareholders' Meeting of 21 October 2009 approved the share capital increase of 82,276,052 ordinary shares against contribution of gas and remote heating distribution networks by some of Hera's public shareholders: the transaction will be effective from 1 December 2009 and entails an increase in share capital from Euro 1,032.7 to Euro 1,115.0 million.

Hera's shareholding structure includes more than 190 public shareholders 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 approximately 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 September 2009, Hera held about 2,414,977 treasury shares in its portfolio.

Relations with the financial market

The main instrument of communication is undoubtedly the Group's institutional site (www.gruppohera.it). Insofar as the section dedicated to the shareholders/financial intermediaries ("Investor Relations" section) there has been an effort during the course of 2009 to continue the process of continuous improvement of the Group's on-line financial communication by:

1 completely revising the graphics 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 easily readable) to illustrate the results achieved 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 2008 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.

In the first nine months of the year, 380 contacts were made (telephone calls, video conferences and meetings) with foreign and Italian investors on the occasion of the presentation of the Group Annual Results for 2008 and the Industrial Plan for 2011, the results for the half year and the new Industrial Plan to 2013, as part of the relative international road shows.

1.06 Financial and economic results

Consolidated Summary Results of the Group

(millions of €)	30-Sep-2008	Income %	30-Sep-2009	Income %	% Change
Revenues	2.556,5		3.064,9		+19,9%
EBITDA	350,4	13,7%	390,1	12,7%	+11,3%
EBIT	180,0	7,0%	193,3	6,3%	+7,4%
Net profit	56,5	2,2%	49,3	1,6%	-12,8%

Financial and Economic Results

Financial year 2009 has so far been characterised by the unfavourable repercussions of the global economic situation that brought about notable declines in business activities; specifically, the impact on Group activities includes lower delivered volumes of water, lower amounts of treated special waste and a marked decline in demand for new connections and work for customers compared to 2008.

However, the first nine months of 2009 were positively influenced by the change in the tariff system of the gas distribution activity. In fact, AEEG Resolution 158/08 profoundly renewed the tariff structure, specifically having an effect:

- on the effective application date of the thermal year, making it coincide with the calendar year, where previously it was fixed from 1 October to 30 September of the following year
- on the creation of an equalisation fund to compensate any differences from the standard on distributed volumes, making weather conditions irrelevant.

As regards the corporate structure, in 2009 equity investments related to infrastructure management of the telecommunications sector were consolidated, as explained in detail in the related section of this document.

Two extraordinary transactions also had an impact on the results:

1. the cancellation of business unit rental contracts with Area Asset and Con.Ami, as part of the share capital increase through the transfer of gas and district heating networks already managed by the Group; the transaction generated a non-recurring positive effect of Euro 15.8 million, while the savings from rental payments no longer owed amounts to Euro 2.3 million for the first nine months of the year and Euro 4.9 million on an annual basis for the upcoming years.

2. the revenue agency's recovery of so-called "State Aid" tied to the "fiscal moratorium”: the first nine months of the year show a negative total result of Euro 28.3 million, of which 15.7 relates to recovery of income taxes, classified as other non-operating costs, and 12.6 for interest payable. Note that in 2008, a total amount of Euro 11.2 million was paid, of which 5.6 related to recovery of income taxes and grants and the remainder for interest payable. It should also be noted that the interest payable for said transaction is not tax deductible, resulting in an additional negative effect of Euro 4.9 million.

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

Despite the effects of the economic crisis described above, the results as at 30 September 2009 showed growth in all operational indicators compared to the corresponding period in 2008 and reflect the negative impact of the fiscal moratorium in atypical management, as reported in the following table which summarises Group results:

Income Statement (millions of €)	30-Sep-2008	Income %	30-Sep-2008	Income %	Abs Chg	% Chg
Revenues	2.556,5		3.064,9		+508,4	+19,9%
Chgs finished prod. and in-progr. Inv.	7,0	0,3%	1,8	0,1%	-5,2	-74,3%
Other operating revenues	39,5	1,5%	54,3	1,8%	+14,8	+37,3%
Raw materials and consumables	(1.616,8)	-63,2%	(2.041,0)	-66,6%	+424,2	+26,2%
Service costs	(530,4)	-20,7%	(560,7)	-18,3%	+30,3	+5,7%
Other operating costs	(29,5)	-1,2%	(25,6)	-0,8%	-3,9	-13,2%
Personnel costs	(250,5)	-9,8%	(261,1)	-8,5%	+10,6	+4,2%
Capitalised costs	174,5	6,8%	157,6	5,1%	-16,9	-9,7%
EBTIDA	**350,4**	**13,7%**	**390,1**	**12,7%**	**+39,7**	**+11,3%**
Amortisation, depreciation & provisions	(170,4)	-6,7%	(196,8)	-6,4%	+26,4	+15,5%
EBIT	**180,0**	**7,0%**	**193,3**	**6,3%**	**+13,3**	**+7,4%**
Financial management	(77,4)	-3,0%	(85,8)	-2,8%	+8,4	+10,9%
Other non-operating costs	(5,6)	-0,2%	(15,7)	-0,5%	+10,1	+179,9%
Profit before income taxes	**96,9**	**3,8%**	**91,8**	**3,0%**	**-5,1**	**-5,3%**
Income taxes	(40,4)	-1,6%	(42,5)	-1,4%	+2,1	+5,2%
Net profit for the period	**56,5**	**2,2%**	**49,3**	**1,6%**	**-7,2**	**-12,8%**

Revenues as at 30 september 2009 were euro 3,064.9 million, nearly 20% higher than the corresponding period in 2008, ebitda increased from Euro 350.4 million in 2008 to 390.1 in 2009, +11.3%, while ebit increased from euro 180.0 million to 193.3, an increase of 7.4%. Pre-tax profit declined by 5.3%, from euro 96.9 million in the first nine months of 2008 to euro 91.8 million in the corresponding period of 2009. Net profit decreased from Euro 56.5 million as at 30 september 2008 to euro 49.3 million in 2009.

The increase in Revenues, equal to euro 508.4 million, should be viewed in relation to the following factors:

- increased Electricity Area revenues, with an effect of approximately Euro 374 million with regard to the higher volumes traded and increased raw material price;

- increased Gas Area revenues, with an effect of approximately Euro 130 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 424.2 million (+26.2%) is linked to the above-mentioned increase in unit prices of energy commodities and to the higher volumes traded.

The other operating costs (Service costs up by Euro 30.3 million and Other operating costs down by Euro 3.9 million) on the whole rose by Euro 26.4 million (+4.7%), more than 50% of which is related to the aforementioned consolidation of companies.

Personnel costs rose from Euro 250.5 million in the first nine months of 2008 to Euro 261.1 million in the corresponding period 2009 (+4.2%). Roughly half of the increase is due to the effects of the perimeter change and the remainder to development of contractual dynamics.

The decrease in the Capitalised costs, which dropped from Euro 174.5 to 157.6 million, is connected with the lower investments made, especially in the Water Cycle, for the details of which reference should be made to the relevant section.

Group consolidated EBTIDA as at 30 September grew from Euro 350.4 million in 2008 to Euro 390.1 million in 2009 (+11.3%), related to the factors described above as well as the effect of the extraordinary gain accrued in the transfer of the gas and district heating networks.

The percentage impact of the EBITDA on Revenues is down from 13.7% in the first nine months of 2008 to 12.7% 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 provisions increased 15.5%, from Euro 170.4 million as at 30 September 2008 to Euro 196.8 million as at 30 September 2009, nearly one-third of which is related to the aforementioned company consolidation and the remainder to investments made over the period and the start-up of production at the new plants.

The first nine months of 2009 show EBIT of Euro 193.3 million, a 7.4% increase compared to the same period in 2008, which is especially positive considering the unfavourable macro-economic scenario related to the recession over the last twelve months.

As regards non-operating management, the extraordinary effect of the recovery of the so-called "State Aid" had an effect on results as at 30 September 2009 as well as for the corresponding period of 2008. In 2009, the total effect was Euro 28.3 million, of which 15.7 was in the Other non-operating costs item and 12.6 as interest payable within Financial Operations, while in 2008 the total amount was Euro 11.2 million, of which 5.6 was in Other non-operating costs and 5.6 as interest payable within Financial Operations. The negative impact on total net profit was Euro 17.1 million.

The result of Financial Operations for the first nine months of 2009 is Euro 85,8 million compared to Euro 77.4 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 78.5 to 87,8 million, a 11,81% 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 12.6 million in the first nine months of 2009, the increase is only Euro 2.3 million, due to the increased indebtedness made necessary by the higher turnover and investments of the Group.

In light of the above, Pre-tax profit increased from Euro 96.9 million in the first quarter to Euro 91,8 million in 2009, an increase of 5.3%.

Taxes rose from Euro 40.4 million in the first nine months of 2008 to Euro 42.5 million in 2009, associated with the Group's improved results. this amount reflects higher taxes, as financial charges related to the moratorium were not deductible.

At the end of the first nine months of 2009, the Group's Net Profit was therefore Euro 49.3 million, 12.8% lower than the Euro 56.5 million of the same period in 2008.

1.07 Investments

The Group's tangible and intangible investments total Euro 283.6 million, compared to Euro 292.2 million in the same period of the previous year. In the same period financial investments were made amounting to Euro 1.2 million. These investments refer to the increase in the potentials of the energy sectors through investments in new plant projects such as the Galsi gas pipeline.

The table below lists the investments divided by business sector:

Total investments (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Gas Area	43.4	48.8	+5.4	+12.4%
Electricity Area	31.6	27.7	-3.8	-12.1%
Integrated Water Cycle Area	88.1	81.5	-6.6	-7.5%
Waste Management Area	92.0	86.2	-5.8	-6.3%
Other Services Area	4.0	9.2	+5.3	+130.5%
Central Structure	33.1	30.2	-3.0	-9.0%
Total operating investments	**292.2**	**283.6**	**-8.6**	**-3.0%**
Total financial investments	4.3	1.2	-3.0	-71.3%
Total	**296.5**	**284.9**	**-11.6**	**-3.9%**

The **Gas Area** groups the investments of **gas service and district heating service**. Investments relating to the gas service in the area in question regard network expansion, enhancement and upgrading of distribution networks and plant systems. Investments in the district heating service are related to works for the expansion of the service in the areas of Bologna (Euro 4.5 million), Imola (Euro 4.9 million), Forlì Cesena (Euro 6.0 million), and Ferrara (Euro 2.2 million), whereas the heat management investments are focused on structural work on heating plants managed by the companies of the Group. The investments included under the item “Other” refer to acquisitions of rights of passage for foreign gas pipelines for the transport of raw material.

Gas (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Hera SpA Network	25.0	21.6	-3.3	-13.4%
Marche/Sardinia Network	1.2	1.8	+0.6	+48.9%
District Heating/Heat management	17.2	20.0	+2.8	+16.3%
Other	0.0	5.4	+5.3	-
Total gas	43.4	48.8	+5.4	+12.4%

The investments of the **Electricity Service** are principally 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, and necessary to comply with the replacement plans resolved by AEEG (Euro 4 million). The investments in electricity and heat production plants (CCGT) refer to the Imola cogeneration plant, currently in the start-up stage, while the cogeneration investments are aimed at building new plants at companies in the area.

Electricity (milllions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Areas covered	14.4	15.0	+0.6	+4.0%
Imola CCGT	17.0	11.0	-6.0	-35.3%
Industrial Cogeneration	0.1	1.8	+1.6	+1185.2%
Total Electricity	31.6	27.7	-3.8	-12.1%

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. Projects in purification service are an exception, as a result of expansion and regulation adjustment initiatives.

Integrated Water Cycle (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Aqueducts	50.6	41.6	-8.9	-17.6%
Purification	12.6	15.8	+3.3	+26.1%
Sewerage	25.0	24.0	-1.0	-4.0%
Total Integrated Water Cycle	**88.1**	**81.5**	**-6.6**	**-7.5%**

In the **Waste Management Area**, maintenance and expansion projects carried out on plants located throughout the areas covered have decreased compared to last year. 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 (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Existing plants	40.2	33.7	-6.5	-16.2%
New plants:				
WTE Canal Bianco (FE)	16.9	0.1	-16.8	-99.4%
WTE Modena	18.8	25.0	+6.2	+32.9%
WTE Forlì	8.9	12.8	+3.9	+43.3%
WTE Rimini	7.1	14.7	+7.6	+106.9%
Total Waste Management	**92.0**	**86.2**	**-5.8**	**-6.3%**

With regard to the **Other Services Area**, we see an increase in investments in the telecommunications networks due to the consolidation of the Acantho and Satcom companies, and a reduction in investments in the public lighting service.

Other Services (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
TLC	0.5	6.3	+5.8	+1236.9%
Public and traffic lighting	2.6	2.3	-0.3	-12.7%
Other	0.9	0.6	-0.3	-30.9%
Total Other Services	**4.0**	**9.2**	**+5.3**	**+130.5%**

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 corporate IT systems and rationalisation of the operating vehicles fleet. Conversely, projects related to work on Group offices increased. Completion of laboratories and other minor investments are included in the item "Other investments".

Central Structure (millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Real estate interventions	11.6	15.6	+4.0	+34.6%
Information systems	9.1	7.6	-1.6	-17.1%
Fleets	8.8	4.6	-4.2	-47.4%
Other investments	3.6	2.3	-1.3	-35.9%
Total Central Structure	**33.1**	**30.2**	**-3.0**	**-9.0%**

1.08 Analysis by Business Area

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.

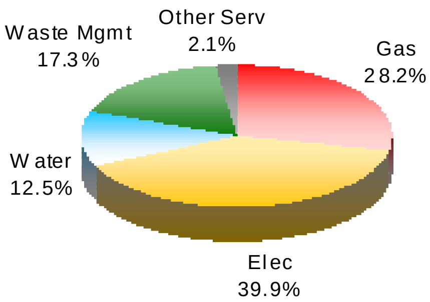
An analysis of the operating results achieved in the business segments in which the Group operates is presented below: (i) Gas Area, which includes methane and LPG distribution and sales services, district heating and heat management (ii) Electricity Area, which includes Electricity production, distribution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

In order to provide the necessary details on performance in the first nine months of 2009, the analysis below shows the Group's various business segments compared with the corresponding period in 2008, reclassified based on the new grouping of the business areas. The composition and the evolution over time, in terms of Revenues and EBITDA, are outlined in the graphs on the following pages:

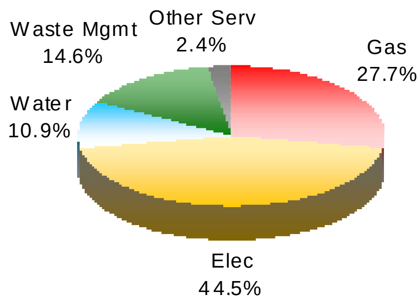
BREAKDOWN OF THE BUSINESS PORTFOLIO

REVENUES

30-Sep-2008

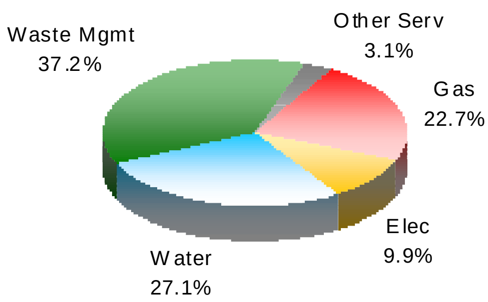


30-Sep-2009

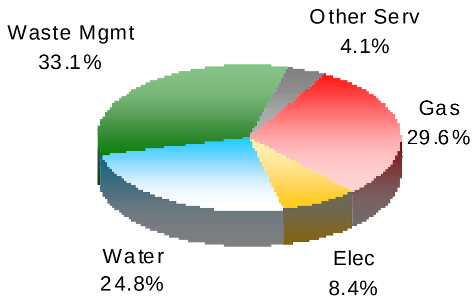


EBITDA

30-Sep-2008



30-Sep-2009



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

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

1.08.01 *Analysis of the Gas Area*

In the first nine months of 2009, the importance of the Gas Area, which includes methane gas and LPG sales and distribution activities, district heating and heat management services, increased by approximately 7 percentage points in terms of margin contribution when compared with the same period last year.

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

(millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Area EBITDA	**79,5**	**115,6**	**+36,1**	**+45,3%**
Group EBITDA	350,4	390,1	+39,7	+11,3%
Percentage weight	22,7%	29,6%	+6,9 p.p.	

Third quarter results for the Gas Area reflect the positive impact, for Euro 14,6 million, of the effects of the transfer from the asset companies of a part of the gas and district heating networks managed by the Group, which was discussed above.

Furthermore, note that the first nine months of 2009, compared to the same period of the previous year, were influenced by the effects of AEEG resolution 158/08, which established that the gas year of tariff application to correspond with the calendar 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-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Gas volumes distributed (millions of cubic metres)	1.550,6	1.517,0	-33,6	-2,2%
Gas volumes sold (millions of cubic metres)	1.730,9	1.868,9	+138,0	+8,0%
- of which Trading volumes	246,5	461,2	+214,7	+87,1%
Heat volumes delivered (Gwht)	279,2	301,8	+22,6	+8,1%

Distributed volumes of gas dropped from 1,550.6 million cubic metres in the first nine months of 2008 to 1,517.0 million in the same period 2009, a 2.2% decrease. On the other hand, sold volumes rose from 1,730.9 million cubic meters in 2008 to 1,868.9 million cubic meters in 2009, with an increase of 8.0%. Net of trading, sold volumes to final clients declined 5.5%. However, heat volumes delivered rose from 279.2 Gwht in 2008 to 301.8 in 2009, marking an 8.1% increase.

The volume trend is the result of two contrasting 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.

These factors contributed to the financial results summarised below:

Income Statement (millions of €)	0-Sep-2008	Income %	0-Sep-2009	Income %	Abs Chg	% Chg
Revenues	763,8		907,8		+144,0	+18,9%
Operating costs	(693,6)	-90,8%	(793,3)	-87,4%	+99,7	+14,4%
Personnel costs	(35,2)	-4,6%	(40,7)	-4,5%	+5,5	+15,6%
Capitalised costs	44,5	5,8%	41,8	4,6%	-2,7	-6,1%
EBITDA	**79,5**	**10,4%**	**115,6**	**12,7%**	**+36,1**	**+45,3%**

Revenues from the Gas Area rose by 18.9%, from Euro 763.8 million in 2008 to Euro 907.8 million in 2009, mainly as regards the higher unit price of raw material, which weighs in for Euro 95 million, having the opposite effect on operating costs.

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

With respect to the previous year, the Group recorded an increase in EBITDA in the area, equal to Euro 36.1 million, passing from Euro 79.5 million to Euro 115.6 million, with the percentage margin increasing from 10.4% in 2008 to 12.7% in 2009.

1.08.02 *Analysis of the Electricity Area*

The Electricity Area contributes about 44% to overall Group turnover, with a contribution to overall profit of 8.4%, as shown in the table below:

(Millions of €)	30-Sep-2008	30-set-09	Abs Chg	% Chg
Area EBITDA	**34,8**	**32,6**	**-2,2**	**-6,4%**
Group EBITDA	350,4	390,1	+39,7	+11,3%
Percentage weight	9,9%	8,4%	-1,5 p.p.	

At the end of the first nine months of 2009 this area showed a decline of Euro 2.2 million in EBITDA, from Euro 34.8 million in 2008 to Euro 32.6 million in 2009.

An analysis of the Electricity Area results is given below:

Income Statement (millions/€)	30-Sep-2008	Income %	30-Sep-2009	Income %	Abs Chg	% Chg
Revenues	1.083,1		1.457,9		+374,8	+34,6%
Operating costs	(1.049,3)	-96,9%	(1.425,5)	-97,8%	+376,2	+35,8%
Personnel costs	(16,3)	-1,5%	(16,7)	-1,1%	+0,4	+2,5%
Capitalised costs	17,4	1,6%	17,0	1,2%	-0,4	-2,4%
EBITDA	**34,8**	**3,2%**	**32,6**	**2,2%**	**-2,2**	**-6,4%**

Revenues grew from Euro 1,083.1 million as at 30 September 2008 to Euro 1,457.9 million in 2009, a 34.6% increase. This was due to the greater volumes traded and the higher cost of energy raw material.

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

(millions of €)	30-Sep-2008	Income %	30-Sep-2009	Income %	Abs Chg	% Chg
Sales revenues	410,6	37,9%	499,7	34,3%	+89,1	+21,7%
Distribution revenues	33,8	3,1%	34,9	2,4%	+1,1	+3,3%
Trading / other	638,8	59,0%	923,2	63,3%	+284,4	+44,5%
Total Revenues	**1.083,1**	**100,0%**	**1.457,9**	**100,0%**	**+374,8**	**+34,6%**

Sales revenues increased by +21.7% as a result of greater volumes deriving from the strengthening of the sales activities 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 aforementioned management policies:

Quantitative data	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Volumes sold (Gw/h)	3.650,7	5.111,4	+1.460,7	+40,0%
Volumes distributed (Gw/h)	1.707,5	1.619,6	-87,9	-5,1%

The fall in distributed volumes in connection with the lower average 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 strong sales campaign performance.

The increased activities and prices explains the proportional increase in operating costs, due to the purchase of raw material, and percentage margins that dropped from 3.2% of the first half of 2008 to 2.2% of 2009.

Labour costs are higher than the first nine months of 2008 due to higher sales costs, while capitalised costs for investments on Group networks are essentially in line with the previous year, from Euro 17.4 million in the first nine months of 2008 to Euro 17.0 million in 2009.

As at 30 September 2009, EBITDA recorded a decrease compared to the corresponding period in 2008, from Euro 34.8 million to Euro 32.6 million, a 6.4% decline; this result should be considered in light of the temporarily favourable position in fair value valuation of derivatives linked to trading activities experienced in the corresponding period of the prior year.

1.08.03 *Analysis of the Integrated Water Cycle Area*

The Group currently operates in the Integrated Water Cycle management sector in over 220 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 in all areas.

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

(millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Area EBITDA	**94,9**	**96,7**	**+1,8**	**+1,9%**
Group EBITDA	350,4	390,1	+39,7	+11,3%
Percentage weight	27,1%	24,8%	-2,3 p.p.	

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

Income Statement (miillions of €)	30-Sep-2008	Income %	30-Sep-2009	Income %	Abs Chg	% Chg
Revenues	340,3		356,3		+16,0	+4,7%
Operating costs	(264,4)	-77,7%	(263,8)	-74,0%	-0,6	-0,2%
Personnel costs	(77,5)	-22,8%	(79,4)	-22,3%	+1,9	+2,5%
Capitalised costs	96,5	28,4%	83,6	23,5%	-12,9	-13,4%
EBITDA	**94,9**	**27,9%**	**96,7**	**27,1%**	**+1,8**	**+1,9%**

Revenues, equal to Euro 356.7 million, are up 4.7% over the first nine months of 2008, in connection with the combined effect of the increased tariffs and decreased volumes supplied.

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

Quantitative data	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Volumes sold (millions of cubic metres)				
Water supply	197,0	195,3	-1,7	-0,9%
Sewerage	170,4	168,4	-2,0	-1,2%
Purification	170,7	168,4	-2,3	-1,4%

Distributed volumes, down 0.9% compared to the same period last year, show signs of recovery against first half data, which showed a decline of 1.1%.
Capitalised costs declined by more than 13%, from Euro 96.5 million in the first nine months of 2008 to Euro 83.6 million in the corresponding period of 2009, related to the lower investments made.

EBITDA as at 30 September 2009 increased by Euro 1.8 million, from Euro 94.9 million in 2008 to Euro 96.7 million in the current year (+1.9%).

1.08.04 Analysis of the Waste Management Area

The margin in the Waste Management Area was slightly lower than 2008 as a result of the general economic crisis, which had an impact on the volumes of special waste produced and disposed, as shown in the following table:

(millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Area EBITDA	**130,2**	**129,2**	**-1,0**	**-0,8%**
Group EBITDA	350,4	390,1	+39,7	+11,3%
Percentage weight	37,2%	33,1%	-4,1 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 ATOs in more than 170 municipalities in the provinces of Ravenna, Forlì-Cesena, Rimini, Bologna, Ferrara, Modena and Pesaro-Urbino in the area of municipal sanitation 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 Area is shown below:

Income Statement (millions of €)	30-Sep-2008	Income %	30-Sep-2009	Income %	Abs Chg	% Chg
Revenues	468,0		480,3		+12,3	+2,6%
Operating costs	(244,3)	-52,2%	(257,0)	-53,5%	+12,7	+5,2%
Personnel costs	(108,0)	-23,1%	(106,6)	-22,2%	-1,4	-1,3%
Capitalised costs	14,5	3,1%	12,5	2,6%	-2,0	-13,9%
EBITDA	**130,2**	**27,8%**	**129,2**	**26,9%**	**-1,0**	**-0,8%**

Revenues as at 30 September 2009 show a 3.3% increase, up from Euro 468.0 million in 2008 to Euro 480.3 million in 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 44.1% at the end of the first nine months of 2009.

The trend in costs has been influenced not only by the increase in separate waste collection, but also the improvement of services throughout the territory and the start-up of new waste disposal plants that, among other things, minimised the negative impact of treated volumes.

The table below demonstrates the decreased amount of waste disposed of, 3.3% less than the first nine months of 2008:

Quantitative data (thousands of tonnes)	30-Sep-2008	Income %	30-Sep-2008	Income %	Abs Chg	% Chg
Municipal waste	1.311,8	34,3%	1.342,2	34,9%	+30,4	+2,3%
Market waste	1.436,4	37,5%	1.314,8	34,1%	-121,6	-8,5%
Commercial waste	**2.748,2**	**71,8%**	**2.657,0**	**69,0%**	**-91,2**	**-3,3%**
Plant by-products	1.077,4	28,2%	1.193,3	31,0%	+115,9	+10,8%
Waste treated by type	**3.825,5**	**100,0%**	**3.850,4**	**100,0%**	**+24,9**	**+0,7%**
Landfills	1.191,1	31,1%	1.002,6	26,0%	-188,5	-15,8%
Waste-to-energy plants	443,0	11,6%	565,6	14,7%	+122,6	+27,7%
Selection palnts	261,3	6,8%	214,0	5,6%	-47,3	-18,1%
Composting plants	267,9	7,0%	300,9	7,8%	+33,0	+12,3%
Stabilisation and chemical-physical plants	779,3	20,4%	813,7	21,1%	+34,4	+4,4%
Other	882,9	23,1%	953,5	24,8%	+70,6	+8,0%
Waste treated by plant	**3.825,5**	**100,0%**	**3.850,4**	**100,0%**	**+24,9**	**+0,7%**

Analysis of the quantitative data above shows a decline in market waste partially offset by an increase in municipal waste. The plant data shows a steep decline in the use of landfills in favour of waste-to-energy plants, due to the start-up of the new plants in Ferrara and Forlì.

In short, the economic results of the Waste Management Area are positively affected by the start-up of the new plants and, to a lesser extent, by greater efficiency in urban hygiene services. On the contrary, the effects of the economic crisis brought about a decrease (i) in treated special waste volumes and (ii) prices of materials earmarked for disposal through separate collection, which have had a negative impact.

The decline in the Waste Management Area EBITDA, from Euro 130.2 million in the first nine months of 2008 to Euro 129.2 million in the corresponding period of 2009, is limited to 0.8%.

1.08.05 Analysis of the Other Services Area

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 Public Lighting and Telecommunications services.

The results as at 30 September 2009 show an increase over the same period in 2008:

(millions of €)	30-Sep-2008	30-Sep-2009	Abs Chg	% Chg
Area EBITDA	**10,9**	**16,0**	**+5,1**	**+46,9%**
Group EBITDA	350,4	390,1	+39,7	+11,3%
Percentage weight	3,1%	4,1%	+1,0 p.p.	

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

Income Statement (millions of €)	30-Sep-2008	Income %	30-Sep-2008	Income %	Abs Chg	% Chg
Revenues	57,1		77,4		+20,3	+35,6%
Operating costs	(34,3)	-60,0%	(46,5)	-60,1%	+12,2	+35,7%
Personnel costs	(13,5)	-23,6%	(17,6)	-22,7%	+4,1	+30,2%
Capitalised costs	1,5	2,7%	2,7	3,5%	+1,2	+75,2%
EBITDA	**10,9**	**19,1%**	**16,0**	**20,7%**	**+5,1**	**+46,9%**

As stated in the previous paragraphs, equity investments in infrastructure management companies in the telecommunications sector were consolidated in 2009, with more than 3,000 km of optical fibre and more than 7,200 customers. The consolidation of these activities, with an impact on the results of Euro 6.8 million, compensates the divestments of certain minor services in the area of Rimini that occurred in 2008.

The following table reports the main quantitative indicators in Public Lighting management:

Quantitative data	30-Sep-2008	07-apr-00	Abs Chg	% Chg
Public Lighting				
Light points (thousands)	326,0	327,1	+1,1	+0,3%
Municipalities served	63	61	-2	-3,2%

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

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 state aid declared illegitimate by the Ruling of the European Commission no. 2003/193 dated 5 June 2002, Hera Spa, on 6 April 2007, 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 filed an appeal against the aforementioned notices and injunctions with the Bologna Provincial Tax Commission (*Commissione Tributaria Provinciale di Bologna*), requesting the suspension of the execution of these payment injunctions. 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 rejected 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 1997 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. Subsequently, on 11 September 2008, the Inland Revenue office sent additional payment requests for interest related to the suspension period, paid in November 2008, for Euro 660 thousand. Appeals were filed on 3 October 2008 against the aforementioned rulings issued by the Bologna Provincial Tax Commission and currently we are waiting for the hearings to be scheduled.

Please also note that, under the terms of agreements made between shareholders at the time of the incorporation giving rise to the creation of Hera SpA and reported in the IPO prospectus, local authorities undertook "to compensate Hera SpA for any cost, loss or damage sustained by the same in relation to mandatory regulatory measures revoking tax benefits that the company and the companies taking part in the incorporation have enjoyed". Consequently no cost has been booked in this regard. As regards the above, it is worth noting that on 31 December 2007, some Municipality Shareholders set up suitable 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 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 Hera Spa, on 10 May 2007, under the provisions of, and in compliance with, the Legislative Decree dated 15 February 2007, the notices-injunctions for the recovery of State Aid related to the 1997, 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 Modena Inland Revenue office issued partial amendments relating to the communicated notices/orders, requesting the Company, as a way of settling the issue, pay a minimal amount resulting from the failure to acknowledge withholding taxes incurred. Furthermore, in the period between June 2007 and February 2008, the collection agency made demands for payment to Hera Spa in order to recover alleged State Aid in relation to mortgages granted by the Cassa Depositi e Prestiti to some companies/consortia then merged in Hera Spa. Total tax assessments amounted to Euro 3,024 thousand. Hera contested the demands with the Bologna Provincial Tax Commission, which referred the matter to the ordinary judicial authority (*Autorità Giudiziaria Ordinaria)* where the legal procedures in question will be resumed. Hera also 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 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 Law 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.

Note that art. 24 of Italian Legislative Decree 185 of 29 November 2008, converted with changes into Law 2 of 28 January 2009, put the Inland Revenue office in charge of recovering aid equivalent to unpaid taxes and their interest due to the fiscal moratorium, “in order to fully implement” the 5 June 2002 decision of the Commission mentioned above.

As part of this provision, on 30 April 2009 the Regional Management of Emilia Romagna issued three notices regarding the position of former Meta for tax years 1997, 1998 and 1999, giving due consideration to the opinion issued by the Prime Minister's Office, and shared by the Attorney General's Office, with particular reference to the exclusion of profits that were re-issued into the public from taxable income, as said profits were distributed as dividends to shareholding public authorities, and the exclusion from taxable income of the share of earnings related to the Electricity Area (net of profit distributed related to said area). On 8 May 2009, the payment of Euro 4,823 thousand was made.

On 7 July 2009, the Company submitted appeals against the notice of assessment in questions to the Bologna Provincial Tax Commission, requesting their cancellation; the hearing has not yet been scheduled.

With reference to the aforementioned art. 24 of Decree no. 185 of 29 November 2008, as regards the position related to the former Seabo, on 12 June 2009 Hera submitted to the Bologna Inland Revenue office and the Regional Management of Emilia Romagna – Large Tax-payer's Office – a request for partial cancellation of the notifications/orders received on 6 April 2007 regarding tax recovery for years 1997, 1998 and 1999.

This request was based on the instructions in the opinion issued on 28 April 2009 by the Prime Minister's Office – shared by the Attorney General's Office – which maintained that recovery of State Aid from companies that benefitted from the so-called fiscal moratorium must meet specific criteria. Specifically, as regards the interest in question, the opinion provided that the calculation of the taxable income is made considering, among other things, dividends distributed by said companies to shareholding public authorities. In fact, profits that were distributed as dividends to shareholding public authorities do not constitute State Aid, in that said profits did not change the competitive situation between the companies benefitting from tax exemption and their competitors. The portion of profits distributed to the shareholding public authorities in the years in question for the recovery were "re-issued in public circulation" and the tax exemption related to such did not produce any bias in the competitive situation.

Therefore the criteria established in the cited opinion by the Prime Minister's Office were adopted by the regional agencies of the Inland Revenue office in issuing the aforementioned notices pursuant to art. 24 of Legislative Decree 185/08, as with the case of the merged company formerly Meta S.p.A. As it is acknowledged that the situation of the former Seabo is similar, it is evident that the recovery of the effective State Aid cannot occur under the same criteria, given the dividends distributed to shareholding public authorities over the years in questions for the recovery, equivalent to a total of Euro 29,689 thousand.

Finally, for full information, note that on 11 June 2009, the Court of First Instance of the European Community issued a ruling on the appeals submitted by Italy, together with some companies, against the decision European Commission 2003/193/EC. The decision by the European Union judges rejected, or declared inadmissible, the appeals submitted, confirming the legitimacy of the cited decision by the European Commission. Hera S.p.A. did not participate in the ruling in question for some of the positions stated above.

Art. 19 of Legislative Decree no. 135 of 25 September 2009, published in Official Gazette no. 223 of 25 September 2009, added paragraph 1-bis to art.24 of Legislative Decree no. 185 of 29 November 2008, establishing that:

- gains from extraordinary transactions are not included when calculating taxable income in relation to the recovery of aid equivalent to the taxes not paid and related interest;
- to properly calculated taxable income, notices issued by the Inland Revenue office may be supplemented or increased through new notices;
- the payment of the amount due based on the aforementioned supplementary notices must occur by the fifteenth day following the date of the said notices.

On 2 October 2009, the Regional Management of Emilia Romagna - Large Tax-payer's Office – issued two further notices to the former Meta S.p.a. related to the tax years 1998 and 1999, "supplementary" to those already issued on 30 April 2009, refusing to acknowledge the two reductions that were previously admitted based on the opinion of 28 April 2009 issued by the Prime Minister's Office, shared with the Attorney General, related to the share of profits reissued into public circulation as a result of dividend distributions to shareholding public authorities and the additional portion of profits realised in the Electricity Area. The amounts requested total Euro 22,714 thousand, of which Euro 12,590 thousand for capital and Euro 10,124 thousand for interest.

On the same date, the Regional Management of Emilia Romagna - Large Tax-payer's Office – issued four notices to the former Seabo S.p.a., related to the tax years 1997, 1998 and first–half of 1999 and second half of 1999, in order to recognised the relief already included in the Report on Findings of 17 October 2005, which were not considered when the notice-injunctions of 6 April 2007 were issued, as art. 1 of Legislative Decree no. 10 of 15 February 2007, granted at that time powers of "pure liquidation" of the declarations of the tax-payers to the Inland Revenue Office.
Nonetheless, it is useful to refer to art. 24 of Legislative Decree no. 185 of 29 November 2008 went beyond said limitations to the recovery activity of the Inland Revenue office, granting them to the ordinary notification powers; despite this, when the Regional Management met to define the position of the former Meta S.p.a., the office stated that it did not want to proceed against Hera S.p.a. for the higher taxable income, as evidenced by the Report on Findings of 17 October 2005 of the former Seabo.
The amounts requested for the former Seabo total of Euro 757 thousand, of which Euro 386 thousand for capital and Euro 371 thousand for interest.

1.10 *Analysis of the Group's Net Financial Position:*

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

	(millions of €)	30-Sep-2009	Income %	31-Dec-2008	Income %	Abs Chg	% Chg
a	**Cash and cash equivalents**	**148,6**		**193,6**			
b	**Other current financial receivables**	**18,6**		**6,8**			
	Current bank payables	-275,5		-109,7			
	Current portion of bank debt	-73,3		-79,3			
	Other current financial payables	-14,2		-15,0			
	Financial leasing payables due within the next financial year	-5,1		-4,7			
c	**Current financial indebtedness**	**-368,1**		**-208,7**			
d=a+b+c	**Net current financial indebtedness**	**-200,9**	**10,6%**	**-8,3**	**0,5%**	**+192,6**	**-2320,4%**
e	**Non-current financial receivables**	**8,9**		**8,5**			
	Non-current bank debt	-418,8		-439,4			
	Obligations issued	-1.152,2		-999,7			
	Other non-current financial payables	-121,0		-121,4			
	Financial leasing payables due after the next financial year	-13,0		-11,2			
g	**Non-current financial indebtedness**	**-1.705,0**		**-1.571,7**			
h=e+f+g	**Net non-current financial indebtedness**	**-1.696,0**	**89,4%**	**-1.563,2**	**99,5%**	**+136,0**	**-8,7%**
i=d+h	**Net financial indebtedness**	**-1.896,9**	**100,0%**	**-1.571,5**	**100,0%**	**+328,6**	**-20,9%**

The net financial position went from the Euro 1,571.5 million registered as at 31 December 2008 to Euro 1,896.9 million as at 30 September 2009. In addition to the consolidation of the companies operating in the telecommunications sector, the increase is due to the increase in turnover and investments made. The increase compared to 30 June is consistent with the prior year.

An indebtedness mainly comprising medium/long-term debt, which covers approximately 90% of total indebtedness is confirmed, duly offsetting the Group's financial and asset structure characterised by a high value of fixed assets.

The medium/long-term indebtedness percentage increased due to a loan of Euro 150 million subscribed in August, bringing it in line with the previous year.

1.11 Uman Resources

The Hera Group had 6,562 employees as at 30 September 2009 (consolidated companies), with the following breakdown by role: Managers (126), Middle Managers (324), Employees (3,195), and Workers (2,917). This workforce was the result of the following changes: new recruits (157), resigned resources (105), changes in scope of consolidation (+119).

	31-Dec-2008	30-Sep-2009	Change
Managers	115	126	11
Middle managers	306	324	18
Employees	2980	3195	215
Workers	2990	2917	-73
Total	**6,391**	**6,562**	**171**

The actual changes are included in the following table:

	30-Sep-2009
Staff employed at the end of 2008	**6,391**
New recruits	157
Resigned resources	-105
Net Flow	**52**
Changes in the scope of consolidation *	119
Staff employed at the end of current period	**6,562**

New recruits over the year were mainly due to:

- consolidation of fixed-term contracts to open-ended contracts
- new recruits of professional profiles non yet present within the Group
- changes in scope of consolidation with joining companies (see details)

* Changes in scope of consolidation: 80 for Acantho consolidation – 28 for Satcom consolidation - 11 for acquisition of the Urbania landfill (Marche Multiservizi)

2 – Consolidated Quarterly Financial Statements

2.01 Income Statement

2.01.01 Consolidated Income Statement

thousands of €	30-Sep-2009 (9 months)	30-Sep-2008 (9 months)	3rd Quarter 2009 (3 months)	3rd Quarter 2008 (3 months)	31-Dec-2008 (12 months)
Revenues	3,064,861	2,556,516	918,814	804,135	3,716,336
Change in inventories of finished products and work in progress	1,809	7,032	1,013	4,830	2,604
Other operating revenues	54,287	39,536	23,276	9,943	73,081
of which non-recurring	*15,800*				
Use of raw materials and consumables (net of changes to raw materials inventories and stocks)	-2,041,019	-1,616,782	-591,744	-520,338	-2,421,439
Service costs	-560,701	-530,417	-193,502	-174,641	-716,045
of which non-recurring	*2,313*				
Personnel costs	-261,068	-250,542	-82,706	-77,647	-331,078
Amortisation, depreciation and provisions	-196,820	-170,381	-69,140	-55,477	-247,556
Other operating costs	-25,636	-29,482	-9,616	-9,963	-43,688
Capitalised costs	157,565	174,498	53,221	56,465	248,530
EBIT	**193,278**	**179,978**	**49,616**	**37,307**	**280,745**
Portions of profits/losses from associated compar	2,003	1,080	-9	383	2,123
Financial income	18,970	13,022	13,199	1,713	22,162
Financial charges	-106,751	-91,546	-47,149	-27,974	-116,169
Total financial management	**-85,778**	**-77,444**	**-33,959**	**-25,878**	**-91,884**
Other non-operating costs	-15,705	-5,611	-12,976	0	0
Profit before income taxes	**91,795**	**96,923**	**2,681**	**11,429**	**188,861**
Income taxes for the period	-42,536	-40,417	-5,243	-4,508	-78,597
Net profit for the period	**49,259**	**56,506**	**-2,562**	**6,921**	**110,264**
Attributable:					
Parent Company shareholders	42,042	46,155	-4,727	4,953	94,765
Minority shareholders	7,217	10,351	2,165	1,968	15,499

2.01.02 Aggregate Income Statement

€ / 000	30-Sep-2009	30-Sep-2008
Net profit (loss) for the period	**49,259**	**56,506**
- change in cash flow hedge reserve (net of taxation)	-5,126	-824
- change in cash flow hedge reserve in companies valued under the equity method (net of taxation)	-331	373
Total aggregate profit (loss) for the period	**43,802**	**56,055**
Attributable to:		
Parent company shareholders	36,829	45,678
Minority shareholders	6,973	10,377

This table is prepared as required under Revised IAS 1. Specifically the accounting standard requires that certain components recorded as contra entries to shareholders' equity must be highlighted. It should be noted that said entries refer to unrecognised profits (losses) as at 30 September 2009 generated by the valuation of total hedge derivative financial instruments.

2.01.03 Earnings per share

Profit (loss) per share is calculated based on IAS 35 as illustrated in the following table:

	Financial Year 2009 30-Sep-2009	Financial Year 2008 30-Sep-2008
Group profit (loss) for the period (A) (figures in thousands of €):	42,042	46,155
Average weighted number of shares in circulation to calculate profit (loss) per share		
- base (B)	1,030,265,445	1,031,911,618
- diluted (C)	1,030,265,445	1,031,911,618
Profit (loss) per share (in €)		
- base (A/B)	0.041	0.045
- diluted (A/C)	0.041	0.045

2.02 Consolidated Balance Sheet

€ /000	30-Sep-2009	31-Dec-2008
ASSETS		
Non-current assets		
Tangible fixed assets	3,070,701	2,889,134
Intangible fixed assets	194,388	197,190
Goodwill and consolidation difference	378,153	372,696
Equity investments and securities	90,083	98,524
Financial assets	9,467	8,597
Deferred tax assets	66,183	60,329
Derivative financial instruments	628	241
	3,809,603	**3,626,711**
Current assets		
Inventories	52,905	60,735
Trade receivables	1,082,179	1,161,295
Long-term contracts	23,786	21,704
Financial assets	19,757	7,655
Derivative financial instruments	153,607	300,387
Other current assets	198,704	133,625
Cash and cash equivalents	148,578	193,635
	1,679,516	**1,879,036**
TOTAL ASSETS	**5,489,119**	**5,505,747**

cont.d

€ /000	30-Sep-2009	31-Dec-2008
EQUITY AND LIABILITIES		
Share capital and provisions		
Share capital	1,032,738	1,032,738
-Reserve for treasury shares at par value	-2,415	-2,300
Reserves	428,893	413,301
-Reserve for treasury shares at premium	-1,461	-1,529
Reserve for derivative instruments at fair value	-21,530	-16,125
Profit (loss) carried forward	2,061	4,383
Profit (loss) for the period	42,042	94,765
Group Shareholders' Equity	**1,480,328**	**1,525,233**
Minority interests	56,776	53,892
Total Shareholders' Equity	**1,537,104**	**1,579,125**
Non-current liabilities		
Loans – maturing after the following year	1,692,494	1,560,658
Provision for employee leaving indemnities and other similar benefits	103,569	105,788
Provisions for risks and charges	186,430	193,789
Deferred tax liabilities	125,007	121,454
Financial leasing payables – maturing after the following year	12,979	11,175
Derivative financial instruments	39,607	23,571
	2,160,086	**2,016,435**
Current liabilities		
Payables to banks and loans – maturing within the next year	364,118	204,818
Financial leasing payables – maturing within the next year	5,128	4,737
Trade payables	909,681	1,084,427
Income taxes payables	131,676	119,173
Other current liabilities	240,884	201,723
Derivative financial instruments	140,442	295,309
	1,791,929	**1,910,187**
Total liabilities	**3,952,015**	**3,926,622**
TOTAL EQUITY AND LIABILITIES	**5,489,119**	**5,505,747**

2.03 Consolidated Cash Flow Statement

Consolidated cash flow statement	30-Sep-2009		30-Sep-2008	
Operating activities				
Cash flow				
Group and third-party profit	49,259		56,506	
Depreciation and write-downs of tangible fixed assets	128,908		110,188	
Amortisation and write-downs of intangible fixed assets	34,456		32,369	
Total cash flow	**212,623**		**199,063**	
Changes in prepaid and deferred taxes	2,747		(183)	
Provision for employee leaving indemnity and other similar benefits:				
Provisions / (uses)	(2,844)		(1,327)	
Provisions for risks and charges:				
Provisions / (uses)	(9,307)		13,586	
Total cash flow before changes in net working capital	**203,219**		**211,139**	
Working capital				
Changes in trade receivables	66,787		86,886	
Changes in inventories	6,234		(24,340)	
Changes in other current assets	(60,695)		38,160	
Changes in trade payables	(173,731)		(106,445)	
Changes in tax liablities	10,670		61,173	
Changes in other current liabilities	35,603		4,424	
Changes in derivative financial instruments	(8,087)		(2,441)	
Changes in working capital	**(123,219)**		**57,417**	
Changes in non-current derivative financial instruments	**10,244**		**1,427**	
Cash generated from operating activities		**90,244** a)		**269,983** a)
Investment activities				
Divestiture/(investment) in tangible fixed assets				
after net investments/divestments	(266,254)		(298,400)	
Divestiture/(investment) in intangible fixed assets				
after net investments/divestments	(16,440)		(2,110)	
Goodwill	0		(2,979)	
Equity investments net of divestitures	(778)		(2,302)	
(Increase) / decrease in other investing activities	(12,972)		5,217	
Cash generated/(absorbed) by investment activities		**(296,444)** b)		**(300,574)** b)
Financing activities				
Medium/long-term loans	111,422		(31,339)	
Changes in shareholders' equity items	(5,422)		4,938	
Changes in short-term bank debt	153,340		80,374	
Dividends distributed	(94,565)		(92,922)	
Changes in financial lease payables	(3,632)		(4,803)	
Cash generated/(absorbed) by financing activities		**161,143** c)		**(43,752)** c)
		(45,057)		**(74,343)**
		(a+b+c)		**(a+b+c)**
Change in net financial position				
Cash and cash equivalents at the beginning of the period	193,635		211,014	
Cash and cash equivalents at the end of the period	148,578		136,671	
	(45,057)		**(74,343)**	

2.04 Statement of Changes in Shareholders' Equity

	Share capital	Reserves	Reserve for derivative instruments at fair value	Profit for the period	Shareholders'Equity	Minority interests	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				46,155	**46,155**	10,351	**56,506**
Other components of the aggregate result as at 30 September 2008:							
change in fair value of derivates during the period		3,458	-3,935		**-477**	26	**-451**
Total Aggregate Profit for the period		**3,458**	**-3,935**	**46,155**	**45,678**	**10,377**	**56,055**
treasury shares owned	-882	-428			**-1,310**		**-1,310**
share capital increase for the merger by incorporation of Sat - shareholders' meeting of 16 October 2007	14,540	30,288			**44,828**		**44,828**
share capital increase for the conferral in kind - shareholders' meeting of 16 October 2007	1,446	3,015			**4,461**		**4,461**
change in scope of consolidation		-3,816			**-3,816**	2,513	**-1,303**
other transactions		16			**16**	7	**23**
2007 profit allocation:							
- dividend distribution				-82,518	**-82,518**	-10,404	**-92,922**
- retained earnings reserve		4,666		-4,666	**0**		**0**
- other reserves		9,062		-9,062	**0**		**0**
Balance as at 30 September 2008	**1,031,239**	**421,415**	**430**	**46,155**	**1,499,239**	**49,185**	**1,548,424**

	Share Capital	Reserves	Reserve for derivative instruments at fair value	Profit for the period	Shareholders' Equity	Minority interests	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				42,042	**42,042**	7,217	**49,259**
Other components of the aggregate result as at 30 September 2009:							
change in fair value of derivates during the period		192	-5,405		**-5,213**	-244	**-5,457**
Total Aggregate Profit for the period		**192**	**-5,405**	**42,042**	**36,829**	**6,973**	**43,802**
treasury shares owned	-115	68			**-47**		**-47**
change in perimeter		724			**724**	-5,859	**-5,135**
change in scope of consolidation		193			**193**	13,849	**14,042**
other transactions		-114			**-114**	-4	**-118**
2008 profit allocation:							
- dividend distribution		-2,322		-80,168	**-82,490**	-12,075	**-94,565**
- retained earnings reserve		10,243		-10,243	**0**		**0**
- other reserves		4,355		-4,355	**0**		**0**
Balance as at 30 September 2009	**1,030,323**	**429,493**	**-21,530**	**42,042**	**1,480,328**	**56,776**	**1,537,104**

2.05 Explanatory Notes

Accounting principles and valuation criteria

The consolidated quarterly report as at 30 September 2009 (interim report on operations pursuant to art. 154-ter of Italian Legislative Decree 58/1998) was drawn up in observance of the mentioned legislative decree and the provisions of art. 82 of the Issuers' Regulation issued by CONSOB. This report is not subject to audit.

Based on the aforementioned art. 82, the consolidated quarterly financial statements have been drawn up by applying, solely to the valuations, the international accounting standards IFRS according to the contents of Attachment 3D of said regulations. Thus, these consolidated quarterly financial statements have not been drawn up in compliance with the accounting standards regarding infra-annual reporting (IAS 34 "Interim Financial Reporting"). That being stated, the accounting principles in effect and not changed in 2009 are the same as those adopted in drawing up the consolidated financial statements as at 31 December 2008. Please refer to them for full details. In addition, refer to the half-year financial report as at 30 June 2009 for a description of accounting principles, amendments and integrations applied from 1 January 2009.

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

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

Data in these quarterly consolidated financial statements are comparable with those of previous periods, except for unusual or non-recurring transaction, which will be described in detail.

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

Consolidated Financial Statements

The formats used are the same 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 our major competitors, to be in line with international practice and the best representation of company results. Please note that the item “other non-operating costs” has been added to provide more accurate information. It regards taxes of previous years, as is fully explained in the report on operations.

Note that during the third quarter 2009, an atypical, or unusual, transaction was recorded, as defined by CONSOB Communication no. 6064293 of 28 July 2006. Specifically, effective 1 July 2009, the rental contracts of the gas service, district heating and cogeneration business unit dated 29 December 2000 between Hera Spa and Con.Ami Consorzio Azienda Multiservizi Intercomunale and rental contracts of the gas service business unit dated 24 February 2003 between Hera Spa and Area Asset Spa were resolved by mutual consent. This resolution envisages the back-dating of the financial effects to 1 January 2009. Therefore, the Con.Ami and Area Assets Spa companies must recognise the credit memo reversing invoices already issued for rental payments for the use of networks/plants for a total of Euro 2,313 thousand. Subsequent to this transaction, a contingent asset of Euro 15,800 thousand was recognised, as the provision for restoration of third-party assets, related to Con.Ami assets, was deemed no longer necessary, following a specific appraisal conducted at the contractual terms.

These consolidated quarterly accounts as at 30 September 2009 are subject to the approval of the Board of Directors to be held on 12 November 2009.

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

Scope of consolidation

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

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

Companies held exclusively for future sale were excluded from consolidation and valued at cost or fair value, whichever is the lesser. These equity 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 nine months of 2009 compared with the consolidated financial statements at 31 December 2008 are shown below.

Subsidiaries:

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

Ecosfera Spa: Hera Spa transferred its equity investment to Akron Spa on 3 June 2009, which remains included in the Group's consolidation area. Following this transaction, the ownership percentage at the Group level fell from 100% to 57.50%.

The companies **Acantho Spa, Modena Network Spa** and **Satcom Spa**, valued at net equity through 31 December 2008, are now consolidated on a line-by-line basis effective 1 January 2009.
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 (at market price) set forth by Art. 8 of the shareholders' agreements subscribed by the shareholders of the same Acantho 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. Following the intentions stated by Infracomm Spa, which coincided with said company relinquishing its right to guide the activities of the investee company, Hera Spa assumed effective control of Acantho Spa, beginning from 1 January 2009. Following said event, a preliminary binding agreement was signed on 22 July 2009 in which Hera purchased a further 15% (at a price of Euro 3,025 thousand) which will result in an equivalent increase in the percentage of control in the second half with respect to the 47.457% held as at 30 June 2009.

The same process was followed also for the company Satcom Spa, of which Infracomm Spa holds 47.5%. Also in this case, the exercise of the put option for 30% of the share capital in equal parts to Hera Spa and Conami Spa, together with the Infracomm relinquishing its right to guide the activities of the investee company, resulted in Hera spa gaining effective control of the company, preliminary to the line-by-line consolidation effective 1 January 2009. On 22 July 2009 a preliminary binding agreement was signed by the parties through which Hera purchased a further 15% (at the market prices of Euro 825 thousand), which will result in an equivalent increase in the percentage of control in the second half with respect to the 47.5% held as at 30 June 2009.
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 now holds an influential share of 46.24% share capital (32% held by Hera Spa, 30% held by Acantho Spa).

Marche Multiservizi Spa: On 1 July 2009, the increase in share capital from Euro 13,055,799 to Euro 13,450,012 became effective, released entirely by the new shareholder Comunità Montana Alto e Medio Metauro, through conferral in kind of the business unit relating to a landfill and composting plant.
Following this transaction, Hera's percentage fell from 41.87% to 40.64%.

Hera Rete Modena Srl and **Gastecnica Galliera Srl**: These companies, which are consolidated on a line-by-line basis as at 31 December 2008, were merged by incorporation with Hera Spa on 15 July 2009. The effect of the transaction was back-dated to 1 January 2009.

Associated companies:

Adriatica Acque Srl: Investee company owned 22.32% by Hera Comm Srl and 7.68% by Marche Multiservizi Spa. Following the transaction increasing share capital of Marche Multiservizi Spa described above, the total share of Adriatica Acque Srl declined from 25.54% al 25.44%.

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

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 given the insignificance of the values of the subsidiary.

2.06 Net Financial Indebtedness

(millions of €)		30-Sep-2009	31-Dec-2008
a	**Cash and cash equivalents**	**148.6**	**193.6**
b	**Other current financial receivables**	**18.6**	**6.8**
	Current bank payables	-275.5	-109.7
	Current portion of bank debt	-73.3	-79.3
	Other current financial payables	-14.2	-15.0
	Financial leasing payables due through the next year	-5.1	-4.7
c	**Current financial indebtedness**	**-368.1**	**-208.7**
d=a+b+c	**Net current financial indebtedness**	**-200.9**	**-8.3**
e	**Non-current financial receivables**	**8.9**	**8.5**
	Non-current bank payables	-418.8	-439.4
	Obligations issued	-1,152.2	-999.7
	Other non-current financial payables	-121.0	-121.4
	Financial leasing payables due after the next year	-13.0	-11.2
f	**Non-current financial indebtedness**	**-1,705.0**	**-1,571.7**
g=e+f	**Net non-current financial indebtedness**	**-1,696.0**	**-1,563.2**
h=d+g	**Net financial indebtedness**	**-1,896.9**	**-1,571.5**

2.07 List of consolidated companies

Subsidiary companies

Name	Registered Office	Share Capital	Percent Held		Total	Total Interest
			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		40.64%	40.64%	40.64%
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		40.64%	40.64%	40.64%
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%
Herambiente Srl	Bologna	351,000,000	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%
Ingenia Srl	Imola (Bo)	52,000	74.00%		74.00%	74.00%
Marche Multiservizi SpA	Pesaro	13,450,012	40.64%		40.64%	40.64%
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%
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		16.97%	16.97%	16.97%
Sotris Spa	Ravenna	2,340,000		70.00%	70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%	97.00%

Associated companies

Name	Registered Office	Share Capital	Percent Held		Total	Total Interest
			Direct	Indirect		
Adriatica Acque Srl	Rimini	89,033		25.44%	25.44%	25.44%
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%

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